

New Wine in Old Bottles: Social Security in New Zealand 1984-1990

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New Wine in Old Bottles: Social Security in New Zealand 1984 - 1990

by
Mike O'Brien



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Foreword

New Zealand and Australia share a number of common features which have affected the development of their economic and social structures; these broad similarities have stimulated the Social Policy Research Centre to forge and maintain links with researchers in New Zealand who have an interest in the social policy area.

This report by New Zealander Mike O'Brien is an account of the changes to social security provisions made by the fourth Labour government (1984-1990) in New Zealand. It describes not only the changes which were put into place, but those which were planned for enactment at the time that the Labour government lost office. The changes effected by the National government which came to power in 1990 are also described.

The changes themselves affect benefit levels and taxation, and have an impact on all aspects of social security, on income distribution (though this is not a central theme of this report) and on poverty levels. Although the report refers to New Zealand legislation and social security structure, these issues are of very general concern and interest.

Alterations to a system are better understood in a context of the development of that system, and this report presents such an historical background before proceeding to an analysis of the more recent changes. In addition there is an account of the consultative processes which were undertaken before the changes were made. An analysis of the submissions made to the various task forces and review bodies indicates which were successful in having their suggestions accepted and those that were not. This analysis provides some basis for understanding the influences on government and on the process of decision making. It may be useful to a wide readership who have an interest in factors and processes shaping social policy.

Sheila Shaver
Acting Director

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1 Introduction

During the period of the fourth Labour government in New Zealand, significant changes to social security were made or planned. These changes are the focus of this paper. The paper is designed to answer four questions and is built around two central arguments. These four questions are: What were the changes in the income levels, the structure, the coverage, and the regulations associated with and surrounding social security benefits between 1984 and 1990? How do those changes reflect the historical forces developing social security in New Zealand? How were the changes promoted and put in place? How do the social security changes relate to wider income distribution questions during those six years?¹

The two central arguments are: first, that the changes reflected many of the historical features surrounding social security development. Second, while there were some improvements, the changes produced a deterioration in the position of beneficiaries vis-a-vis the rest of society. Although the Labour government lost the election in 1990, the study includes changes proposed to come into effect during 1991 and 1992. These changes are included because the legislation had been introduced into Parliament, and because they were changes which flowed from the review processes undertaken by the Labour government.

I will also include a brief discussion of the changes and benefit cuts put in place by the National government following its election in 1990. I have included these in the discussion because they are the latest changes and because they follow on from some of the changes introduced by Labour. Despite the fact that the Labour government did not cut benefits directly, the National government cuts were possible because of the changes made by the Labour government.

Before beginning the examination and analysis a few brief introductory comments are necessary. This paper is concerned with the changes in policy since 1984 that have an impact on social security particularly, and to a lesser extent on income distribution more generally. The paper will therefore extend beyond discussion of social security, particularly in the sense that it will be examining social security in relation to wage distribution changes, changes in disposable income and changes in taxation, as well as changes in benefit levels and benefit regulations.

The significance of addressing the wider questions arises from an approach to poverty which locates poverty firmly in the broader context of the overall pattern of income distribution and of inequality. Poverty has been neatly described by George and Lawson as: 'the tail end of inequality' (George and Lawson, 1983: 3).

1 There were also major developments in relation to accident compensation; except insofar as these relate to social security changes, they will be omitted from the discussion here because of space considerations.

This is not to argue that poverty and inequality are synonymous, but rather that poverty can be understood most satisfactorily in the context of inequality. (For a fuller discussion of the link between poverty and inequality, see Alcock, 1987; Novak, 1988; Townsend, 1980, 1987a; George and Lawson, 1983).

Poverty has been defined and described in various ways in the social security literature. (For a comprehensive approach to definitions of poverty, see Townsend, 1980; Townsend 1987b; Alcock, 1987; George and Howards, 1990). Central to current uses is an acceptance of a relative approach in which poverty is related to the standards prevailing in the community at any given time. The Royal Commission on Social Security (1972) adopted a relative definition of poverty, an approach which has been widely accepted in both the international literature on poverty and to some extent in government policy on social security. While the Royal Commission's approach was essentially narrow and conservative, it defined poverty in terms of the extent to which belonging and participation in the community were possible. Poverty, the Report of the Royal Commission on Social Security (1972) argued, should be defined on the basis of the extent to which the level of income facilitated belonging and participation. The relative approach to poverty set out by the Royal Commission on Social Security (1972) clearly related benefit levels to the incomes in the community, but did so in a way that was conservative in both its choice of income reference point and in the methods by which it considered that benefit eligibility and benefit entitlement should be established. It would be possible to develop these arguments much more extensively, but this is not necessary here. (For a comprehensive analysis of the Royal Commission on Social Security, 1972, see O'Brien, 1991)

One further point needs to be made by way of introduction. In theory, there is a fundamental tension between the principles on which income is distributed in the market, and the principles by which the state operates to distribute income. The market pays no consideration at all to 'need' in its distribution of income. On the other hand, 'need' is often expressed as the fundamental consideration determining the allocation of income through the state processes. For example, the 1972 Royal Commission on Social Security continuously emphasised 'need' as the basis on which social security decisions ought to be made. Such a simple distinction, however, belies the ways in which social security distribution processes are linked with the market: the two are not in marked opposition, even though they are often presented in this way. This is most evident in many of the continually recurring themes in social security. These themes reflect those ideological, political and economic conflicts and struggles. At a concrete level, the themes are reflected in the social security provisions in areas such as the emphasis on the family as the primary provider, the continuing stress on work incentives, the emphasis on the need to maintain a gap between benefits and wages (the principle of 'less eligibility'), the stress on benefit abuse and fraud (what Alan Deacon has called 'scroungermania', Deacon, 1983). The significance of these themes will be important considerations in the paper.

The paper has four following sections. Section Two is a brief discussion of the historical development of social security in New Zealand. I do not set out to provide a comprehensive history of the development of social security, but rather to concentrate on two particular aspects, namely the changing role of the state and the struggles around what the state should do, and second, the ways in which those contradictions I referred to above have been reflected in that historical development. From here, the paper moves on in Section Three to examine how the changes were effected. The focus here is on the various groups and review interests that attempted to influence the direction and form of the changes.

Section Four examines the impact of the changes. Section Five draws out the conclusions that arise from reviewing the evidence and argues that the changes put in place by the newly elected National government in April 1991 were in part facilitated by the change process initiated by the previous government. It is important to reiterate here that the focus of concern in this paper is more specific than poverty generally. I am concentrating here on social security and the changes therein during the 1984-90 period of Labour monetarism. I will touch on other aspects of income distribution but these are not the major concern here, important though they are. Indeed, as I will demonstrate, one of the effects of Labour monetarism has been to increase the inequalities in New Zealand. The economic policy pursued by the Labour government, and the other policy developments are important elements affecting and linked to social security changes. Many aspects of the economic changes are set out in an accompanying Paper, 'Changes in the New Zealand Social Services' (O'Brien, forthcoming); they will not be repeated here.

The comments in this introductory section have been designed to place discussion of social security in the wider context of incomes and poverty. A further important part of the context is the historical development of social security in New Zealand. It is to that I now turn.

2 The Development of Social Security in New Zealand

This section follows the historical development of social security in New Zealand, particularly focusing on the struggles surrounding the respective roles of the state and of the family, the distinctions between the deserving and undeserving poor, and the relations between the needs of the poor and the economic and political structures. The section will concentrate on the legislative changes that have occurred since European settlement; these changes provide the organisational, administrative, political and ideological basis for responding to poverty and hence are extremely valuable landmarks through the historical journey. While the historical development is not exclusively about legislation, the legislation is important in that it reflects many important themes and contradictions set out above. (For an historical study which investigates the development of social security as experienced, as distinct from the legislation, see Tennant, 1989).

2.1 Early European Settlement, 1840 - 1898

The struggles between the role of the state and the role of the family, and the stress on the latter, was a constant emphasis throughout this period. The major pieces of legislation demonstrate this well. The first Ordinance in 1846 - 'Ordinance for the support of destitute families and illegitimate children' - placed responsibility for support on the family. Father, grandfather, mother, grandmother and the children of destitute persons were liable for the support of the destitute person. A husband could be fined for deserting his wife or their children, or failing to support them, or leaving his wife or children without means of support.

This emphasis on the family as the unit responsible for support was even more clearly illustrated in the 1877 Destitute Persons Act, 'An Act relating to destitute persons, illegitimate children, and deserted wives and children'. The Act provided that 'the near relative of a destitute person shall if of sufficient ability be liable to support every such destitute person'. 'Near relative' was defined to include 'father, stepfather, grandfather, mother, stepmother, grandmother, children (other than step-children), brother' of a destitute person. Destitute person was defined to mean 'a person unable to support himself or herself by his or her own means of labour'. The near relative could be ordered to pay up to 20/- per week in support of the destitute person on the order of a Magistrate. The father or mother of an illegitimate child could also be the subject of an order to support that child. Similarly, proceedings could be taken to ensure that support was provided out of the estate of a deceased person. Such orders could not be made if a deceased or lunatic person left a widow or child who would be affected by such an order. The Act also provided for the Magistrate to make an order if he thought that the father or mother intended to desert a child. The Magistrates could also order the seizure of property in order that the maintenance obligations to government could be met. This would not apply,

however, if there were insufficient funds to maintain a destitute person. The provisions of this Act were applied in 1885 to the situation of those receiving relief from the Hospital and Charitable Aid Board.

The concept of poverty reflected in the definition of a 'destitute person' above was also shown in the 1866 Vagrant Act and the 1867 Neglected and Criminal Children Act. In the former, idle and disorderly were defined to include, *inter alia*, persons having insufficient lawful means of support, beggars, or persons 'other than an aboriginal native or the child of any aboriginal native' who could not explain to a justice that he has a lawful fixed place of residence and a lawful means of support. The same Act defined as a rogue and vagabond any person soliciting, gathering or collecting alms. The 1867 Neglected and Criminal Children Act defined a neglected child to include any child begging or receiving alms; children found to be wandering or sleeping in the open air who did not have a home or settled place of abode or visible means of subsistence were also considered to be neglected.

2.3 Initial State Benefits, 1898 - 1938

Towards the latter end of the previous period, there were signs of direct state assistance through attempts to establish state pensions for the elderly. These attempts failed, opponents arguing, *inter alia*, that such state provision would discourage independence and would lessen family responsibility. Old age pensions were finally introduced by the 1898 Old Age Pensions Act. The pension was to be paid to everyone over the age of 65, subject to a 25 year residency clause. There was an income test, pensions being limited to those with an annual income of less than 52 pounds. From 18 pounds the pension was abated at the rate of pound for pound. It was also subject to a test of property. The Act very clearly reflected the distinction between the deserving and the undeserving; the preamble to the Act demonstrated this well:

whereas it is equitable that **deserving** persons who during the prime of life have got to bear the public burden of the colony by the payment of taxes and to open up its resource by their labour and skill should receive from the colony a pension in their old age. (1898 Old Age Pensions Act, *my emphasis*)

This distinction between the deserving and the undeserving was also shown clearly in the ways in which particular groups were excluded from eligibility. Persons who had been imprisoned for four months in the previous twelve years or for five years within the previous 25 were disqualified; so also was a husband who had deserted his wife for six months or had failed to maintain her or neglected to maintain his children. He also had to be of good moral character and for the five years prior to receipt of the pension to lead a sober and reputable life.

If the person approved for a pension was maintained in a charitable institution, the cost of that maintenance or relief was payable out of the pension. Benefits under the Act were not available to aliens, naturalised subjects, Chinese or other Asiatics or

aboriginal natives to whom money other than pensions were paid out of the sums appropriated for native purposes. Maori also had to have their age corroborated, and the property clause disqualified a significant number of Maori.

The responsibility of the family was central to the 1910 Destitute Persons Act; a near relative was responsible for the maintenance of a destitute person. 'Near relative' was defined as father, grandfather, mother, grandmother, son, daughter, grandson, granddaughter, brother or sister. In the case of an illegitimate person, 'near relative' was defined to mean mother, mother's father or mother, son, daughter, grandson or granddaughter. It also included the father of an illegitimate person or the father or mother of that putative father. A destitute person was defined as a person who was unable to support himself, either permanently or temporarily, by his own means of labour and included any lunatic who did not have sufficient estate for his own maintenance. There were also extensive provisions for maintenance of both separated wives and children built into the Act and for the provision of any property to be sold to meet maintenance obligations. The Act also included provisions for imprisonment if a person failed to provide his wife or child with adequate maintenance. Two points stand out here for our present purposes; first, the definition of poverty reflected in the earlier legislation is evident once again. Second, there was a clear expectation of independence and of work as the primary source of income; the state should have only a minor, residual role.

The final piece of legislation that requires identification in this era is the 1911 Widows Pension Act. Under this Act, widows without children were not eligible and had to be almost destitute to secure a benefit. Ownership of a home was considered to constitute income. Widows had to be of good character, to be British subjects and not be Asian. The rate was less than that paid under the Old Age Pensions Act. Tennant claims that those with large families were better off on charitable aid, and had to be encouraged to move to a widows pension (Tennant, 1989:108).

There was some extension of benefit provision during the latter part of this period, an extension which reflected an increasing role for the state, although comparatively limited. The emphasis on the distinction between the deserving and the undeserving was evident again here; it was a part of all the major pieces of legislation during this period.

The 1915 Miners Phthisis Act provided payment to miners incapacitated for work because of pneumoconiosis. It was paid at the rate of one pound per week for a widower or a married man with children under 14 years, and 15/- per week in the case of an unmarried man. It was higher than the rate of the widows benefit. The person applying had to be a British subject, be naturalised, had to be resident and had to be of good moral character and sober habits. Many of the provisions that applied under the Old Age Pensions Act were also utilised here, namely that he could not have been convicted of an offence punishable by imprisonment for more than two years, or deserted his wife or failed to provide for his children.

