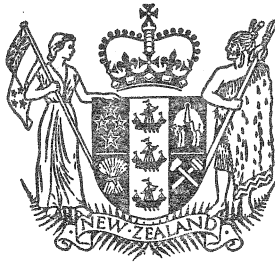


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H. 53



Social Security in New Zealand

REPORT OF THE ROYAL
COMMISSION OF INQUIRY

*Presented to the House of Representatives by Command of
His Excellency the Governor-General*

BY AUTHORITY:

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Social Security
in New Zealand

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THE ROYAL COMMISSION ON
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THE FEDERAL COMMISSION ON
THE STATE OF TEXAS

MEMORANDUM FOR THE COMMISSIONERS OF THE FEDERAL COMMISSION ON THE STATE OF TEXAS

RE: [Illegible Title]
[Illegible Content]

Very truly yours,
[Illegible Name]
[Illegible Title]

[Illegible Content]

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Royal Commission to Inquire into and Report upon Social Security

ELIZABETH THE SECOND, by the Grace of God of the United Kingdom, New Zealand, and Her Other Realms and Territories Queen, Head of the Commonwealth, Defender of the Faith:

To Our Trusty and Well-beloved the Right Honourable SIR THADDEUS PEARCEY MCCARTHY, a Judge of the Court of Appeal of New Zealand; ALAN JOHN DANKS, of Wellington, Chairman of the University Grants Committee; JOHN OUBRIDGE MERCER, C.B.E., of Wellington, medical practitioner; MAVIS ADA TILLER, of Wellington, married woman; and JOHN TURNBULL, O.B.E., of Wellington, company secretary:

GREETING:

KNOW YE that we, reposing trust and confidence in your integrity, knowledge, and ability, do hereby nominate, constitute, and appoint you, the said

THE RIGHT HONOURABLE SIR THADDEUS PEARCEY MCCARTHY,
ALAN JOHN DANKS,
JOHN OUBRIDGE MERCER,
MAVIS ADA TILLER, and
JOHN TURNBULL

to be a Commission to receive representations upon, inquire into, investigate, and report upon the social security legislation and related legislation, in New Zealand; and, in particular, to receive representations upon, inquire into, investigate, and report upon the following matters:

1. The principles upon which the present social security scheme of monetary benefits and supplementary assistance are based and their relevance in changing social and economic conditions.

2. Any changes considered desirable in the structure, coverage, and administration of monetary benefits and supplementary assistance.

3. The criteria which should be used for determining rates of and qualifications for monetary benefits and supplementary assistance, including the means of meeting need.

4. The extent (if any) to which monetary benefits should be subject to taxation.

5. The relationship between any proposals or recommendations you may make, and any pensions or allowances payable under the war pensions legislation that would, in your opinion, be affected by such proposals or recommendations.

6. The relationship between social security monetary benefits, other allied social services, and other schemes of income maintenance.

7. Any changes considered to be desirable to the nature and extent of medical, specialist, and pharmaceutical benefits, and the criteria for determining entitlement thereto.

8. Any associated matters that may be thought by you to be relevant to the general objects of the inquiry.

And, further, in carrying out this inquiry, We desire you to have regard to the necessity of ensuring that the resources expended under the social security system are used to best advantage for the maintenance of adequate living and health standards consistent with the development of the economy and with other demands on resources.

And We hereby appoint you the said

THE RIGHT HONOURABLE SIR THADDEUS PEARCEY MCCARTHY
to be the Chairman of the said Commission:

And for better enabling you to carry these presents into effect you are hereby authorised and empowered to make and conduct any inquiry or investigation under these presents in such manner and at such time and place as you think expedient, with power to adjourn from time to time and place to place as you think fit, and so that these presents shall continue in force and any such inquiry may at any time and place be resumed although not regularly adjourned from time to time or from place to place:

And you are hereby strictly charged and directed that you shall not at any time publish or otherwise disclose, save to His Excellency the Governor-General, in pursuance of these presents or by His Excellency's direction, the contents of any report so made or to be made by you, or any evidence or information obtained by you in the exercise of the powers hereby conferred on you, except such evidence or information as is received in the course of a sitting open to the public:

And it is hereby declared that the powers hereby conferred shall be exercisable notwithstanding the absence at any time of any one or any two of the members hereby appointed so long as the Chairman or a member deputed by the Chairman to act in his stead, and two other members, are present and concur in the exercise of the powers:

