Budget Policy Statement 2026

Budget 2025 has not delivered outcomes for those most in need, and removed funding from important interventions

Budget 2025 focused on curbing Government spending and reducing the deficit. To do so, it cut funding from areas across the books – to the tune of $5.3 billion per annum of "savings, reprioritisation and revenue-raising initiatives". These savings were achieved, however, through cuts to initiatives that directly impact New Zealanders already facing disadvantage, particularly the changes to the pay equity scheme and tightening of Jobseeker benefits. As we submitted to the People's Select Committee on Pay Equity at the time, we have significant concerns on the direction of fiscal policy on social and economic equity.

Should Budget 2026 seek further reprioritisation of funding from initiatives that focus on socio-economic outcomes, we remain concerned about the significant and on-going harm that could be caused.

Insights from our services show many New Zealanders are struggling to make ends meet

The complex global economic environment has impacted New Zealand families over 2025 and into 2026. Between low and slow-moving income levels, and high and rapidly-rising costs, it is getting even harder for people to pay for essentials let alone save for emergencies. People might be just getting by and then the car needs repairs, or a tooth gets infected.

Our loans service provides fee-free, interest free loans for essential goods and services – such as fridges, washing machines, and cars. Those who come to us have low incomes and have exhausted any other options, with the only alternative being high-cost payday lenders. High-cost lending comes with high interest rates and high fees, and can easily become unmanageable (e.g. using one form of credit to pay off another), persistent, and seriously impacts on people's ability to pay essential expenses or save for emergencies. We receive between 1,300-1,500 enquiries a month from people seeking our support.

Economic conditions have rapidly increased the expenses of many New Zealand households. For example, the majority (77%) of Good Shepherd clients live in rented accommodation, which is significantly higher than the general population (34%). While government indicators show that rental affordability is generally improving, this varies geographically and situationally meaning many people will still struggle to pay rent. Household Economic Survey data from 2024 shows that 45.9% of renters are spending 30% or more of their household disposable income on housing costs. Combined with other cost of living increases, such as the price of food, utilities and fuel, this leaves many households, such as our clients, with zero to little discretionary income for saving or servicing a loan (even a no-cost one such as ours), or weekly deficits.

Budget 2026 must tackle poverty, not exacerbate it

A substantial minority (8%) of our clients experience some form of housing insecurity or deprivation e.g. they were in transitional housing, a refuge/safe house, backpackers, a motel, living in a lockup, living with friends/family, or homeless. This is markedly higher than the 2% estimate for the general population. We note the decrease in transitional housing places (a loss of over 100 places from December 2024 to December 2025) with trepidation, especially combined with changes to the Emergency Housing SNG model. Finding long-term housing for those in temporary solutions is necessary for positive outcomes in other areas, and Budget 2026 should avoid, at all costs, exiting people into homelessness or exacerbating the conditions which risks housing deprivation for a greater number of people.

Compounding this are government policies which have impacted people's incomes. Over two-thirds of Good Shepherd's clients in the 2024/2025 year relied on government support for their main income. They were significantly more likely to be on a benefit (62%) and significantly less likely to be employed (26%) compared with the general population (13% and 67% respectively). While benefits have grown slightly in recent years, Salvation Army analysis shows that total average welfare income for a household still sits below the poverty line. This is exacerbated by the reintroduction of benefit sanctions, which punish beneficiaries viewed as 'non-compliant' with job seeking requirements. The financial sanctions imposed at the 'red' level of the Traffic Light System have a significant impact on incomes by reducing or stopping benefits. Even where sanctions are non-financial, the removal of financial autonomy through forced use of payment cards means people are restricted in paying rents or saving money for emergency expenses. When a car breaks down or a fridge stops working, people are unable to pay for a replacement and charities like Good Shepherd must step in to help to avoid harm escalating.