The 1924 Pensions Amendment Act increased the amount which could be earned before the income test applied, and, *inter alia*, also made provisions for the payment of a pension to the mother of a child or children whose father was dead, even if she was not entitled to a pension, but was 'in need of and deserving of the relief for which provision is made'.

The Act introduced pensions for the blind; the relevant section included the clauses referred to previously in relation to being of good moral character and sober habits, and not being previously in prison. The pension would, however, only be paid if relatives were unable to maintain him, relatives being defined to mean father, mother, husband, wife, daughter, brother or sister.

This categorisation between the deserving and the undeserving was also included in the 1926 Family Allowance Act; although limited, the state now accepted some responsibility for the maintenance of children. The Act introduced the payment of an allowance for children under the age of 15. This excluded illegitimate children, children not maintained in the family of an applicant or children in respect of whom a pension was paid out under the Pensions Act or the War Pensions Act. It applied only to the third or subsequent children and was income tested. Payment could be extended in the case of handicapped children who would be unable to earn a living even though they had reached the age of 15. Generally the payment was to be made to the mother. There was also a residency requirement for both the applicant, his wife, and the child of one year. Aliens, Asiatics, whether naturalised or not, were omitted. The Commissioner was given discretion to refuse an allowance if the applicant or his wife were of bad character or guilty of offences. He could also refuse to grant an allowance if he was not satisfied that the allowance was being used for the maintenance or education of the child.

A Pensions Act in the same year consolidated provisions for the elderly, widows, the blind and miners. The distinctions between the deserving and the undeserving were maintained for each of these beneficiary groups and there was still an emphasis on the role of relatives in providing support. This applied particularly in relation to the blind. Income testing, noted in the 1898 Old Age Pensions Act, remained a central component of this Act.

Until 1930 there was no direct provision for the unemployed. The Unemployment Act of that year created an Unemployment Board, funded out of an unemployment levy, payable at the rate of 30/- a year by all males over the age of 20. The Board was charged with making arrangements with employers or prospective employers to employ unemployed people, to take such steps as necessary to promote the growth of primary or secondary industries and to make recommendations to pay sustenance allowances. The maintenance of the central importance of paid work, and of work discipline, basic features of social security, were clearly illustrated here. These were illustrated particularly in the recurring cry that there should be no money without work and in the payment of a sustenance allowance at a level that disregarded prevailing wage levels. This is designed to reinforce the importance of paid work, irrespective of the adequacy of the wage rates paid for that work.

The development of social security since the passage of the 1898 Old Age Pensions Act, and the gradually increasing state involvement does not mean I am regarding the state in a benign, benevolent fashion. I am not arguing that the greater state role arose from some inevitable process. Rather, I would argue that the greater state activity arose from a number of sources including working class demands, the needs of capital, the fear of social disruption, to name but three. It is beyond my task here to explore the relative significance of these, and other influences. For present purposes, I simply want to emphasise the increasing demands for state intervention as a response to poverty. The election of the Labour government in 1935 and the subsequent passage of the 1938 Social Security Act reflected some elements of the legislative outcomes of these demands.

2.3 Extension of State Provided Social Security, 1938 - 1950

The 1938 Social Security Act established the base of the social security system as it existed in 1984. It included benefits for the elderly, widows, orphans, children, invalids, miners, the sick, the unemployed, those who had fought in the Land Wars², and an emergency benefit.³ The preamble to the Act described it as:

An Act to provide for the payment of superannuation benefit and other benefits designed to safeguard the people of New Zealand from disabilities arising from age, sickness, widowhood, orphanhood, unemployment or other exceptional conditions. (1938 Social Security Act, preamble)

It is not necessary to set out the details of each benefit. A brief comment on the more general features will suffice for our present purposes. The Act created two tiers in relation to superannuation, a universal payment payable to all persons over the age of 65, limited because of residency, and an age benefit income tested from the age of 60. In addition to the residency clauses, the age benefit was not payable to a man who had deserted his wife or had failed to provide adequate maintenance for her or the children, to a woman who deserted her husband or children, or to either men or women who were not of good moral character or sober habit.

The deserving poor, reflected here in the clause debarring from a benefit those who were not of good moral character or sober habits, was a persistent theme in the Act. It was included in the clauses establishing a widows benefit, the family benefit, the invalids benefit, and Land War benefits.

2 The term 'Land Wars' is used to refer to the wars in New Zealand between Maori and Pakeha during the nineteenth century; it is used instead of the common 'Maori Wars', because the latter term conveys a false picture of the cause of the conflict. 'Pakeha' is a New Zealand term used to refer to white settlers and their descendants, to distinguish them from Maori, the other dominant ethnic group.

3 There was also a section of the Act which dealt with hospital benefits but this is outside the area of interest here.

The social control features of social security were reflected in the provision allowing the widows benefit and the family benefit to be stopped if the Social Security Commission was not satisfied that the benefit was being used for the children. Furthermore, unemployment benefit could be postponed if the person was thought to have made himself voluntarily unemployed, was unemployed because of misconduct, or made himself unavailable for work. Similarly, if a person's incapacity was self-induced or brought about to qualify for a benefit, then eligibility for invalids benefit was forfeit. Unemployment benefit and sickness benefit were only available to a woman if her husband was unable to support her, and in both instances there was a seven day standdown period, and a lower rate for persons under the age of twenty.

An income test applied in relation to the widows, invalids, unemployment and sickness benefits. It is of interest to note also the differences in income test for the different benefits. For unemployment and sickness beneficiaries who had other income, benefits were reduced entirely at the discretion of the Social Security Commission. For the other benefits, the rate of reduction was specified in the legislation.

The family benefit was still limited to the third and subsequent children. Here too an income limit applied, but at a higher rate than for sickness benefit and unemployment benefit. The Act also included provision for an emergency benefit, designed to cover situations not covered by any other benefits payable if a person was unable to earn sufficient livelihood for himself/herself and dependants. The amount was at the discretion of the Commission.

There was a range of miscellaneous provisions related to payments of overseas rates, payments for children over 16 continuing their education and a proviso for the Commission to reduce the benefit if 'in its opinion payment of the maximum benefit is not necessary for the beneficiary' (1938 Social Security Act, Clause 72 (2)).

The Act also provided for the creation of a Social Security Fund which would replace the previous Employment Promotion Fund created through the Employment Promotion Act of 1936. The social security contribution included the payment of a registration fee of 5/- a quarter for all men over 20, one thirtieth of wages and salaries earned before the commencement of the Act and one twentieth of wages and salaries earned subsequently. The contribution was payable by all earners over the age of 16.

Although containing many of the features of social security identified throughout this paper, such as the distinction between the deserving and undeserving poor, and the emphasis on 'less eligibility', the 1938 Act also represented a significant advance for social security in New Zealand. The state took on greater responsibility for relief of poverty. The extension of the widows benefit to deserted wives and the creation of a statutory sickness and unemployment benefit all represented major extensions of social security. These extensions were enhanced by the creation, in 1946, of a universal family benefit, payable without a means test, for all children under the age of sixteen.

2.4 Consolidation, Stagnation and Decline, 1950 - 1984

The 1950s and 1960s saw New Zealand governed almost entirely by a National government; the only exception was the period between 1957 and 1960. These two decades saw few advances in social security. Supplementary assistance was introduced in 1951, representing a return to individual assessment and the individualisation of poverty. Indeed, the major development during these two decades was a decline in the value of benefits and the reappearance of poverty amongst beneficiaries, and more latterly among families. (For a fuller discussion, see Easton, 1980, 1981; O'Brien, 1991).

The National Party government established a Royal Commission on Social Security in 1969; the Commission reported in 1972. The Commission produced a 600 page report into both social security and health benefits. The Report recommended few fundamental changes in social security provision. The principal changes of a concrete nature recommended were the introduction of an Appeal Authority, the creation of a statutory domestic purposes benefit, increases in basic benefits and in the family benefit, abolition of the morals clause, referred to above. The Commission also set a relationship between benefit rates and a builder's labourer as the basis on which benefit levels should be established. The consideration of the appropriate rate was strongly influenced by the 'less eligibility' principle referred to above; on a number of occasions the Commission referred to the necessity of maintaining a gap between benefits and wages.

The Commission's Report set out some basic principles on which it thought social security should be based. The two most significant were that benefit payments ought to be made on the basis of some assessment of 'need' and benefit payment levels should reflect 'belonging and participation' in the community. Income tests were seen to be the vehicle by which 'need' could be assessed. The emphasis on income tests did not lead the Commission to recommend the total abolition of universal payments; universal superannuation and family benefit should remain as universal benefits. The Commission argued that the community had a responsibility for ensuring that beneficiaries had a standard of living approximating that of the rest of the population. It also argued that life and health, and secondly a sense of belonging and participation in the community were the primary aims of the system; these aims would ensure that community responsibility was met.

Some of the changes recommended by the Commission were implemented by the National government in 1972. Included in those changes was the deletion of the clause which distinguished between the deserving and undeserving poor. A new clause was inserted in which the Social Security Commission could refuse the benefit if a man and woman who were not legally married were living together on a domestic basis.

The Labour government elected in 1972 introduced further changes in 1973 which included the appeal authority, six monthly reviews of the benefit rate, and the introduction of a statutory Domestic Purposes Benefit (DPB), the legal benefit paid

to single parents. (Prior to this, the single parent received a benefit only under the 1968 Emergency Benefit changes). The introduction of the Act was followed by a steady increase in the number of persons receiving a DPB. Such a change is not surprising when a new piece of legislation is introduced, but the National government elected in 1975 created a Domestic Purposes Benefit Review Committee following a sustained attack by the then Minister of Social Welfare who claimed that applicants for the DPB were either becoming deliberately pregnant or were attracted to the benefit from their marriage. The clause referred to above which allowed the Commission to refuse the benefit for people living together on a domestic basis was central to the arguments surrounding this question. Once again the distinction between the deserving and the undeserving arose, albeit in a slightly different guise. That Review Committee recommended a reduction in the benefit for the first six months following the birth of a child to a single parent, or following separation. These changes were taken into legislative changes by the government; they were eventually repealed by the Labour government in 1986.

Furthermore, the social control features that are part of social security were clearly illustrated in the Domestic Purposes Benefit Review; the Minister gave constant emphasis to 'the family', understood narrowly. These central features were also evident in the approach to unemployment benefit for the young. In 1978 the unemployment benefit was taxed for single people on the basis that the rate of benefit discouraged young single persons from taking up employment. A similar argument was used to justify the introduction of a remote areas provision in the unemployment regulations. It was claimed that single people were moving to areas in which work was not available.

Before drawing this historical review to a close a brief comment on superannuation is warranted. The Labour government introduced a New Zealand Superannuation scheme in 1975 on the basis of which people would contribute a proportion of their salary during their working life, thus creating the basis of their superannuation on retirement. The scheme was stopped following the election of the National government in 1975 and replaced by National Superannuation which came into effect in 1977. This provided a flat rate benefit, at the same rate, for all persons, once they reached age 60. It was not means tested in any way; the rate of payment was related to the average wage. While there were important electoral political considerations involved in the introduction of national superannuation (see Booth, 1977), national superannuation represented a further advance in state support for the elderly, particularly as the benefit levels were higher than those paid previously.

2.5 Concluding Comments

As I have demonstrated throughout this section, the history of the development of social security in New Zealand is dominated by a constant struggle between family responsibility and state responsibility. By 1984, state responsibility was extensive, but had not replaced family or individual responsibility totally. Indeed one of the strong recurrent themes in this review has been the emphasis on the responsibility of

relatives to provide financial support. Relatives, as I have shown, were often defined very broadly and their responsibility remained very strong until well into the twentieth century.

The struggles around state responsibility and the relief of poverty reflect struggles around individual and community responsibility. An emphasis on charitable aid, on the support by relatives, and the minimising of state responsibility is an emphasis on individual and family responsibility for both poverty and the relief of poverty. Increasing state involvement moves such responsibility in the direction of greater community responsibility. (For a distinction between these approaches, see Alcock, 1987; O'Brien, 1991). Both the introduction of the 1938 Social Security Act and the 1972 Royal Commission on Social Security reflect points on a continuum which moves away from an individual emphasis towards a community responsibility for poverty. In neither instance did it mean a complete movement towards the latter, but it can be fairly said that they represent movement away from a predominantly individualist emphasis. However, the movement towards greater community or state responsibility does not mean that individualism is lost completely. The linkages between community and individual responsibility was well illustrated in the Report of the 1972 Royal Commission. On the one hand, as I have demonstrated, the Commission made a very explicit statement that there was a community responsibility for ensuring an adequate standard of living for the poor. On the other hand, the emphasis on 'need' within the Report of the Commission and the way in which 'need' was argued for represented an emphasis on individualism. The Commission emphasised a selective approach to social security, constantly reiterating the importance of individually assessing the requirements of applicants.⁴

I have referred to the contradictions inherent in social security earlier in this paper. They were well reflected in the history in the continuing emphasis on the deserving poor through emphases such as the importance of good moral character and sober habits, through the fact that imprisonment acted as a debarment to benefit entitlement, and in the 1972 Commission's emphasis on maintaining a gap between benefits and wages. Furthermore, the themes referred to at the beginning of this section, namely the struggle between the state and the family as the basis of provision, and the use of 'less eligibility' were clearly illustrated in this discussion, as were the racist features of social security.