And We do further ordain that you have liberty to report your proceedings and findings under this Our Commission from time to time if you shall judge it expedient to do so:

And, using all due diligence, you are required to report to His Excellency the Governor-General in writing under your hands, not later than the 31st day of December 1970, your findings and opinions on the matters aforesaid, together with such recommendations as you think fit to make in respect thereof:

And, lastly, it is hereby declared that these presents are issued under the authority of the letters patent of His Late Majesty King George

the Fifth, dated the 11th day of May 1917, and under the authority of and subject to the provisions of the Commissions of Inquiry Act 1908, and with the advice and consent of the Executive Council of New Zealand.

In witness whereof We have caused this Our Commission to be issued and the Seal of New Zealand to be hereunto affixed at Wellington this 15th day of September 1969.

Witness Our Right Trusty and Well-beloved Cousin, Sir Arthur Espie Porritt, Baronet, Knight Grand Cross of Our Most Distinguished Order of Saint Michael and Saint George, Knight Commander of Our Royal Victorian Order, Commander of Our Most Excellent Order of the British Empire, Governor-General and Commander-in-Chief in and over New Zealand.

ARTHUR PORRITT, Governor-General.

by His Deputy RICHARD WILD.

[L.S.]

By His Excellency's Command—

J. R. MARSHALL, Acting Prime Minister.

Approved in Council—

P. J. BROOKS, Clerk of the Executive Council.

*Extending the Time Within Which the Royal Commission to Inquire
Into and Report Upon Social Security May Report*

ELIZABETH THE SECOND, by the Grace of God of the United Kingdom,
New Zealand, and Her Other Realms and Territories Queen,
Head of the Commonwealth, Defender of the Faith:

To Our Trusty and Well-beloved the Right Honourable SIR
THADDEUS PEARCEY MCCARTHY, a Judge of the Court of
Appeal of New Zealand; ALAN JOHN DANKS, of Wellington,
Chairman of the University Grants Committee; JOHN OUBRIDGE
MERCER, C.B.E., of Wellington, medical practitioner; MAVIS
ADA TILLER, of Wellington, married woman; and JOHN TURN-
BULL, O.B.E., of Wellington, company secretary:

GREETING:

WHEREAS by Our Warrant dated the 15th day of September 1969,
issued under the authority of the Letters Patent of His Late Majesty
King George the Fifth dated the 11th day of May 1917, and under
the authority of and subject to the provisions of the Commissions of
Inquiry Act 1908, and with the advice and consent of the Executive
Council of New Zealand, you were appointed to be a Commission
to inquire into and report upon the matters in Our said Warrant set
out, being matters concerning social security:

And whereas by Our said Warrant you are required to report to
His Excellency the Governor-General, not later than the 31st day of
December 1970, your findings and opinions on the matters aforesaid,
together with such recommendations as you think fit to make in
respect thereof:

And whereas it is expedient that the time for so reporting should be
extended as hereinafter provided:

Now, therefore, We do hereby extend until the 30th day of Septem-
ber 1971, the time within which you are so required to report without
prejudice to the continuation of the liberty conferred upon you by
Our said Warrant to report your proceedings and findings from time
to time if you should judge it expedient to do so:

And we do hereby confirm Our said Warrant and the Commission
thereby constituted save as modified by these presents:

And it is hereby declared that these presents are issued under the
authority of the said Letters Patent of His Late Majesty, and under
the authority of and subject to the Commissions of Inquiry Act 1908,
and with the advice and consent of the Executive Council of New
Zealand.

the Fifth, dated the 11th day of May 1917, and under the authority of and subject to the provisions of the Commissions of Inquiry Act 1908, and with the advice and consent of the Executive Council of New Zealand.

In witness whereof We have caused this Our Commission to be issued and the Seal of New Zealand to be hereunto affixed at Wellington this 15th day of September 1969.

Witness Our Right Trusty and Well-beloved Cousin, Sir Arthur Espie Porritt, Baronet, Knight Grand Cross of Our Most Distinguished Order of Saint Michael and Saint George, Knight Commander of Our Royal Victorian Order, Commander of Our Most Excellent Order of the British Empire, Governor-General and Commander-in-Chief in and over New Zealand.

ARTHUR PORRITT, Governor-General.

by His Deputy RICHARD WILD.