There is a highly gendered nature to poverty, and we see the real impact of income inadequacy in the people we work with. Data from our GoodLoans service shows that many women are working in industries which, because of a long history of undervaluing feminised work, are consistently lower-wage despite requiring skills that are comparable to higher paying, masculinised, industries. Some of the most common specific occupations listed by our female clients are: Clerical and Administrative Worker, Community Worker, Hospitality Worker, and Healthcare Worker. Statistics NZ data shows these industries/occupations continue to be female dominated and have lower average earnings. We see that women are struggling to make ends meet, being forced to choose between high-cost lending or going without essential goods and services. If these women had access to equitable, dignified income then our services may not be necessary. Financial literacy can help people manage their money, but no amount of budgeting can suffice if they're not receiving enough income to cover their expenses. Pay also impacts on retirement savings, of which there is a significant gender gap already in New Zealand, risking on-going poverty in older age. This highlights the importance of pay equity, yet the pay equity scheme was slashed to make further savings in Budget 2025.

New Zealand's fiscal prosperity and sustainability requires investment in its people

It is common in times of recession to see a return to austerity. This is occurring across the board – and especially in social welfare - to the tune of $5.3 billion in the last Budget (half of which came from the pay equity changes). What is concerning is the collective impact of these changes on those at the margins, those who already face multiple vulnerabilities and who struggle to get by day to day. Those with low incomes have less ability to save for their future, less financial resilience to weather life shocks when they arise and face more uncertainty in older age.

Non-government social service providers fill a much-needed gap in responses to poverty. Yet recent cuts to funding across the non-government sector have put increased pressure on the services that remain (for example, 1/3 of budgeting services across New Zealand were informed they would no longer receive funding in 2024, despite high demand).

The Budget Policy Statement 2026 notes that 'addressing New Zealand's longer-term productivity challenges' is a key focus of Budget 2026. Increasing productivity requires addressing poverty, including intergenerational inequality. Workers who experience financial stress and its associated mental health impacts find it harder to focus at work. Small businesses cannot start, and expand, without access to capital through savings or approval for loans. Beneficiaries trapped in the cycle of dependance will not be able to enter the job market if they cannot afford a car to get to work. Those who cannot afford essential expenses may withdraw their KiwiSaver balance due to hardship (there have been a record number of these in recent months), putting greater pressure on social services if they enter old age without any savings. Pulling back from social outcomes to focus on "core public services" and reduce spending risks false economies, such as underutilisation, health crises and so forth, all of which are costly. These choices sacrifice long-term positive outcomes for the sake of short-term savings.

Austerity in times of economic stress might provide immediate debt relief but it comes at a cost both in the present and for future generations. Economists remain unconvinced of the long-term economic effectiveness of cutting government baselines. To quote one of many: "despite the political narrative presenting austerity as an inevitable necessity for fiscal sustainability, academic literature underscores its high costs and questionable efficacy, advocating for more contextualized and equitable economic policy approaches”[1]. The question this poses is whether another “no frills” budget truly seeks long term economic recovery, or simply the short-term appearance of such in a year where voters will be heading to the booths.

About Good Shepherd New Zealand

Good Shepherd New Zealand (Good Shepherd NZ) is a charitable non-governmental organisation focused on two of the biggest issues facing women and girls in New Zealand — poverty and family violence — and challenges that stem from these. We want women, girls and their families to be safe, strong, well and connected.

We make a positive impact for women and families faced with two specific challenges:

- Going without essentials or taking on high-cost unmanageable debt
- Economic abuse and harm from family violence.

Good Shepherd NZ provides alternative lending options at a low cost — no-interest loans up to $15k for essential items, services and debt consolidation. We also work with and for people who have experienced family violence economic abuse to remove unjust debt (debt they were forced to take on or that was taken out without their knowledge) and help people access government entitlements. Our services help to reduce harm while providing people with new opportunities.

[1] Salguero, R. A. F. (2025). Austerity in Crisis?: A Narrative Review of Its Economic, Social, and Political Effects in Times of Crisis. *arXiv preprint arXiv:2510.10449*.