Throughout all of the period under review here, there has not been an extensive examination on the part of the state of the adequacy of benefit levels. Certainly, such exploration has been undertaken by others, (Easton, 1980; Cuttance, 1980) but the Royal Commission itself did not review the adequacy of benefit levels, and to a significant extent ignored the available evidence about the levels. The lack of any exploration is linked with the contradictory role of the state in social security. On the one hand, the state is expected to provide benefits on the basis of need, while at the same time, the contradictions which were referred to earlier in relation to social

4 A selective approach to social security is based on assessment of 'need'; assessment may be of individual means, or group membership. The Commission argued for the former.

security, mean that it is also expected to maintain the ideologies associated with capital, and capitalism, and with dominant interests generally, particularly in relation to gender. (For a fuller discussion of gender issues in social security, see Pascall, 1986). The state is expected to meet the needs of the poor and the needs of the economically powerful. It is in the conflict between these competing (and grossly unequal) demands that the framework of social security, and its contradictory nature, are located.

One final point should be made about the development of social security in New Zealand. With few exceptions, the significant changes and improvements that have taken place have occurred during a period when a government close to and linked with working class interests has been in office. This applies to the period of Liberal rule late last century, and to the various periods of Labour government since 1935. There have been exceptions to this generalisation, but these exceptions do not invalidate the generalisation. The political significance of the generalisation will become clear as we examine the Labour changes between 1984 and 1990. I will move to that examination now.

3 The Refurbishing of Social Security, 1984-1990

This section falls into two parts. In the first part, I review the major formal processes associated with and contributing to the changes. Alongside the identification of the issues raised in the various reviews I identify the ways in which many of the themes identified earlier continue to appear. The second part concentrates on the range of forces which were important in shaping the outcomes from those reviews.

3.1 Processes of Change

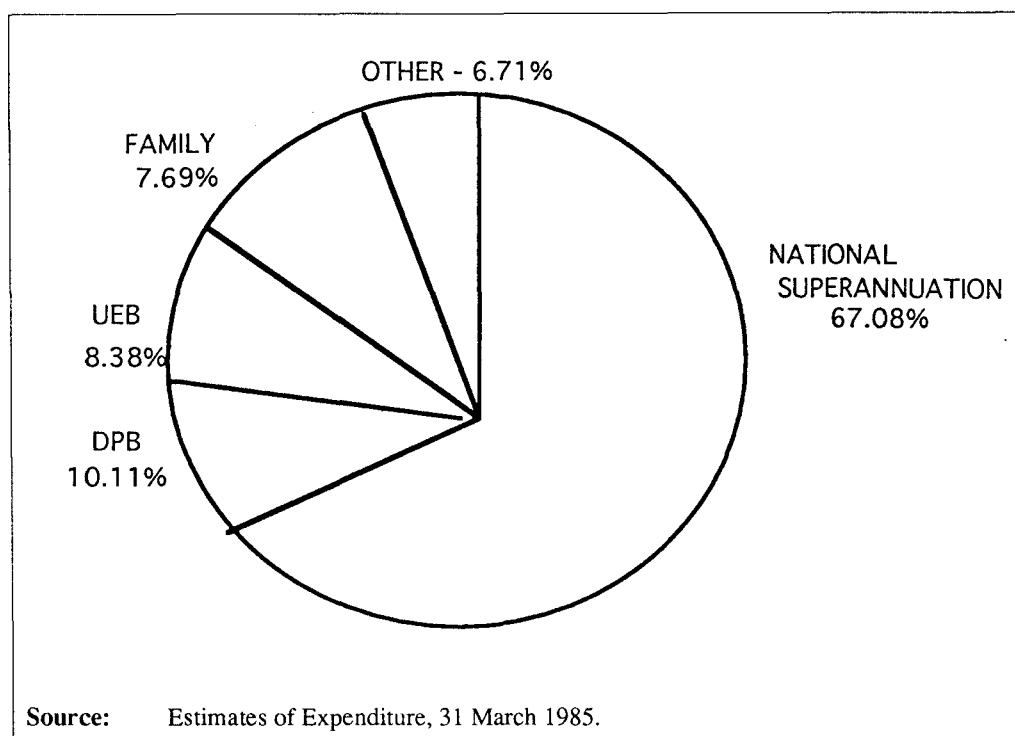
Before setting out the changes to social security, it is important to identify the shape of social security as at June, 1984, when the Labour government was elected. The distribution of social security expenditure at that time is set out in Figure 3.1. As can be seen from that figure, expenditure was heavily dominated by national superannuation payments to the elderly; this domination was still evident in 1990, but national superannuation payments constituted a significantly smaller proportion than they had six years earlier. The introduction of taxation of benefits had some impact, as did the increase in unemployment.

While there were some changes in the pattern of social security expenditure between 1984 and 1990, these changes were greatly exceeded by the changes in the titles and structure of benefits. These changes are shown in Figure 3.2.⁵ The titles of benefits for the bottom half of the figure refer to benefits either currently in place or planned in the 1990 Budget and introduced in legislation before the 1990 election. They have been included here because they represent the culmination of the review processes undertaken between 1984 and 1988; they are (or more correctly would have been) the final shape of the Labour social security structure. The processes by which that structure was created are the focus of attention for the remainder of this section.

The manifesto used at the 1984 election included a proposal for a Royal Commission on Social Security. There were, subsequent to the election, and to the appointment of Ann Hercus as the Minister of Social Welfare, some discussions and explorations of terms of reference for that Commission. That Commission did not eventuate; rather, it was expanded substantially to become a Royal Commission on Social Policy. There were, however, a range of other Reports and Task Forces which

5 Figure 3.2 also includes changes in accident compensation because these changes affect those who in 1984 would have been eligible for sickness benefit or invalids benefit. I have also included Guaranteed Minimum Family Income because this is part of the total picture of family support, although it is not available to beneficiaries.

Figure 3.1: Social Security Expenditure, 1983-84



examined various aspects of social security throughout the period under review; some of their recommendations and proposals subsequently found their way into legislation.

In developing the arguments through this section and the subsequent one, an important reminder is necessary. First, the development of the welfare state since 1984 has taken place in the context of a crisis of accumulation. We are seeing in the social security area a series of changes which emanate, in part at least, from the deteriorating position of capital and the decline in profitability associated with that. As authors such as O'Connor (1977) have argued, such decline puts social investment and social expenditure under greater pressure. At the same time, the social needs emanating from that crisis of capital are greater. This is reflected in the increasing numbers who were unemployed, and the increasing reliance on social security as the income support system. Between 1984 and 1989, the numbers in receipt of unemployment benefit increased from 50,136 to 123,565, an increase of 145.86 per cent (Department of Statistics, *Current Statistics*, April 1990).

There were also increases in the numbers in receipt of sickness benefit, and in the length of time on Domestic Purposes Benefit (DPB). The Department of Social

Figure 3.2: New Zealand Public Income Support Structure: Changes 1984-1990

Claimant Group					
	Aged	Single Parents Unemployed Sick and Invalid Widows	War Pensions	Accident Victims	Family Support
1984	National Superannuation	<ul style="list-style-type: none"> • Domestic Purposes Benefit (DPB) • Unemployment Benefit (UEB) • Invalids Benefit • Widows Benefit 	Range of Pensions and allowances	Accident Compensation (ACC)	Family Benefit
1990	Guaranteed Retirement Income (GRI)	Universal Benefit <ul style="list-style-type: none"> • not available for work • transition to work • work ready 	Veterans Allowance	<ul style="list-style-type: none"> • ACC • Incapacity Benefit (See Appendix Two) 	<ul style="list-style-type: none"> • Family Benefit (includes Family Support) • Guaranteed Minimum Family Income (GMFI) (See Appendix One)

Welfare's own figures show this clearly. In 1990, the mean length of time on the sickness benefit was 98.3 weeks (quoted in Stephens, 1992). In 1984 there were 9452 people in receipt of sickness benefit (*New Zealand Official Yearbook*, 1985). By 1990 this had increased to 18944 (*Key Statistics*, March 1992). For those who moved off a sickness benefit during the appropriate year, the mean length of time on sickness benefit increased from 23.3 weeks in 1986 to 39.1 weeks in 1989 (*Department of Social Welfare Annual Report*, 1989). Clearly, increases in unemployment are a significant causal factor in these increases.

Alongside this broad general crisis of capital and crisis of accumulation, must be put the strategies used to bring about the changes. These strategies refer particularly to the mechanisms and processes utilised by the state to articulate a particular position and to promote that position as part of the political and ideological struggles surrounding change. Central to these strategies in social security were the four reviews associated with social security and income distribution. I have included an outline of the approach and emphasis of the major documents because the consultations that were pursued were an important part of the process of change. They reflected an approach that was adopted in relation to a number of major policy areas by the Labour government following the 1984 election. The consultative approach was sustained for a brief period only. As will be apparent, the results of the consultations did not reflect the views of those making submissions. Indeed, the reports from the consultations and the approach adopted in many of the documents used for the consultations reflected the themes outlined in the earlier historical section, particularly the emphasis on less eligibility, and the emphasis on the family and the individual as the appropriate vehicle for assistance rather than the state. The consultations were part of a process of change, not a vehicle for producing a social security system that met the needs and aspirations of beneficiaries or of those working closely with beneficiaries.

In addition to the reviews, the government also produced publicity documents and brochures at the time of the introduction of the Goods and Services Tax (GST). Furthermore, there was a discussion document on retirement income for the elderly which preceded the changes reflected in introduction of Guaranteed Retirement Income (GRI) as the replacement for national superannuation. A full list of the documents is included in Appendix Three at the end of this paper. It is neither possible nor necessary to set out all the points covered in each of the documents. Rather, I will simply identify the major themes that were covered in those documents as a way of identifying the primary emphases contained therein.

Each of the social security reviews, namely: the Budget '85 Task Force (1985); the Ministerial Task Force on Income Maintenance (1986); the Ministerial Review into Benefit Fraud and Abuse (1986); the 1988 Royal Commission on Social Policy which produced Working Papers on Income Maintenance and Taxation; and the Department of Social Welfare's review of Income Security for the Elderly (1988), undertook a process of public input and consultation. Subsequent to both the 1985 and 1986 income maintenance reviews, a further booklet was produced. Both of these booklets summarised the arguments advanced to the review body. The extent

of such input and consultation was varied, with the 1988 Royal Commission on Social Policy (RCSP) undertaking the most extensive of the consultations. For both the Budget '85 Task Force and the Ministerial Task Force on Income Maintenance (1986), Discussion Booklets were produced by the Department of Social Welfare and facilities were made available for groups to make submissions. The Department provided funds and typing services for individuals and organisations which were unable to provide or afford such facilities.

These resource books and the consultations that accompanied the reviews were but two amongst a much more extensive consultative agenda undertaken by the Labour government between 1984 and 1987. These consultations had their origins in the consensual approach which was central to both the campaign in 1984 and the early period of the Labour government. By the time that the Royal Commission on Social Policy came to undertake its consultation processes there was a widespread feeling within the community that such consultations were farcical and there was as a result a strong sense of cynicism, distrust and anger because many felt that the views being expressed in such consultations were not being heard, were being ignored or were being treated as irrelevant by the government. The RCSP was subject to strong feelings of expression in this regard. (See Royal Commission on Social Policy, 1988, Vol.1: 273-5 and 325-7).

The 1985 Task Force was charged with the task of exploring the relationship between benefits and taxes. That relationship, and changes to both benefit provision and taxation structures, were to be significant considerations in the 1985 Budget. The Budget included tax reductions for higher income earners; GST had been foreshadowed in the previous Budget. That 1985 Task Force was comprised of staff from within the Departments of Social Welfare, Inland Revenue and Treasury, and a group of consultants was appointed to act as advisors to the Task Force. The background paper prepared for the consultations associated with the Task Force began with a series of questions related to the then existing benefit and taxation systems, in terms of how those systems worked and the appropriateness of the sets of rules and arrangements surrounding each of the areas identified in both the benefit and taxation areas. From there, it identified a series of issues around various themes, listed here.

- Achieving a balance between benefits and taxes. Here there was concern about whether the benefits discouraged people from employment and how beneficiaries could be encouraged to take up employment.
 - Putting the taxation and benefit system together. Here the issues identified included to whom should benefits be paid, and what the unit of assessment of income for benefit and taxation purposes should be - the individual or the household?
 - Payment of child assistance. The issues are the time period for assessment and the basis for adjustment of benefits.
-

Central to many of the concerns and arguments advanced in that document was integration of the benefit and taxation systems. The document frequently referred to the value of having both systems operating in harmony, to ensuring that income levels were adequate and that maximum incentives operated for employment.⁶ The submissions received and arguments advanced were subsequently summarised in a review and summary document: *Benefits, Taxes and the 1985 Budget: A Review and Summary*, (1985). (Appendix Four identifies briefly each of the issues referred to in that analysis together with a statement of the action taken subsequently).

The Ministerial Task Force on Income Maintenance, (1986) followed a similar process. It began by setting out a series of issues on eligibility criteria, units of assessment, the adequacy of benefits, and the portability of benefits. From there it moved to a discussion of specific benefit areas such as retirement, unemployment, sickness and disability, one parent families, and went on to explore areas of possible reform, including replacing the benefit system with some form of guaranteed minimum income. The consensual theme referred to above and the strategy of giving people a sense of influencing decisions (and therefore the sense of exercising power) was well illustrated in the title of the Discussion Booklet released for that Task Force. It was called: *Benefit Reform - Have your Say*.