[L.S.]

By His Excellency's Command—

J. R. MARSHALL, Acting Prime Minister.

Approved in Council—

P. J. BROOKS, Clerk of the Executive Council.

*Extending the Time Within Which the Royal Commission to Inquire
Into and Report Upon Social Security May Report*

ELIZABETH THE SECOND, by the Grace of God of the United Kingdom,
New Zealand, and Her Other Realms and Territories Queen,
Head of the Commonwealth, Defender of the Faith:

TO OUR TRUSTY and Well-beloved the Right Honourable SIR
THADDEUS PEARCEY MCCARTHY, a Judge of the Court of
Appeal of New Zealand; ALAN JOHN DANKS, of Wellington,
Chairman of the University Grants Committee; JOHN OUBRIDGE
MERCER, C.B.E., of Wellington, medical practitioner; MAVIS
ADA TILLER, of Wellington, married woman; and JOHN TURN-
BULL, O.B.E., of Wellington, company secretary:

GREETING:

WHEREAS by Our Warrant dated the 15th day of September 1969,
issued under the authority of the Letters Patent of His Late Majesty
King George the Fifth dated the 11th day of May 1917, and under
the authority of and subject to the provisions of the Commissions of
Inquiry Act 1908, and with the advice and consent of the Executive
Council of New Zealand, you were appointed to be a Commission
to inquire into and report upon the matters in Our said Warrant set
out, being matters concerning social security:

And whereas by Our said Warrant you are required to report to
His Excellency the Governor-General, not later than the 31st day of
December 1970, your findings and opinions on the matters aforesaid,
together with such recommendations as you think fit to make in
respect thereof:

And whereas it is expedient that the time for so reporting should be
extended as hereinafter provided:

Now, therefore, We do hereby extend until the 30th day of September
1971, the time within which you are so required to report without
prejudice to the continuation of the liberty conferred upon you by
Our said Warrant to report your proceedings and findings from time
to time if you should judge it expedient to do so:

And we do hereby confirm Our said Warrant and the Commission
thereby constituted save as modified by these presents:

And it is hereby declared that these presents are issued under the
authority of the said Letters Patent of His Late Majesty, and under
the authority of and subject to the Commissions of Inquiry Act 1908,
and with the advice and consent of the Executive Council of New
Zealand.

In witness whereof We have caused these presents to be issued and the Seal of New Zealand to be hereunto affixed at Wellington this 30th day of November 1970.

Witness Our Right Trusty and Well-beloved Sir Arthur Espie Porritt, Baronet, Knight Grand Cross of Our Most Distinguished Order of Saint Michael and Saint George, Knight Commander of Our Royal Victorian Order, Commander of Our Most Excellent Order of the British Empire, Governor-General and Commander-in-Chief in and over New Zealand.

ARTHUR PORRITT, Governor-General.

[L.S.]

By His Excellency's Command—

KEITH HOLYOAKE, Prime Minister.

Approved in Council—

P. J. BROOKS, Clerk of the Executive Council.

Further Extending the Time Within Which the Royal Commission to Inquire Into and Report Upon Social Security May Report

ELIZABETH THE SECOND, by the Grace of God of the United Kingdom, New Zealand, and Her Other Realms and Territories Queen, Head of the Commonwealth, Defender of the Faith:

To Our Trusty and Well-beloved the Right Honourable SIR THADDEUS PEARCEY McCARTHY, a Judge of the Court of Appeal of New Zealand; ALAN JOHN DANKS, of Wellington, Chairman of the University Grants Committee; JOHN OUBRIDGE MERCER, C.B.E., of Wellington, medical practitioner; MAVIS ADA TILLER, of Wellington, married woman; and JOHN TURNBULL, O.B.E., of Wellington, company secretary:

GREETING:

WHEREAS by Our Warrant dated the 15th day of September 1969, issued under the authority of the Letters Patent of His Late Majesty King George the Fifth dated the 11th day of May 1917, and under the authority of and subject to the provisions of the Commissions of Inquiry Act 1908, and with the advice and consent of the Executive Council of New Zealand, you were appointed to be a Commission to inquire into and report upon the matters in Our said Warrant set out, being matters concerning social security:

And whereas by Our said Warrant you were required to report to His Excellency the Governor-General, not later than the 31st day of December 1970, your findings and opinions on the matters aforesaid, together with such recommendations as you think fit to make in respect thereof:

And whereas by Our further Warrant dated the 30th day of November 1970, the time within which you were so required to report was extended until the 30th day of September 1971:

And whereas it is expedient that the time for so reporting should be further extended as hereinafter provided:

Now, therefore, We do hereby extend until the 31st day of March 1972, the time within which you are so required to report without prejudice to the continuation of the liberty conferred upon you by Our first-mentioned said Warrant to report your proceedings and findings from time to time if you should judge it expedient to do so:

And We do hereby confirm Our said Warrants and the Commission thereby constituted save as modified by these presents:

And it is hereby declared that these presents are issued under the authority of the said Letters Patent of His Late Majesty, and under

the authority of and subject to the Commissions of Inquiry Act 1908, and with the advice and consent of the Executive Council of New Zealand.

In witness whereof We have caused these presents to be issued and the Seal of New Zealand to be hereunto affixed at Wellington this 20th day of September 1971.

Witness Our Right Trusty and Well-beloved Sir Arthur Espie Porritt, Baronet, Knight Grand Cross of Our Most Distinguished Order of Saint Michael and Saint George, Knight Commander of Our Royal Victorian Order, Commander of Our Most Excellent Order of the British Empire, Governor-General and Commander-in-Chief in and over New Zealand.

ARTHUR PORRITT, Governor-General.

[L.S.]

By His Excellency's Command—

KEITH HOLYOAKE, Prime Minister.

Approved in Council—

P. J. BROOKS, Clerk of the Executive Council.

Letter of Transmittal

To His Excellency Sir Arthur Espie Porritt, Baronet, Knight Grand Cross of the Most Distinguished Order of Saint Michael and Saint George, Knight Grand Cross of the Royal Victorian Order, Commander of the Most Excellent Order of the British Empire, Governor-General and Commander-in-Chief in and over New Zealand.

MAY IT PLEASE YOUR EXCELLENCY

Your Excellency by Warrant dated 15 September 1969 appointed us the undersigned THADDEUS PEARCEY MCCARTHY, ALAN JOHN DANKS, JOHN OUBRIDGE MERCER, MAVIS ADA TILLER, and JOHN TURNBULL, to report under the terms of reference stated in that Warrant.

We were originally required to present our report by 31 December 1970, but this date was extended by Your Excellency initially to 30 September 1971 and later to 31 March 1972.

We now humbly submit Part I of our report which embodies an introduction, a general survey of the inquiry and a gathering together of our recommendations. We will be presenting the remainder of our report to Your Excellency at a later date.

We have the honour to be

Your Excellency's most obedient servants,

THADDEUS MCCARTHY, Chairman.

ALAN DANKS, Member.

J. O. MERCER, Member.

M. A. TILLER, Member.

J. TURNBULL, Member.

Dated at Wellington this 16th day of December 1971.

Letter of Transmittal

To His Excellency Sir Arthur Espie Porritt, Baronet, Knight Grand Cross of the Most Distinguished Order of Saint Michael and Saint George, Knight Grand Cross of the Royal Victorian Order, Commander of the Most Excellent Order of the British Empire, Governor-General and Commander-in-Chief in and over New Zealand.

MAY IT PLEASE YOUR EXCELLENCY

Your Excellency by Warrant dated 15 September 1969 appointed us the undersigned THADDEUS PEARCEY MCCARTHY, ALAN JOHN DANKS, MAVIS ADA TILLER, and JOHN TURNBULL, together with JOHN OUBRIDGE MERCER, now deceased, to report under the terms of reference stated in that Warrant.

We were originally required to present our report by 31 December 1970, but this date was extended by Your Excellency initially to 30 September 1971 and later to 31 March 1972.

On 16 December 1971 we presented to Your Excellency Part I of the report required from us by Your Excellency's Warrant of 15 September 1969. Dr Mercer died on the 30th day of December 1971.

We now humbly submit the complete text of our report. This received Dr Mercer's approval prior to his death. Your Excellency will see that it is a unanimous report except that one member, Mrs M. A. Tiller, dissents from certain features of recommendations numbered (84) and (87), and proposes alternatives.

We have the honour to be

Your Excellency's most obedient servants,

THADDEUS MCCARTHY, Chairman.

ALAN DANKS, Member.

M. A. TILLER, Member.

J. TURNBULL, Member.

Dated at Wellington this 16th day of March 1972.