The general issues again covered questions about the unit of assessment, cultural alternatives, payment of benefits to those who 'need' them and the difficulties of identifying such groups. In the discussion on single parents, once more the question of take up of employment and the implications of this in terms of the need for benefit were raised as important considerations. Reform, it said, should reflect fair treatment based on 'need', simple easily understood entitlement, entitlement at a level that allowed beneficiaries to belong and participate, a more dynamic system encouraging labour force participation and discouraging long-term dependence, and a system that was sustainable. Future reform included, it suggested, the possibility of one single benefit, an item that had been included in the initial paper. On this occasion, the Task Force was made up entirely of staff from the Department of Social Welfare, with only limited use of outside consultants. (See further comment later). As with the Budget '85 Task Force, there was extensive public input and widespread consultation; 2,701 submissions were received (Ministerial Task Force on Income Maintenance, 1987: 3). The Task Force argued that there was:

a widespread concern at the inability of the system to respond and deliver in accordance with people's expectations.
(Ministerial Task Force on Income Maintenance, 1987: 3)

6 There were, of course, much more extensive and specifically focused issues than have been discussed in this summary. This applies also to the other consultations reviewed below. Interested readers are referred to the appropriate document.

There was, they claimed, concern at categorisation, complexity, delays and lack of information and in general, they said, a range of concerns about the dependency produced by the system, arising because the:

endeavour to make the system responsive to people's needs may in some cases have made long-term reliance on a benefit more attractive than seeking to enter the labour market. It is necessary that taking a job becomes a more attractive option than it is at present. (Ministerial Task Force on Income Maintenance, 1987: 5)

It should be noted that this Task Force was faced with producing a set of recommendations in a no cost context. That is, their proposals overall should not increase the cost of social security. Of the 700 submissions which discussed the levels of benefit, approximately 80 per cent regarded benefit rates as inadequate (Ministerial Task Force on Income Maintenance, 1987: 45). This point was not picked up subsequently, and was not highlighted in the overview. (See further comments below). Rather, the recommendations of the Task Force related to the level of social security expenditure, generally focused on reducing benefit levels for those who were considered to be relatively advantaged vis-a-vis other beneficiaries. It is worth noting here that there was no exploration of the position of beneficiaries in relation to the society as a whole. The Discussion Booklet raised the question of relativity between benefits and wages briefly, but in the context of 'less eligibility', **not** in the context of the overall distribution of income. Indeed, the terms of reference placed such consideration outside the focus of the Task Force. The focus was on distribution amongst beneficiaries, **not** income distribution generally. Such a separation serves to maintain an approach in which beneficiaries are regarded as somehow different from the rest of the community. The focus was on their behaviour, not on the overall distribution of income. There was here subtle but significant change from the focus of the Budget '85 Task Force where the question of fairness was identified as an important consideration; in the Ministerial Task Force on Income Maintenance, (1986) 'fairness' received very little attention.

As with the previous consultation, it is not possible to go through all the recommendations in minute detail. (A summary of the recommendations together with the subsequent action taken is included as Appendix Five). The principal recommendations were that there should be a standard social security benefit, payable to those over the age of eighteen, on the basis of twelve months residency and to people who met the income test. There should, it was argued, also be a transitional allowance for those who did not have adequate means of support or required assistance to make the transition to the full-time labour force. In line with the brief referred to above, the Task Force produced recommendations that constituted a net saving.

Notable in the recommendations were two factors. There was a strong emphasis throughout on a series of changes in the structure of benefits which would encourage people to take up employment, and move from a benefit. This applied in relation to

the proposed changes to the benefit structure itself, and to the proposed changes to the benefits for single parents, for the unemployed and for the disabled. Missing from all of that discussion, secondly, was any extensive comment on the adequacy of benefit levels. The discussion on benefit levels did not explore how adequate those were, but rather concentrated almost exclusively on cost considerations. Nowhere in the discussion on benefit changes and the emphasis on work as an alternative to benefits was there any discussion or suggestion that poverty may not necessarily be overcome by moving from benefits to employment. The adequacy of wages was touched on only briefly. Furthermore, it is important to put this emphasis on paid employment in the context of (a) the wider economic policy which had dramatically increased unemployment; (b) decreased disposable incomes for the lowest income groups (see Table 4.1 below), and (c) the wider political strategy in which government had increasingly withdrawn from being an active partner in the wages and incomes arena.⁷

The downplaying of poverty as a central consideration is also reflected in the limited discussion on poverty traps and their effect on beneficiaries' decisions to move into employment.⁸ Thus, ideological, political and economic pressure to move from a benefit to paid work is at variance with the ways in which the benefit, tax and Family Support structures can militate against paid employment. They militate against paid employment because the interaction of the three elements can leave beneficiaries who take up paid work with no more income. When Family Support was introduced many beneficiaries found themselves with heavy tax bills at the end of the financial year because of the interaction of the three elements referred to above. The poverty trap was discussed at some length by the Budget '85 Task Force but was neglected as an issue of substance the following year.

It is worth observing too that in the Report of the Ministerial Task Force on Income Maintenance (1987) it was noted that the average duration for DPB was three years and four months; the average duration of those which ceased during the year was about one year nine months. The document also stated that in 1985-86, 22,000 new benefits were granted, but 16,000 were cancelled during the year for a range of reasons including employment, reconciliation and relationship changes. There was no exploration of the factors that led to some beneficiaries staying on a benefit longer than others, or to the impact of unemployment on the length of time on the DPB (Ministerial Task Force on Income Maintenance, 1987:69-70). (For a fuller discussion of key issues surrounding solo parent benefits, see Royal Commission on Social Policy, 1988b; Department of Social Security, 1990). Reducing the numbers on a benefit had become so crucial that attention to the causes and consequences

7 These economic changes and some of their consequences are well covered in Shirley et al., 1990.

8 'Poverty trap' refers to the way in which tax on earnings, and benefit loss arising from reduction in benefit entitlement due to earnings can result in beneficiaries being worse off as a result of paid employment.

seemed to be lost. The strategy for change had elevated paid work and 'independence' to a level that exceeded any other consideration.

The RCSP released the *Working Papers on Income Maintenance and Taxation* prior to the release of the main Report from the Commission. This was done following the release of the flat tax package of 17 December 1987 when the Commission felt that much of its work was being undermined. The recommendations from the Commission and the outcome from those recommendations is contained in Appendix Six. Among the principal recommendations were the introduction of a carers allowance, gradual progression towards alignment between sickness benefit and accident compensation payments, a move to individual benefit entitlement, grouping of benefits into short-term and long-term, and a two-tier benefit structure for the elderly together with an increase in the age at which national superannuation would become payable. It is notable that generally speaking the recommendations which have been acted on have been recommendations which have saved money and reduced state commitment, while those which would have required additional expenditure have been ignored. The major exception to this is the changes in National Superannuation proposed by the Royal Commission; their recommendations had the potential to reduce state expenditure to a greater extent than the final change made by government.

National superannuation and the costs thereof have been major preoccupations ever since the election of the Labour government, and it could be fairly said even prior to that time. The costs to the state of paying national superannuation was a constant theme in Ministerial speeches throughout the period between 1984 and 1987. Budgets referred to it, and it was identified as an important issue by the Budget '85 Task Force and the Ministerial Task Force on Income Maintenance (1986), particularly the latter. The 1984 Budget introduced a surcharge on national superannuation, a surcharge which was vigorously opposed by many of the elderly. The impact of the surcharge was predominantly on elderly people who had some additional income, not taking effect until income from other sources reached \$10,400 for a married couple and \$6,240 for a single person.

The culmination of continuing concern about national superannuation costs and government activity surrounding this area was the publication of *Income Security for the Elderly* (Department of Social Welfare, 1988). This set out a range of alternatives for income support for the elderly ranging from targeted assistance through a universal state financed system to a compulsory funded state scheme. Submissions were called for from the public, but no analysis of those submissions has ever been released. The submissions were made directly to the Minister. The final outcome of the struggle over National Superannuation was the introduction of the Guaranteed Retirement Income (GRI) which replaced the former National Superannuation from April 1990. The GRI continued at the current rate of payment for National Superannuation, but with effective reduction in benefit over the ensuing

years as a result of changing the basis on which the benefit would be increased.⁹ The GRI change meant that it would float in a band between 65 and 72.5 per cent of the average wage. Second, the age of entitlement for GRI would increase gradually. Entitlement would remain at the current age of 60 until 2006, after which it would increase in a staggered form until eligibility is not reached until age 65 from 2025. Alongside the legislative changes concerning national superannuation was an emphasis on the importance of individuals providing for their own retirement. The privatisation of state assets was matched in social security by the privatisation of superannuation.

The Ministerial Review of Benefit Fraud and Abuse reported in 1986. While politicians and others had raised the issue of benefit fraud from time to time over the years, the attention to this aspect of social security was much greater during the period under review here than it had been on any previous occasion. The Review referred to above was the first formal public document on the topic. The fraud and abuse investigation found that client caused losses amounted to 1.47 cents per dollar of DPB payments and 4.36 cents per dollar of unemployment benefit payments. Fraud was seen to result from client attitudes, poor service delivery, the failure of the system to meet needs, poor internal checking, little likelihood of detection, and no consequence of detection. The Report commented:

actual fraud is limited. Most abuse is 'opportunistic'...rather than active misrepresentation of fact. (Ministerial Review into Benefit Fraud, and Abuse, 1986:21)

Indeed, the Report went on to say in its summary:

All the evidence available to us indicates that clients are no more honest or dishonest in their dealings with the social security system than are most other citizens in their dealings with the myriad of other Government departments and agencies...The levels of benefit fraud and abuse in New Zealand will not be reduced until the client's perception is that the system is fair and meets their needs promptly and in sensitive and culturally appropriate manner; and that, if they are dishonest, there is a high likelihood that they will be caught and penalised. (Ministerial Review into Benefit Fraud and Abuse, 1986:39)

Nevertheless, the concern and preoccupation with benefit abuse remained, with frequent newspaper reports of the amount of savings arising from the work of the euphemistically entitled 'Quality Control Units', while the Minister himself encouraged people to 'Dob in a Cheat'. Politically, it was important for the government to be seen to be active on the 'abuse' of benefits but the work of the

9 Previously it had been related to wages at a fixed level, namely, for married couples, 80 per cent of the average after-tax wage for full-time workers.

Review and its findings suggests that this was related much more to maintaining scroungermania than to any real or substantial levels of fraud and abuse. Unfortunately, the preoccupation and constant attention drawn to abuse and fraud has the effect of strengthening legitimacy surrounding belief about its occurrence.

Monetarist governments, such as the Thatcher administration in the United Kingdom, have placed considerable stress and emphasis on benefit fraud and abuse. The use of a comparable approach in New Zealand has to be seen as part of the strategy of changes to social security provision. The poorest are blamed for the country's economic difficulties and direct attacks on benefit provision can be proceeded with more easily because of the creation of an impression of widespread abuse and fraud, an impression in which the Labour government was an active partner. The **reality** of the extent of such fraud was well presented in some of the media comments following the proposal by the then Prime Minister, Mike Moore, to introduce an ID card to reduce cheating. (This proposal was made during one of the leader's debates during the election campaign). Drawing on available information, Wellington's morning daily newspaper, *The Dominion*, commented in its editorial that the amount involved was thought to be around \$50m. This represents approximately 0.06 per cent of gross social security benefit payments. The attacks on beneficiaries then are best understood as part of the strategy of change.

It is worth noting here too the contrast between the approach to benefit abuse and to tax evasion. For the former, tighter controls and closer surveillance were the major responses, to ensure compliance. For the latter, the high rate of tax avoidance and evasion was articulated as a major reason for the substantial reduction in rates of taxation. It was an approach to the better off that was opposite to the approach adopted in relation to the poorest. It is significant here too that when the then Prime Minister announced the ID card proposal he linked benefit abuse and tax avoidance as reasons for introducing the card. The emphasis was on the former, despite his own statement that benefit abuse at \$50m was less than ten per cent of tax avoidance (*Dominion*, 16 October, 1990). The same edition of the *Dominion* carried a cartoon in which a worker was depicted carrying beneficiaries on his back; this subsequently produced a strong letter to the editor to which the cartoonist replied that he was not intending to be critical of beneficiaries. The previous day's *Dominion's* political column was headlined 'Beat-the-bludgers card should appeal to voters'. The columnist, who consistently attacks benefits and beneficiaries, focused almost entirely on benefit abuse, with only passing mention of tax abuse. The focus on the former and the comparative neglect of the latter was typical of the approach of the media, commentators and most politicians.

The outcomes of these review processes were the Budget announcements of 1989 and 1990, and the consequent Bills introduced into the House to give legal shape to these changes from April 1, 1991. Figure 3.2 above summarises the changes in diagrammatic form. The universal benefit, emphasis on the work status of beneficiaries, alignment between accident compensation and non-accident financial support for the sick and disabled from April 1992, and indexing of benefits represent major elements of the final shape of the changes. The other key feature of the final

shape was the change in the basic organising framework for benefit levels. The core benefit was to be the single rate, with additions to this core on the basis of the number of other dependants. The effect of this change, and the accompanying benefit increases from April 1991 would have been a reduction in the benefit for many beneficiaries. (This is discussed more fully in the next section).

Two other specific changes need to be identified here, namely the change from a six-monthly adjustment to an annual adjustment in benefit rates, and the taxing of benefits. The former meant that beneficiaries suffered the impact of inflation for a period of twelve months, rather than the previous six months. Taxation of benefits was promoted on the basis that beneficiaries would be the same as others in the community; it was a development which had support (albeit only a slight majority) from those making submissions to the Budget '85 Task Force.

Alongside these formal processes of review and consultation must be placed the active efforts made by the government to persuade New Zealanders of the legitimacy of the government's actions. This was particularly clearly expressed in the use of television surrounding the introduction of GST and Family Support and in the use of the same media in relation to the introduction of GRI. Similarly, both were supported by the use of extensive newspaper advertising and direct promotion to all households in which there was constant expression of the theme that people were being cared for, the government was being responsible, and the government was creating 'A Fair and Just Society'. This phrase - 'A Fair and Just Society' - became the catchphrase underlying the RCSP. 'Individual choice', and the supremacy of consumer sovereignty, were also recurrent themes from politicians throughout the change processes; such 'choice' and 'consumer power' were being fostered in a climate of growing unemployment and falling real income levels. These two phenomena had their greatest impact on the poorest, as the next section clearly shows. Throughout the processes the consultation emphasis and the notion of the government listening to people was clear in both the media publicity and the consultations themselves. *Benefit Reform - Have Your Say* referred to above is a good illustration.

In an ideological sense, the changes that were instituted continued many of the themes and contradictions noted in the early part of this paper. In particular, these changes were reflected through the emphasis on targeting and the increasing use of means tests particularly through the operation of Family Support and Guaranteed Minimum Family Income. Castles (1985) has argued that in fact targeting in social security (or its more accurate and sustained forerunner, means testing) has been fundamental to the operation of social security throughout its history in New Zealand. (The term 'means test' was seldom used, it was in fact replaced by the much more up-market phrase of 'targeting'). There has, Castles argues, been much greater use of selectivity in New Zealand than in many European countries. Treasury argued on a number of occasions, as did a number of Government Ministers, that targeting would ensure that there were more resources to allocate to those 'in need'. This flies in the face of comparative and historical evidence, evidence that is neatly summarised in the work of Kaim-Caudle (1973) where he

demonstrates clearly, historically, that the countries with the lowest rate of social security payments are the countries where selectivity has been the dominant consideration in the delivery of social security benefits. Similarly, the more recent work of Esping-Andersen (1988) has also demonstrated the relationship between low benefit rates and targeted systems of welfare provision.

Part of the criticism of benefit provision, and of the support for targeting, arose from an argument that state expenditure was too high, and had caused many of the country's current financial difficulties. However, as Gough has demonstrated in his recent study, there is **no** necessary connection between state expenditure and economic growth (Gough, 1990). The argument that there was such a connection must, therefore, be seen as part of that process of creating a climate of political acceptability for the change.

Second, the less eligibility principle was considered to be of importance. It was significant in the original decision not to pay Family Care to beneficiaries, the argument being that not doing so would ensure that a gap was maintained between benefits and wage rates. Similarly, the Ministerial Task Force on Income Maintenance (1986) refers on a number of occasions to the need to maintain a gap between benefits and wages and to this being an important determinant in the setting of benefit levels. 'Less eligibility' seemed to be the primary determinant of benefit adequacy.

Third, the brief historical review at the beginning of this paper set out the struggle between the state and the family as the providers of social security as one of the recurrent themes in social security provision. It argued that there is a regular reiteration of the importance of relatives providing for 'destitute persons'. While this approach was not the exclusive consideration in the changes which took place, it was particularly evident in the decision to abolish the unemployment benefit for under 18 year olds. The Minister of Finance commented in the Budgets of 1989 and 1990 that this would place responsibility back on families for the support of young people. In discussing the changes to youth income support in the 1989 Budget document *Economic Strategy* the Minister said:

The reforms have also clarified the respective roles of parents and the Government in providing support for this age group, with greater emphasis on the role of parents to provide support. (*Economic Strategy*, 1989: 78)

The argument was taken further in the *Social Welfare Bill (No.2)* introduced in 1990. (This Bill contained the changes in social security proposed to come into effect in 1991). Benefits for those under twenty years of age without dependants would be subject to a parental income test. Furthermore, the emphasis on reducing state income support for the elderly reflected similar arguments. Either the individual should provide for himself or herself, or the family should provide for the care of 'dependent' family members by taking care of them itself. Care of 'dependants' should fall on the individual and/or the family not on the state. The privatisation

theme which penetrated much of the economic policy began to transfer to social security policy, albeit in a more limited way.

Fourth, the dominance of paid work and the importance of moving people from benefits to paid employment were particularly strong themes in the Ministerial Task Force on Income Maintenance (1986) and in the Budget changes announced in 1990. I have already drawn attention to this emphasis, but it requires restatement here as a central feature of policy change. The emphasis on paid employment occurred in a context of rapidly rising unemployment and, as I argued above, without any effective examination of benefit adequacy. (It will be recalled from Figure 3.2 that the basic benefits were to be replaced by a universal benefit in which beneficiaries would be subject to an income test and a work test). The lack of attention to benefit adequacy did not deter Labour leaders from giving heavy emphasis to movement of beneficiaries into paid employment during the election campaign in 1990. The Party that had an important part of its origins in poverty became, implicitly and explicitly, strong critics of the poor. As noted above, there was only limited discussion by the Ministerial Task Force on Income Maintenance (1986) of the question of benefit adequacy, and indeed of those who commented on the issue. However, there was a strong view that benefit levels were inadequate.

As I have demonstrated here, one of the effects of the accumulation crisis was that the state moved towards a reduction in its involvement; the state began to withdraw from social security, albeit in a limited way. This reduced involvement was neatly captured by the Task Force on Income Maintenance; in a clear summary of the purpose of the introduction of the universal benefit they said:

The structure of the benefit will provide signals to all those who are not incapacitated for work, and who are on benefit, that entitlement is not dependent on status such as widowhood, but on circumstances such as the need to care for young children, or an inability to earn sufficient income. In providing such signals, and ending a categorical benefit structure, government intends a shift from the perception that the state should provide income support to those who fit certain categories, to the perception that the state will provide income support where people are unable to provide it for themselves. (Task Force on Income Maintenance Reform, 1989: 68)

It is, however, too simplistic to classify the changes solely as state withdrawal. After all, there were some positive developments, as I note below. The withdrawal was limited in part because of the history of the Labour Party. The historical roots of the Party prevented a full-scale direct attack on benefits and beneficiaries as happened in other regimes based on monetarism. The difficulty in sustaining consistent and persistent attacks was well reflected in a speech by the Minister of Social Welfare when opening a new Departmental office in Ashburton. He devoted much of the speech to a defence of the welfare state, and of beneficiaries, while at the same time he had not long previously emphasised the importance of 'dobbing in a cheat'.

While presenting an approach to benefit provision which emphasised the assessment of individual need, the central importance of paid work, and the maintenance of less eligibility, the government was at the same time faced with defending the welfare state, a welfare state which its economic and social policies placed in greater jeopardy. The lack of any comprehensive attention to poverty, as distinct from the source of income, represented a major shift for the Party and indeed for the focus of social security policy. Despite the arguments of those presenting submissions to the various Task Forces and Review bodies, it was almost as if poverty did not exist. The Royal Commission was in no doubt about its existence, but government policy gave it little attention.¹⁰ Missing also from government attention was any substantive discussion of either redistribution or inequality. Such an omission is significant both because these were important ideological underpinnings for the welfare state and for social security, and because of their wider significance in the debates about income distribution and poverty. (See Townsend, 1980; Le Grand, 1982). It was almost as if inequality either did not matter or no longer existed. The Prime Minister's statement in the Mackintosh lecture clearly indicates that inequality was now very acceptable: 'Inequality is the engine that drives the economy' (Lange, 1986:14).

Indeed, as we will see in the Section Four, policy decisions at various points reduced the income levels of beneficiaries, and, the evidence indicates, increased inequality. Before doing that, however, I want to concentrate on the influences of policy development. Those influences form the focus of attention for the remainder of this section of the paper.

3.2 Influences on Policy Development

While the emphasis in this section is on the influences on policy development and on the social forces involved in the struggles and debate that shapes that policy, it is important not to underestimate the significance of the various reviews themselves. The summary of the various consultative processes set out above makes it clear that those reviews were of themselves quite important in the social security changes. It is unnecessary to repeat the arguments made above, other than to emphasise the significance of departmental input into these reviews and into the work of the RCSP. As noted earlier, it was an inter-departmental Task Force which heard and received submissions and prepared the report for the Budget '85 Task Force and a departmental Task Force which processed submissions for the Ministerial Task Force on Income Maintenance (1986). (This is not to belittle the contribution of the consultants utilised for the 1985 Task Force; however, the final responsibility still lay with the departmental Task Force. It is of interest to note that fewer outside consultants were used for the Ministerial Task Force on Income Maintenance (1986), and their role was much more limited than had been the role of the consultants for the 1985 Task Force).

10 Although acknowledging the existence of poverty, the Commission gave little attention to its significance and implications.

The significance of the Reviews lies in the fact that many of the subsequent changes which were made, or included in the Bills, particularly the shift to a work test, the introduction of the taxation of benefits, the changes in national superannuation, the reductions for many single parents, the abolition of unemployment benefit for persons under 18, were all foreshadowed in those reviews. This is not to argue that the changes which were made follow on from the arguments and submissions advanced to the reviews or to the Royal Commission. (See my comment above about implementation of the recommendations of the Royal Commission). Indeed, key features of social security provision such as benefit adequacy - a very important issue for those making submissions - were not addressed in the changes which were made. Furthermore, the final outcome of the changes, as set out in the 1990 Budget, would have been to reduce benefits for many beneficiaries if Labour had been re-elected in October of that year, an outcome that few, if any, of those making submissions would have desired.

The universal benefit, announced in the Budget, would begin from a basic core benefit of a single rate of benefit and the other payments in relation to children and partners would revolve around this core. The effect of these changes would be to reduce the benefit for single beneficiaries, with the exception of single unemployed beneficiaries living alone. With the exception of this particular group, the increased benefit rate from 1 April 1991 for all groups would have been below the anticipated rate of inflation. The one exception would have been a couple with four children.¹¹ The greatest reductions would have occurred in relation to single sickness beneficiaries (a decrease of 16.7 per cent); the reduction for a sole parent with one child living with others would have been 12.5 per cent. It was claimed that almost half of those on DPB were living with their parents, friends or relatives and hence the impact of this would have been quite substantial. (For a succinct and comprehensive table setting out these figures, see *New Zealand Herald*, 28 July 1990). The Task Force on Income Maintenance estimated that:

around 53,000 single parents would be affected in 1991/92 with a drop in income of \$35 per week. (Task Force on Income Maintenance Reform, 1989:93)

The Task Force went on to recommend that the decision be reconsidered. The Royal Commission on Social Policy (1988b) had argued that there should be no reduction in the real level of benefits because they were already at a minimum level.

Similarly, the changes made with the introduction of GRI also meant an effective cut in benefits because of the way in which benefit changes were to be calculated. Neither of these outcomes were desired by those making submissions. Again, the strong support in the submissions for individual assessment of benefits, support for which was particularly evident from women's groups, was only to be translated into benefit policy in a limited way. In the 1990 Budget, the universal benefit, planned

11 The situation for unemployed people without dependants is different because the changes removed the discriminatory reduction for unemployed people without dependants.

for 1991, would be paid to an unemployed person for eight weeks following unemployment, regardless of the income of the partner.

Similarly, the change from National Superannuation to GRI has been accompanied by a reduction in income for the elderly. This comes about by changing the basis for calculating National Superannuation adjustments so that it is no longer a fixed percentage of the average wage, but floats in a band between 65 per cent and 72.5 per cent. In real terms this will lead to a deterioration in the position of those elderly who are dependent exclusively or primarily on social security for their income. This reduction is confirmed by the Papers from the Task Force on Maintenance Reform (see chapter 14).

A wide range of groups made submissions to the Budget '85 Task Force. (For a full list of groups, see Department of Social Welfare, 1986; there are nine pages of bodies listed). The submissions included women's groups, trade unions, groups representing the elderly, church social services groups, groups representing Maori and Pacific Island people, the New Zealand Labour Party, Federation of Labour, Employers Federation, disability groups, government departments, and Citizens Advice Bureaux. While it can be argued that these submissions had some impact on government policy (the Appendices provide some evidence of that), there are other crucial influences which need to be identified, particularly Treasury and the Roundtable.¹² I will turn to these two groups next.

Treasury produced a document in 1984 at the time the government was elected which although called *Economic Management*, also contained some material explicitly on 'social policy'. Central to that discussion were two fundamental assumptions. First, it was assumed that state intervention should only be undertaken as a last resort and second it was assumed and argued that the primary focus and unit of society is the individual. (Treasury, 1984:250-4. For a fuller discussion of the Treasury ideology, see Jesson, 1989:38 et seq., 77-86). While the document also contained a strong implicit (and in places quite explicit) argument against the role of government in the provision of services, there was considered to be a role for government in income distribution, but an approach to income distribution which was focused particularly around one concept, namely 'targeting'. 'Targeting' was thought to be a vehicle which would ensure that the resources went to 'those with the greatest need' (Treasury, 1984:255).

'Targeting', the means of delivery (the possibility of using a negative income tax system) and the level of benefits were identified in the 1984 Treasury document as the primary concerns in the income maintenance area. It was argued that the principal consideration in relation to benefit levels was the need to maintain work

12 The Business Roundtable is a powerful private group of chief executives of most of New Zealand's major companies. Many of its members have had key roles in advising governments of economic changes and many have also been appointed to state owned enterprise boards running former state departments. (For a fuller discussion of the influence and role of its members, see Jesson, 1989).

incentives. As did many of the submissions to the Budget '85 Task Force, Treasury also expressed concern about benefit adequacy. However, their concern was rather different from that of the groups and individuals making submissions. For Treasury, the concern about benefit adequacy was that benefit levels may be acting to discourage work incentives; their concern was not about poverty and living standards, but was an approach which reflected the New Right emphasis on 'welfare disincentives' (Bosanquet, 1983; George and Wilding, 1984).