PART I

This contains, in one chapter, an introduction to the report, a general survey of the inquiry, and a gathering together of recommendations and costs.

Chapter 1. THE NATURE AND SCOPE OF THE INQUIRY

INTERPRETATION OF THE WARRANT

1. Our Warrant directs our main concern to all social security benefits and other monetary aid, and to certain specified health benefits. We are required to examine the principles on which the total social security system is based, the structure, coverage, and administration of monetary benefits and supplementary assistance, and the criteria and qualifications for determining their amounts and eligibility for them.

2. Though necessarily our inquiry has focused mainly on income support, it has nevertheless ranged widely, for income support lies at the heart of not only social security, but of all social welfare. Further, the ways and means of financing income support are closely interwoven not only with the economic structure of our society, but also with the ways the community, and its government, seek to raise living standards. We could not therefore deal effectively with the specific matters of our Warrant without studying broader historical, economic, fiscal, and social issues, and we found this broader study time consuming, especially as much necessary research data was not available. We were conscious that ours was the first comprehensive inquiry into social security for over 30 years and that our findings could influence important action for the next 20.

3. Social security breeds more various opinions than it does hard-and-fast rules. We found it hard to isolate basic principles, and to establish criteria for appropriate levels of income support where few, if any, existed before, and where people's aspirations and consumption habits, and society itself are continually changing. We have therefore tried to keep in mind that social security is concerned with people and that it is merely one facet of economic, social, and cultural growth and change in the community.

4. We have accepted that we must, in terms of our Warrant, ensure that social security fits into the general patterns (economic and otherwise) of our society, and it must therefore remain flexible enough to respond to continual social and economic change. Our Warrant specifically requires us to ensure "that the resources expended under the social security system are used to the best advantage for the

maintenance of adequate living and health standards consistent with the development of the economy and with other demands on resources". We have not interpreted this to mean that we should inquire into the whole range of governmental expenditure, nor even that we should examine the whole range of State social service activity. To do this would have meant examining the education system and the hospital and health services generally, and this was clearly not intended.

5. The question of how far we should inquire into the health aspects of social security caused us a great deal of difficulty because the health benefits specified in our Warrant cannot be thoroughly examined in isolation from the general aims and organisation of the delivery of medical services to the community (see further chapter 43). The Chairman found it necessary to inform parties interested in presenting submissions about health, that the Royal Commission's Warrant had perforce to be interpreted in the following terms:

In this part of our inquiry we are restricted to the consideration of certain "benefits", and to possible changes to or extensions of them. We are not required, as we are in respect of social security monetary benefits, to consider structure, coverage, and administration. We have no warrant to inquire whether a particular health service is needed, or how it should be organised. We are required to look at specific health services which are now available to the public, and to inquire as to what extent the State should pay for these services or reimburse members of the public for the cost of them.

Were we to go further than this we would find ourselves embroiled in a host of problems which our Warrant excludes, and on which we do not regard ourselves as competent to express considered opinions.

Nevertheless we appreciate that there is an inter-relation between some of the matters with which we may be properly concerned, and some matters with which we may not, and that it is difficult, if not impossible to draw hard and fast lines. We do not therefore intend to impose undue restrictions on the scope of the submissions made to us, but wish to make it quite clear that hospital services, public and private, are outside of our scope, as is the general organisation of the health and medical services.

We are not necessarily restricted, however, to the three specific benefits mentioned in our Warrant—medical, pharmaceutical, and specialist. Section 116 of the Act provides that supplementary benefits may be prescribed if "necessary for the effective operation of the several classes of benefits expressly provided". Some such supplementary benefits have been prescribed, e.g., laboratory diagnostic and physiotherapy benefits. We consider that these come within our scope, and it follows that we could consider the institution of other supplementary benefits which may be regarded as necessary for the effective operation of medical, specialist, or pharmaceutical benefits, provided that the service for which any benefit is suggested is one which is available to the public, and the question to be decided is whether the State should pay a benefit in respect of it.

6. Though we have on occasion been forced to stray into health fields strictly beyond our province, we have made no attempt to deal with many important questions which were drawn to our attention. For example, should there be a regionalisation of administration through elected health authorities? Should hospitals assume full responsibility for a comprehensive health service? Should health and welfare services be amalgamated? What can be done to alleviate the shortage of skilled manpower? The fact that these questions were raised indicates that there is a great deal of concern about the organisation and development of health services generally. But part VIII of this report is not a detailed study of the New Zealand health service. It is related only to the consideration of some specific health benefits.