The 1987 Treasury document contained a much more extensive document on social policy, including an Annex of approximately 80 pages which was an extensive philosophical discussion on the basis of social policy (Treasury, 1987). This discussion relied extensively on an approach to social policy in which individual action and the inadequacies of the state were central considerations. The primary task for social policy was seen to be the well-being of individuals, but that well-being was promoted best by minimal state intervention. The argument was generally a rather disingenuous one which took care to reject explicitly a libertarian approach while at the same time clearly operating with such an ideology. (For a very succinct critical comment, see Lauder, 1990; Grace, 1990). Here too targeting was seen as the appropriate direction for social security benefits, and once again, as we noted in the 1984 document, the concern with preservation of work incentives was a dominant theme. The disingenuousness of the argument was clearly seen in the total failure to attend to the structural influences on behaviour and to the structural inequality that is a part of the society. These were not discussed at all. It was also clear in that while the emphasis was placed on individuals and there was a passing reference to individuals as members of groups, individuals were primarily seen as consumers and the task in redistribution was to provide consumers with money and then allow the market allocation mechanisms to decide which services should be provided (Treasury, 1987: 455-8).

In the area discussing specific social security policy measures, Treasury argued that National Superannuation and family benefit should both be targeted, in the first instance because of cost and because it would encourage greater self help. In the case of the family benefit, it was argued that universality could not be justified and the cost of caring for children could be traded off against the benefits that children bring to their parents. Treasury also argued that there was a necessity for a radical overhaul of payments to young unemployed people, with the emphasis on maximising family responsibility and accepting that young people have lower incomes because of the life cycle stage. Concern was expressed too about benefit levels and the possibility of their being too high thereby reducing work incentives. Treasury argued that: 'benefits are now too high in relation to wages and this cannot be sustained indefinitely without significant social costs' (Treasury, 1987:181).

The discussion of universality and targeting (Treasury, 1987:181-6) presented few advantages for universality and, not surprisingly, came down in favour of targeting. Interestingly, however, in the final analysis, 'moving towards more targeting of assistance would permit a lower overall tax rate' (Treasury, 1987:186).

It is worth noting that it was a reduction in tax rate, not an improvement in the financial position of the poorest, that led to support for targeting. The state would, therefore, by implication, do less. The emphasis on targeting contained in the Treasury documents was supported by Ministerial arguments and media comments. The assumption and argument was fundamental to the government's approach to social security and income maintenance, with a regular reiteration by Roger Douglas and other Cabinet Ministers of the need to ensure that resources were provided for those with the greatest need. As I illustrated previously, such an argument flows in the face of historical and comparative evidence. Nevertheless, the argument is a powerfully persuasive one because of the ways in which it was used to convey the impression of care, concern and compassion, and of a government meeting people's needs. The reality is, of course, that at the same time policies were reducing government support. 'Targeting', as used and applied here, is a deceptive and seductive term; as with much deception and seduction the powerless are the losers. The deception and seduction was that 'cases of genuine need' would be taken care of; the implication is that the remainder of the poor were not 'in genuine need'.

I have reviewed the Treasury arguments at some length because of the central place occupied by Treasury in the New Zealand policy making process. Treasury provides much more than advice about economic and accounting activities in the public sector. It occupies a place in which it acts as an advisor on every issue of policy development. That advice relates not only to the economic and financial implications of policy proposals, but the proposals themselves. That position was substantially strengthened during the period of the Fourth Labour government. The nature and extent of its advice was most obviously demonstrated in the briefing papers prepared at the time of both the 1984 and 1987 elections (Treasury, 1984; Treasury, 1987). The range of advice proffered in both those documents extended to both an ideological discussion about the nature of state intervention and general and specific proposals for government action. Those proposals all pointed towards a substantially reduced role for the state. Although Treasury attempted to argue otherwise, the proposals reflected a 'New Right' approach to the role of the state and the development of society. Of course, the Treasury influence extended well beyond those two documents. It was pervasive throughout the changes wrought by the Fourth Labour government. There was no powerful countervailing advice.

The Business Roundtable (BRT) produced a Report in 1988 in which they also took up the incentives argument, particularly in relation to youth unemployment, but also in relation to other benefit areas (Business Roundtable, 1988). Its concern was not just with unemployment, but with the labour market generally. It argued that benefits should be reduced and labour market reforms introduced which would allow for reduction in wages. In line with the general thrust of policy, it argued for the abolition of the unemployment benefit for 16 and 17 year olds. There could, the Report argued, be significant improvement in unemployment through tightening income abatement, allowing benefits to fall in relation to earnings, tighter reviews, and operation of work tests. The incentives question continued to be a particular source of concern for BRT, an argument that was also advanced by Infometrics, a business economic consultancy group which argued that beneficiaries could be

expected not to work because of the disincentives arising from the small gaps between benefits and wages (Infometrics, 1988). Their argument was given wide publicity, featuring on the front page and in a full page article in the *Dominion Sunday Times*, January 21, 1990. The Minister of Social Welfare repudiated both their argument and the distorted use of figures which they had employed to produce and support the argument. However, their views received much wider publicity than his.

Once again, the contradictory position arising from the nature of social security and from the history and ideology of the Labour Party was neatly encapsulated here. The Minister was critical of the Infometrics argument (see *Sunday Times*, 28 January 1990; Cullen, 1989) and its attack on beneficiaries while at the same time being part of a Cabinet and a government which itself produced a deterioration in the position of beneficiaries. Indeed, on other occasions, as we noted above, he led criticisms of beneficiaries, particularly in relation to fraud and abuse.

Three other areas of influence on policy need to be considered, namely the trade unions, the women's lobby and Maori. The trade union movement has been a key force in Labour politics. While some individuals and forces within the Party would like to reduce or remove that influence, the trade unions nevertheless remain an important part of the Labour Party, even if somewhat diminished in comparison to previous times. There were strong arguments from the trade union movement in relation to the changes in accident compensation. In particular, the union movement was concerned about the loss of lump sum payments and the breaking of what they considered to be a social contract. They were largely unsuccessful in their efforts to secure changes along the lines that their campaign was fighting for. Other aspects of social security changes received only minimal attention from trade unions; the continuing impact of industrial legislation, wages activity and economic policy, as well as economic restructuring, meant that little attention was paid to the social security changes.

Women have exerted a strong influence over the shape and direction of Labour Party policy in the last decade. The Party has put in place a number of policy issues, for example, pay equity and childcare, which can be directly traced to the influence of women in the Party. In the social security area, this influence has been less sustained and less dramatic. One of the significant changes that can be traced to the influence of the women's lobby was the proposal in the 1990 Budget to introduce (from April 1991) an eight week period of initial eligibility for the universal benefit when the income of the spouse would not be considered, a change referred to above. Individual assessment for benefit eligibility has been strongly pushed by women in the Labour Party, and indeed by the women's movement more generally. This is a good illustration of the point made on different occasions during this paper, namely that it is too simple, and inaccurate, to categorise all changes during this period as being simply a reflection of monetarism in action. Monetarism was certainly rampant, but it did not operate in a completely unimpeded fashion. It is also a powerful illustration of the ways in which Labour history and philosophy was crucial in affecting the contradictory nature of the reforms. While some of those reforms

would have a detrimental effect on women (for example the changed basis for increasing GRI; the benefit reductions planned for April, 1991), this particular measure would have a positive outcome for women.

Although the Social Welfare Department has taken significant steps in the social work area and with its general philosophy to move towards a more bicultural approach to practice and to a recognition of the significance of iwi¹³ and of Maori issues this has not been so significant or important in the payment of benefits. There have been proposals for the payment of unemployment benefits to iwi authorities, with the idea that they would utilise the money in the best interests of members of the iwi. This, however, has not been translated into policy and it can be assumed that the introduction of a universal benefit would not facilitate this. Of greater significance on the income maintenance side as far as Maori are concerned has been the significance of unemployment. The consequences of the very high rate of Maori unemployment have meant that social security has been a major source of income for Maori. One area where there has been some policy movement reflecting bicultural concerns has been the use of special needs grants from time to time to pay for attendance at tangi.¹⁴ The 1990 Budget tightened payments in this area and the reductions in benefit arising from the 1990 Budget would have had a bigger effect on Maori than on other ethnic groups. An even more substantial effect would have been the decision to pay the core adult benefit rate to an adult on a benefit sharing accommodation with other adults. Prior to that proposed change, the single adult rate was approximately sixty per cent of the married rate. The Task Force on Income Maintenance Reform preparing material for the relevant Cabinet Committee was moved to recommend that this decision be reviewed because of the strongly discriminatory impact on Maori. For example, the Task Force pointed out that one in three of Maori of working age were dependent on income maintenance, with forty percent of those aged between 18 and 29 years in this category. While 25 per cent of families and 23 per cent of dependent children in the population as a whole are supported by income tested benefits, this applies to 45 per cent of Maori families and 40 per cent of dependent Maori children (Task Force on Income Maintenance Reform, 1989a: 29-30. For a more comprehensive examination of the relevant data, see Task Force on Income Maintenance Reform, 1989b). Bicultural considerations have been important to policy; Maori have traditionally looked to Labour for political representation. Neither the emphasis on biculturalism, nor the historical and political links between the Labour Party and Maori were able to influence policy here in any significant way.

13 'Iwi' is one of the basic units of identification in Maori society; the closest translation in English is 'tribe'.

14 'Tangi' is equivalent to a funeral in pakeha terms, but has particular cultural meaning and significance not usually associated with a pakeha funeral.

4 The Effects of the Changes

Securing a clear, unambiguous and unequivocal picture of the quantitative impact of the changes in the position of beneficiaries is impossible. Adequate quantitative data is difficult to secure; the changes to the public service introduced by the Labour government also make it expensive to obtain the data ! Further it is difficult to establish an adequate base point in 1984 from which to launch the comparison.

The limitations arising from the paucity of available data can be partially overcome by extending examination of the quantitative data to include changes in income distribution generally where appropriate. Such an approach is consistent with the approach to social security and to income distribution set out at the beginning of this paper. Since social security beneficiaries are generally located among the lowest income recipients in the community, the changes in income distribution generally will be useful indicators of the position of beneficiaries. This section is therefore organised in two parts. I begin by setting out a summary of data which shows changes in social security benefits, prices and incomes between 1984 and 1990. From there I set out the available data related to taxation changes and the impact on income distribution.

A number of points stand out about Table 4.1. First, the deterioration in the position of beneficiaries over the timespan is clear from this table; the benefit increase is between ten and fifteen per cent less than the inflation increase. Beneficiaries became poorer over the time period, measuring poverty on the basis of ability to maintain a standard of living commensurate with that of the rest of the community. To paraphrase the argument from the Royal Commission on Social Security (1972), beneficiaries were less able to belong and participate in 1990 than they were in 1984.

Second, moving from benefits to incomes generally, higher income earners (fifth quintile) have had a significantly greater increase in their income than have lower income earners (first quintile). The effect of overall income policy has been to widen the income gaps and improve the position of the higher income earner and higher income household. The circumstances of the better off improve while the circumstances of the worse off deteriorate. This shift highlights the importance of approaching income policy as a whole, rather than just one part thereof, such as social security rates; we are now able to place those rates, and changes therein, in the context of income distribution policy generally. It is worth noting that the increase in average gross income for the lowest quintile is greater than the benefit increase for all three beneficiary groups I have been discussing here. Furthermore, the increase is greater in households of full-time wage and salary earners than it is for any of the beneficiary groups reviewed.

Third, the increasing inequality in incomes is highlighted by the changes in real disposable incomes. There is a six per cent difference in the changes in real disposable income between the first and the fifth quintile of full-time wage and

Table 4.1: Summary of Changes in Benefits and Some Key Economic Indicators, 1984-1990

Variable	% Change
Benefit Rates	
National Super (single)	65.87
UEB single <20	65.41
DPB (1 child)	63.79
Price Increases	
Consumer Price Index	81.9
Average Gross Income - Full-time Earners	
First Quintile	75.79
Second Quintile	78.31
Third Quintile	82.28
Households	80.87
Real Disposable Incomes - Full-time Earners	
First Quintile	-3.69
Second Quintile	-2.26
Third Quintile	+2.76
Households	+0.2

- Sources:**
- a) For Benefit Rates: Department of Social Welfare Annual Report, 1984; Current benefit pamphlets, 1990.
 - b) For Price Increases: *Hot Off the Press*, Table 1, Consumer Price Index, September 1990.
 - c) For Average Gross Income: *Monthly Abstract of Statistics*, September 1985; *Key Statistics*, October 1990. Base: March 1981 = 1000.
 - d) For Real Disposable Incomes: 1984 figures, *Monthly Abstract of Statistics*, September 1985; 1990 figures from *Hot Off the Press*, Real Disposable Incomes Indexes and Related Measures for full-time wage and salary earners, Table 1.1, June 1990 Quarter. Base: March 1981 = 1000.

salary earners, the lowest quintile suffering a decline while the highest quintile experienced an increase. The changes in real disposable incomes for wage and salary earners shown here extends the data discussed above in that it allows us to see the significance of the impact of the tax changes alongside the impact on income distribution of other income policies. (The detail of those tax changes is set out in Table 4.2). Those policies advantaged the higher income earners at the expense of lower income earners, as that table clearly shows. The impact of these changes on household disposable incomes is unknown; unfortunately, the Household Real

Table 4.2: Tax Changes, 1984-1990

Tax scale at 1 October 1984

<\$ 6000	20c/\$
\$6th - \$25000	33c/\$
\$25th - \$29999	45.1c/\$
\$30th - \$37999	56c/\$
>\$38000	66c/\$

Tax scale from 1 October 1986

<\$9500	15c/4
\$9500 - \$29999	30c/\$
>\$30000	48c/\$

GST - 10%

Tax scale from 1 October 1988

<\$30875	24c/\$
>\$30875	33c/\$

GST - 12.5 from 1 July 1989

Disposable Income changes are not available on a quintile basis. While the real disposable income of households is almost totally unchanged, we do not know what, if any, quintile differences this masks. Given all the other data we have available, it would be surprising if there were not differences between quintiles here too.

There is a further set of data which examines disposable incomes on a wider scale. It results from a study of the impact of government fiscal policy undertaken by the Department of Statistics (Department of Statistics, 1990). While their focus was much wider than our interest here, it is worth noting the conclusion in the study; the pattern of greater income inequality identified above is noted too in this study:

unadjusted market income is distributed more towards the higher market deciles...and away from the bottom deciles...when comparing 1987/88 data to previous years. (Department of Statistics, 1990:71)

A recent Planning Council publication noted a similar pattern. Their study was concentrated on a comparison between 1985-86 and 1987-88. From that base, they commented in their conclusion that:

during the two years from 1985/86 to 1987/88...income became less equally distributed (New Zealand Planning Council, 1990:125-6).

The changes in taxation, and growing unemployment since 1988, along with declining real benefit levels will have resulted in a decline in the position of beneficiaries, as the evidence here demonstrates.¹⁵

A clear picture of the effect of the tax changes on the income quintiles can be seen in Table 4.3. While this table sets out data for full-time wage and salary earners only, it clearly shows the increase in tax rate for the first quintile (lowest earners) and the decrease in tax rate for the top quintile. As we have seen previously, higher income earners are advantaged and lower earners are disadvantaged. The impact of these changes is reflected in the disposable income data in Table 4.1.

When we move beyond income tax to total taxation, that is, direct and indirect taxation, the inequality that has been demonstrated above becomes even more prominent. While there is some progressivity in direct taxation, the regressive effect of indirect taxation is starkly evident, with higher income deciles paying significantly less indirect tax than do lower income deciles.

Table 4.4 shows the impact of direct and indirect taxation for equivalent market income deciles.¹⁶ These figures are not available on a comparative basis. In addition to the regressive nature of indirect taxes, the other important feature here is the total taxation, that is the combined direct and indirect taxes. As can be seen by an examination of the table, there is almost no difference in the total taxation for the highest and the lowest decile. This highlights the inequalities arising from the impact of the tax changes set out in Table 4.2. The effect of those changes is that the Labour government's total taxation structure reinforces income inequalities, rather than reducing those inequalities.

There is one final point worth elaborating before we move on to the composition of the deciles. While implicit in many of the comments that have been made so far, it is worth emphasising that all the information points in the same direction, namely that the most significant increases and improvements in economic position have been at the higher end of the income scale. This applies whether the focus is on wage and salary earners, where the fifth quintile (highest income) has a larger percentage change than the first quintile, or the focus is on real disposable incomes where the fifth quintile has a bigger increase than the first quintile. Similarly, in the taxation area, the first quintile of full-time wage and salary earners has an increase, while the fifth quintile has a decrease. Even more significant is the impact of direct

15 This indication of growing inequality in real disposable income is demonstrated in a further Department of Statistics study of incomes that includes data for the period 1982-1990 (Department of Statistics, 1991).

16 'Equivalent income market deciles' refers to the calculation of incomes when household formation is taken into account. It relies on the use of equivalence scales to compare households with different age groups and different numbers of people.

Table 4.3: Average Tax Rate Changes, Full-time Wage and Salary Earners,
(Income tax as a proportion of gross income)

	First Quintile	Third Quintile	Fifth Quintile
June 1984	16.4	24.2	31.3
June 1990	17.9	23.5	28.0
% change	+9.1	-2.9	-10.5

Sources: 1984 - *Abstract of Statistics*, January, 1986.
1990 - *Key Statistics*, November, 1990.

Table 4.4: Total Taxation, Direct and Indirect Taxes^{(a)(b)}
(Tax as percentage of total income)

Equivalent market income decile	Direct	Indirect	Total
First Decile	22.1	25.9	48.0
Second Decile	18.6	18.8	37.4
Third Decile	18.4	18.6	37.0
Fourth Decile	21.0	19.0	40.0
Fifth Decile	24.7	16.6	41.3
Sixth Decile	27.3	15.5	42.8
Seventh Decile	28.7	13.8	42.5
Eighth Decile	30.0	14.1	44.1
Ninth Decile	31.6	13.2	44.8
Tenth Decile	37.9	10.3	48.2

Notes: a) The indirect taxes referred to here are wider than GST; they also include stamp and cheque duties, fringe benefit tax, motor vehicle fees, land tax etcetera. (For a full description of what they contain, see Department of Statistics, 1990).

b) Since the data here was collected, GST has been increased to 12.5%, and the latest tax changes detailed in Table 4.2 have come into effect.

Source: Department of Statistics, 1990, Tables 26 and 28: 57 and 62.

and indirect taxes, where the first decile (of which 26 per cent are single parent households and 35 per cent single person households), pays 48 per cent in taxation while the tenth decile pays only fractionally more.

I have talked throughout this section about the different income deciles without at any stage identifying the composition of those deciles. It is appropriate to conclude this section by setting out a brief description of some key characteristics of the different deciles.¹⁷ Comparing the deciles allows us to see clearly which groups are affected by the particular policies. Such comparisons permit us to answer crucial questions such as: if the effect of policies is to favour higher income earners and to disadvantage lower income earners, then which are the specific groups in the population that are advantaged, and which are the groups that are disadvantaged?

Table 4.5 sets out key data from the Statistics Department study (Department of Statistics, 1990). This table clearly shows the extent to which beneficiaries are located among the lowest equivalent market income deciles. The retired, single parents, those receiving social security benefits, and the elderly are heavily over-represented in the bottom deciles and under-represented in the higher deciles.

As the table shows, 27 per cent of that first decile are retired. On the other hand, 37 per cent of the tenth decile are couples with children, 34 per cent are couples without children, 15 per cent are single person households and one per cent are solo parent households. Three per cent are retired. Conversely, if we concentrate on the retired, single parent households and those on benefits, we find that 55.5 per cent of the retired are in the bottom two deciles, while three per cent are in the top two deciles; 42 per cent of solo parent households are in the bottom two deciles, compared with three per cent in the top two deciles, and 43.2 per cent of those on unemployment or other benefits are in the bottom two deciles, while 5.9 per cent are in the top two deciles. (Figures are adapted from Department of Statistics, 1990, Tables 4, 5, 6). Unfortunately, there are no comparative figures available to show how this has changed over the period under review.

Policies which advantage the highest deciles and disadvantage the lowest deciles clearly operate to the detriment of those who rely on social security for their income.

17 While the application of the definitions used means that there will be some slight differences for different statistical sources, these differences will not alter the composition of the deciles markedly.

Table 4.5: Characteristics of Households Within Equivalent Market Income Deciles

	Lowest Decile	2nd Lowest Decile	2nd Highest Decile	Highest Decile	All H'holds
Per cent of Households which are					
- single persons	35.9	39.3	14.1	15.3	19.2
- couple, no child	21.3	37.6	24.9	34.1	23.4
- couple, children	10.1	5.5	47.3	37.8	38.3
- solo parent	26.2	13.5	1.7	1.3	9.4
- other family type	3.5	2.4	3.6	6.7	5.1
- non-family	2.95	1.61	8.47	4.78	4.68
paying rent	34.1	23.5	20.2	13.0	23.3
paying mortgage	16.7	12.9	55.9	53.6	37.4
European	70.5	87.5	90.5	83.0	82.3
Maori	21.6	5.3	3.5	6.5	9.1
Per cent of Occupants					
- <5	11.2	4.9	3.7	5.0	9.2
- 5-14	21.2	12.0	12.8	11.2	17.6
- 15-59	35.6	24.5	81.1	78.6	59.1
- 60 or >	32.0	58.6	2.4	5.2	14.0
Per cent who are					
- retired	27.5	49.9	1.5	2.9	11.2
- on h'hold duties	24.1	22.5	12.1	10.3	16.8
- self employed	5.4	1.3	4.8	8.5	5.1
- earning income	1.5	1.3	54.7	53.4	30.8
- receiving ueb	5.4	3.6	2.3	1.1	3.0
- receiving other taxable benefit	19.6	14.6	1.0	0.5	5.0

Source: Adapted from Department of Statistics, 1990, Tables 4, 5, 6.

5 Conclusion: Continuation and Future Steps

In the historical section at the beginning of this paper, I argued that one of the key considerations surrounding social security had been the struggles over the role of the state in relation to the market and the family. The critical question became: to what extent and for what should the state be responsible? This state responsibility had been a struggle in relation to the responsibility of the family and, to a lesser extent, voluntary organisations. It was argued too that the increasing state responsibility did not mean that the market had been replaced, but rather that state provision of social security was locked into a series of contradictions surrounding the market and the provision of social security for those for whom the market is inadequate, unreliable and destructive. Many of those contradictions are reflected in the ways in which social security policy, practice and provision have developed between 1984 and 1990. Questions surrounding deserving and undeserving, the maintenance of 'less eligibility', the preservation and strengthening of work incentives, the importance of 'the family' and family responsibility have all continued to be central themes. Although the specific details and specific issues are different, the continuity is clear.

At the same time, there were some important steps forward reflecting those contradictions quite clearly. The planned removal of the discriminatory treatment of the unemployed without dependants, the planned improvement in provision for the sick and disabled, the planned limited individual entitlement for unemployment benefit, the abolition of the lower rate for DPB applicants, improvement in allowable earnings, all represent gains for beneficiaries. However, as can be seen in the last sentence, many of these gains would not take place until after the 1990 election, and it could not be guaranteed, therefore, that they would happen. Furthermore, the gains must be put in the context of a policy which also produced economic decline, deterioration in the ability to participate and belong, a strong emphasis on abuse and fraud, a mechanism that in time would produce a decline in real terms in the rate of GRI (national superannuation), effective planned cuts for large numbers of beneficiaries from April 1991 and proposed changes in benefit structure which would particularly disadvantage Maori and Pacific Island people. Labour managed a decline in the position of beneficiaries.

The process of creating these changes took place through a strategy which was dominated by Task Forces, Reviews and a Royal Commission. The consultations that were a part of those Reviews were a vital factor in creating the changes, but not necessarily changes which were consistent with the aspirations and proposals of those beneficiary, community and social service groups which wanted improvement in the position of beneficiaries, and in benefit provision and coverage. Treasury, with its emphasis on individualism and targeting, was a much more potent influence, as were Cabinet Ministers themselves who created the framework in which the changes took place.

The increasing emphasis on targeting as the vehicle for the provision of social security and as a key aspect of income redistribution has serious political consequences. The comparative and historical evidence all points towards targeting being a route towards poorer provision. It is not too crude to reiterate the comment made on a number of occasions, namely, that: means test equal mean tests. The contrast between the treatment of the poor and the treatment of the better off is worth highlighting here again.

It was argued in the historical section that there is a New Zealand tradition of state intervention to promote redistribution in favour of the poorest. There is no doubt that social security redistributes income to the poorest (Department of Statistics, 1990). However, what we are clearly seeing here is a series of outcomes which resulted in a decline in the position of the poorest and particularly social security beneficiaries vis-a-vis the society as a whole. State policy and state practice, for all groups of beneficiaries, moved in the direction of a decline and a deterioration in their economic position. The changes put in place to take effect from April 1991 (and April 1992 in case of accidents) would have strengthened that deterioration. They are changes which would make concerted political and ideological struggle in relation to the position of the poorest in society a continuing requirement. They represent a repudiation of many key facets of the development of social security in New Zealand and in that sense can be seen as turning further away from 'A Fair and Just Society'. The history and politics, and some of the ideologies within the Labour Party, prevented a full scale attack on beneficiaries.

In the long-term two possibilities seem uppermost. The ways in which the Labour government has articulated the issues opens the way to the possibility, in the immediate future, of a sustained further attack on beneficiary living standards. There is, however, nothing inevitable about the outcomes of these attacks, even though the pressures and forces driving the attacks are very powerful. As Townsend has noted in a recent article on the changes in Europe, it is also possible that the state activity has opened up a space in which political activity surrounding income support will once again become fundamental and a site of intense struggle (Townsend, 1990). Economics, ideology and politics will continue to be crucial determinants of social security provision.

6 A Postscript: There's Worse to Come: The National Government and Social Security

My major focus in this paper has been the changes in social security carried out by New Zealand's Fourth Labour government. As I have demonstrated, those changes represented a significant shift in the nature of social security provision, a shift that reflected many of the longstanding themes and contradictions in social security provision. Furthermore, the changes in both social security policy and provision and the accompanying economic changes and changes in taxation policy resulted in a substantial deterioration in the position of beneficiaries in relation to the rest of the community. In the process of carrying out those changes, the Labour government created a political and ideological climate which was, at best, lukewarm towards beneficiaries. At its worst, the climate was actively hostile to them. It was this climate and the restructured social security system which the National government inherited when it won the election in October 1990. This postscript reviews the changes made by that government and their effects.

One of the early actions of the newly elected government was to produce what was euphemistically called an 'Economic and Social Initiative' in December, 1990. That plan contained draconian cuts in the level of social security benefits, with the exception of superannuation payments and invalids benefits. The extent of those cuts is shown in Table 6.1. That Table shows cuts as high as 24 per cent for some beneficiaries. It actually understated the size of the cuts because social security benefits were scheduled to increase on April 1, 1991, the date from which the cuts took effect. As Stephens (1992) demonstrates, the original plans were for much more substantial cuts.

These cuts were accompanied by tightening of eligibility and entitlement criteria. The changes in these criteria included:

- lengthening of the unemployment stand down period from 6 weeks to 26 weeks if workers were deemed to have left their job without good and sufficient reason of refused a job offer;
 - stand down for redundancy pay and offsetting of redundancy pay against unemployment benefit entitlement;
 - tightening of the criteria for payment of special needs grants;
 - shortening of the time period for income assessment period to catch seasonal workers;
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Table 6.1: Benefit Cuts of 1 April 1991 (Selected benefits only)

Benefit Type	Rate as of 31.3.1991 (\$)	Rate as of 1.4.1991 (\$)	Percentage Change
Unemployment			
Single unemployed 18-19	114.86	108.17	5.8
Single unemployed 20-24	143.57	108.17	24.7
Single unemployed >25	143.57	129.81	9.6
Married Couple	223.22	216.34	3.1
Single, 2 children	292.87	266.83	8.9
Sickness			
Single, 18-24	162.26	129.81	14.3
Married Couple	270.44	245.86	9.1
Single, 2 children	292.87	266.83	8.9
Domestic Purposes			
Single	162.26	135.22	16.7
Single, 2 children	292.87	266.83	8.9

Source: Department of Social Welfare pamphlets.

- introduction of a work test for single parents with a child over the age of seven; and
- a new work test with three streams - exempt from work, training for work, work ready.

Alongside these social security changes must be included the announcement of the introduction of the Employment Contracts Bill, now an Act, the *Employment Contracts Act, (ECA)*. The two are linked together in that the ECA created a framework for lowering wages. In such a climate, the requirements of less eligibility make lower social security benefits and changes to the rules governing entitlement and eligibility essential.¹⁸

What have been the effects of the benefit cuts? The answer to that question should come as no surprise to anybody with an informed interest in the experiences of poverty. A number of research reports and related projects have all pointed in the same direction, namely that the cuts have created abject misery and desperation for those affected and for their families. (For useful studies, see Jackman, 1992; Craig

¹⁸ At the time of writing, the major effects of the ECA are reductions in wages for some, reductions in penal rates and overtime payments for others and low wages for some young workers, for whom there is no statutory minimum.

et al., 1992; Ward, 1991; List et al., 1992). Life becomes a desperate struggle to survive, a struggle that is well attested by the dramatic growth in Foodbanks since the start of the benefit cuts. Every facet of the lives of beneficiaries has been affected: food, housing, accommodation, recreation, clothing, the choice of school subjects for children, and so on.

The Minister of Social Welfare and the Minister of Finance defended the cuts on an economic and ideological basis. On the economic front, it was argued that the cuts were necessary because of the country's financial position. However, as Dalziel has pointed out, the cuts made the financial position worse and there is substantial reason to doubt the validity of the economic imperative that the Ministers claimed necessitated the cuts (Dalziel, 1991).¹⁹ The study he has undertaken with colleagues on the effect of the cuts on the various regional economies demonstrates that those economies will suffer significantly from the loss of spending power. This loss of spending power has an obvious impact on employment prospects in the various parts of the country. For example, their calculations show that for the whole of Christchurch city, \$625,700 would be removed from the economy each week, a total of \$32.5m per year (Milligan et al., 1991).

To turn to the latter range of justifications, it was argued that the cuts would encourage families and voluntary agencies to take care of the 'needy', and thereby reduce the role of the state. Second, it was argued that the cuts would reduce the problem of dependence, and make people more self reliant and less dependent on the state. Third, strengthening the economy and improving the operation of the market would allow beneficiaries to take care of themselves and would encourage them to search for work. In all these aspects the cuts were able to build on the changes introduced by the Labour government. The emphasis on the role of the family and reducing the role of the state, the pejorative attacks on 'dependence on the state', the reliance on the market were all central aspects of the Labour strategy. The ineffectiveness of the cuts in terms of the reduction in 'dependence' and in encouraging the search for work can be seen in the fact that the number of people receiving the Domestic Purposes Benefit recently passed 100,000 for the first time.

Further, as we have seen, Labour changes included planned reductions in benefits for some beneficiaries. These plans made it difficult for Labour to mount meaningful opposition to the cuts, even if it was of a mind to do so. Certainly, the Labour changes would not have produced the traumatic results emanating from the National government cuts, and Labour's cuts were nowhere near as savage or as extensive. However, it had opened the doors for the 1991 cuts and was unable to stand effectively in the way when the stampede began.

19 This is not to argue that there are not real economic issues to be dealt with; rather, I am arguing that the evidence suggests that, contrary to the Ministers arguments, those issues were not the fundamental reasons underlying the benefit cuts.

Appendix One: Family Assistance

Started in 1984 as Family Care plus universal family benefit. Paid at \$10 per week and then abated, with abatement point dependent on family size; began to abate at \$20,470. It was limited to the paid workforce.

Replaced 1 October 1986 by **Family Support and Guaranteed Minimum Family Income (GMFI)**

GMFI: \$250 (net, including family benefit) plus \$22 per week per child

Family Support: \$36 per week first child, \$16 per week subsequent children

Half paid to each partner in two-parent household. Paid through the tax system for earners and the Social Welfare Department for non-earners. Threshold set at \$14,000 (gross family income) and then abated at 18c/\$, cutting out at \$24,000 (1 child), \$38,267 (4 children). Threshold increased to \$16,000 and then to \$17,5000 from 1.10.89.

GMFI increased to \$310 per week from 1 April 1989.

1990 Budget (to come into effect 1 April 1991)

Family Support and Family Benefit to be amalgamated into new Family Benefit. Threshold set at \$18,980.

Full rate of \$49.36 for first child and \$28.21 for each subsequent child. Then abate through a two step process, to a minimum of \$6 at \$30,230 (1 child) and \$37,930 (3 children).

The universal payment of \$6 remains.

Family Benefit and thresholds to be inflation adjusted, except for universal payment of \$6.

Full rate paid for any child of 16 or 17 still at school.

Appendix Two: Sickness and Accident Provision Changes

Prior to 1991 Budget:

- 80 per cent previous average earnings, payable from 8 days after accident, regardless of place or cause of accident.
- Range of other measures including limited lump sum compensation, payment of medical and related expenses (physiotherapists for example). Assistance with necessary home modifications etcetera.
- Sickness benefit or invalid benefit (flat rate) for non-accidental sickness or disability.

Change (effect)

(a) 2 week waiting period

Earners 75 per cent for work accident; otherwise normal sick pay

Non-earners - emergency assistance

(b) 4 week transition period

Earners receive flat rate Incapacity Benefit, topped up by employer to 75 per cent previous earnings if incapacitated through work.

Non-earners: flat rate Incapacity Benefit, regardless of spouse earning.

(c) Long term compensation (from week 7)

Earners: earnings related compensation, 75 per cent previous income.

Non-earners: Incapacity Benefit if not supported by a spouse. 40 per cent Incapacity Benefit if supported by a spouse.

Also includes:

- Incapacitated Carer's Allowance;
 - Disability Allowance; and
 - Survivor's Grant (1 year work related death; 1 year Incapacity Benefit for death through other accidents).
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Appendix Three: List of Reviews and Publications

Budget '85 Task Force (1985), *Benefits, Taxes and the 1985 Budget*, Department of Social Welfare, Wellington.

Caygill, D. (1989), *Economic Strategy*, Government Printer, Wellington.

Department of Social Welfare (1986), *Benefits, Taxes and the 1985 Budget: A Review and Summary*, Department of Social Welfare, Wellington.

Department of Social Welfare (1988), *Income Support for the Elderly*, Department of Social Welfare, Wellington.

Ministerial Task Force on Income Maintenance (1986), *Benefit Reform*, Department of Social Welfare, Wellington.

Ministerial Task Force on Income Maintenance (1987), *Benefit Reform: The Next Steps*, Department of Social Welfare, Wellington.

Report of the Ministerial Review into Benefit Fraud and Abuse (1986), Department of Social Welfare, Wellington.

Royal Commission on Social Policy (1988), *Working Papers on Income Maintenance and Taxation*, Department of Social Welfare, Wellington.

Task Force on Income Maintenance Reform (1989a), *Report on a Proposed Income Maintenance System*, Department of Social Welfare, Wellington.

Task Force on Income Maintenance Reform (1989b), *Report on a Proposed Income Maintenance System*, (Revised), Appendices, Department of Social Welfare, Wellington.

Appendix Four: Issues Identified in *Benefits, Taxes and the 1985 Budget*

Issue	Submission View	Government Response
One Basic Benefit	Support	Introduce 1991
Current system of categories	Reject	Abolish 1991
Age of eligibility	Reduce to 15	Increase to 18
Residential requirements	Standardise at nil	One year, most benefits
Standdown	Abolish	Extend to 2 weeks
Remote areas	Abolish	Abolished
Youth rates	Divided	Strengthened
Higher long-term benefit	Divided	No action
Income testing (family assistance)	Support	Retained
Income testing (Family benefit)	Oppose	Not introduced
Adjustments	Same for all benefits	Moving in this direction
Benefit adjustment	Based on prices	Mix of prices and wages
Regular adjustment all benefits	Support	Part of policy - retained
Regular adjustment income exemptions	Support	In 1991 legislation
Beneficiaries and wage earners - same help	Support	Part of policy - continue
Larger assistance for 1st child	Divided	Rejected
Child assistance age related	Support	Not introduced
Rate of assistance based on no. children	Support	Not included
Benefits taxed	Marginal support	Introduced 1986
Taxation for ueb only	Oppose	Abolished 1986
Individual unit for benefit assessment	Support	Part introduction 1991
Same unit of assessment, benefits and tax	Support	Not introduced
Living arrangements basis for help	Support	Introduced 1991
Single benefit too low relative to married	Agree	Reduced 1991
Single relativity	71 per cent	50 per cent from 1991
Family assistance to primary carer	Support	Introduced 1991
Income exemption too low	Agree	Increased 1986
Half benefit to each beneficiary	Support	No action
Period of assessment for benefit	Annual income	Weekly
Benefit decreases too quickly with income	Agree	Threshold higher and higher abatement

Source: Department of Social Welfare (1986), *Benefits, Taxes and the 1985 Budget: A Review and Summary*, Department of Social Welfare, Wellington: 22-54.

Appendix Five: Recommendations Made in *Benefit Reform*

Issue	Recommendation	Action
Standardised Benefit	Introduce with Transition	Introduce from April 1991
Standardise eligibility	Standardise at 18	Standardise at 18
Residential requirement	Standardise at 1 year	Standardise at 1 year
Commencement Date	1 week with hardship provision	2 weeks with hardship provision
Uniformity	Withdraw penalties affecting sick and unemployed	Same for all benefits
Paying arrangements	Standardise 2 weekly	Standardise 2 weekly
Women alone and employment	Transitional allowance and work test	Work test
Income exemption	Fortnightly basis	Weekly basis
Training and rehabilitation	Training supplement	Not implemented
Move to employment	Gratuity for long-term beneficiary taking employment	Not implemented
Cost of National Superannuation	Adjust in line with other benefits	Phased in from 1990
Basis of payment	Research on costs for unmarried	Not carried out
Rates for single parent, 1 child	Reduce to 75% married	Reduce 1991 changes
Relativity, benefits and national superannuation	Link rates with constant margin	Rates to be aligned gradually
Indexation	6 monthly based on CPI and wages	Annual, related to inflation
	Married benchmark: 65-77% net average wage	Core single rate between 32-36.5% net average wage
Relativities	Indexation of range of benefits	Indexation of most parts of benefit structure
Discrimination against unemployed	Remove	Same rules for all beneficiaries
War Pensions	Rename as Veterans Superannuation	Renamed as Veterans Pension
Youth unemployment rate; lower than benefit	15-18, special transitional allowance related to work record	Job search allowance, limited duration; rate related to current training to core proposed by 1987 Ministerial Task Force; independent youth special circumstances

Source: Adapted from Ministerial Task Force on Income Maintenance (1987), *Benefit Reform: The Next Steps*, Department of Social Welfare, Wellington: 12-97.

Appendix Six: Recommendations of Royal Commission on Social Policy

Issue	Recommendation	Action
Eligibility conditions	Benefits be divided into short and long term	Universal benefit from 1/4/91
Benefit levels	Base not be eroded	Benefits to be reduced from 1/4/91
Ueb levels	Discrimination be abolished	Universal benefit from 1/4/91
Benefit adjustment	Based on wage levels	Inflation adjusted in wage band
Benefit structure	Standard individual at half married rate, plus 20 per cent as living allowance	Core individual rate as basis, at married rate, living alone addition of 20 per cent
Basis of entitlement	Move towards individual	Limited individual entitlement from 1/4/91
Care of children	Introduction of Carer's Allowance	No action
Sickness and Disability	<ul style="list-style-type: none"> • Employers pay for work accidents only or first 4 weeks • Earners - flat rate payment after 1 week 	Employers pay for work for first 2 weeks ; flat rate for all for next 4 weeks ; employer top up for earners; from week 7 ERC for all earners - no time limit.
	<ul style="list-style-type: none"> • ERC for 2 years, then flat rate 	Non-earners incapacity
	<ul style="list-style-type: none"> • Disability allowance. 	No spouse. Disability Allowance and Incapacitated Carers Allowance
	Abolish lump sum payments	
Elderly	Gradual extension of ACC provision to cover sick and disabled. Improvements to disability allowance.	
	Income tested benefit from age 65 - living alone supplement paid at same rate as other benefits. Universal benefit from age 68 at half rate of tier. Changes to be phased in over 10-12 years.	GRI from April 1990. Changes phased in over 30 years. Benefit to reduce into line with other benefits Universal benefit remains.

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