7. If our responsibility was not so wide as some apparently thought, it was nevertheless wide enough. As we saw it, our Warrant required us to examine the social security and certain health benefits to ascertain whether they adequately fulfilled not only the purposes for which they were designed, but most importantly the purposes which they might reasonably be expected to serve now and in the foreseeable future; and to weigh the objectives which the benefits might serve against the ability of the community to provide them.

THE ENVIRONMENT FOR REVIEW

Public Opinion

8. The New Zealand public in the 1970s is neither complacent about our social security system, nor completely satisfied with how it works. But we did not detect any widespread desire for radical change. That ours was the first comprehensive public examination of the system since the passing of the 1938 Act rather bears this out, as did the tenor of the submissions themselves which concentrated more on levels of monetary assistance and alleged administrative anomalies than on criticism in principle of the system itself.

9. The income tests whereby eligibility is established for most standard benefits was one basic feature of our system which did attract a good deal of criticism for infringing the dignity of recipients. It may or may not be significant that it was not social security beneficiaries themselves who were most vocal on this, and that the criticisms were in the main based on a theoretical assumption that means testing must be resented rather than on evidence that it was. While we would not deny that means tests can be applied, and have in past times been applied, in a way which could only breed resentment, we do not think that the two—means tests and resentment—are necessarily inseparable. And unless our system is to be fundamentally

changed and based on something other than the relief of need, some sort of income testing is necessary and would indeed be demanded by the public.

10. Some reflection of the considerable interest aroused by the report of the 1967 Royal Commission of Inquiry into Compensation for Personal Injury was inevitable. But in the event only a few submissions drew attention to the earnings-related insurance approach to injury compensation, and even fewer were interested in extending this approach to social security as a whole. Nevertheless, we have considered the issue carefully and in depth in chapter 18. We concluded that it was not a suitable basis for our New Zealand social security system but that there was a case for extending it into the sickness field along with industrial and other accidents, but outside of social security.

11. Apart altogether from the question of relating benefits to earnings, there was support for basing entitlement to benefits on contributions—whether such contributions were paid as taxes, or as a form of insurance or otherwise. This too was inevitable and understandable, as it is widely known that many countries have systems of this kind. But what is less well known is that such systems have not often—if ever—succeeded in making it unnecessary to have parallel systems for the relief of need requiring the sort of eligibility tests which most proponents of such schemes hope to avoid. For this and other reasons (which are discussed in chapter 14) we have preferred our own system—a mixture of selective (income tested) and universal (not income tested) benefits paid from taxation.

12. Another suggestion, which we deal with in chapter 21, was that the State should pay a “mothers allowance” to all mothers of very young children, not to cover costs, but to recognise the valuable services given to the community by a mother in caring for her children, and to compensate for the fact that she cannot at the same time be in remunerative employment. We did not adopt this proposal, but it is by no means without merit. A very important social problem is involved and is likely to become more acute as more and more women enter and re-enter the labour market, better equipped for it and under increasingly better terms.

13. In only one submission was it stated that the 1938 system is not relevant to the quite different conditions of the 1970s. But this, we feel, was contradicted by the weight of evidence. In others, it was asserted that the value of the benefits had been eroded. But even apart from the fact that benefit coverage has been considerably enlarged since 1938, it could not be substantiated that this was generally true. On the contrary, evidence shows that most benefit levels have kept pace remarkably well with changes in prices. The really important point that submissions usually overlooked here is

that one cannot gauge the adequacy of present benefits simply by applying changes in prices or wages indexes to earlier benefit levels whose adequacy is quite unknown. It became one of our major and most difficult tasks to try to devise some means by which the adequacy of income support can be tested not in relation to mere subsistence, but in relation to community living standards.

14. Social security, like politics, is a subject on which there is a great deal of room for differences of opinion, but very little place for dogmatic assertion, expert or otherwise. What is poverty, or need, or an "adequate" income are relative questions. The answers can only be value judgments, often powerfully affected by emotion. To make matters worse, they have to be made in New Zealand without the guidance of adequate data from social welfare and socio-economic research. This is a major stumbling block. We clearly need to improve and expand our social research. For all of these reasons it has been difficult to identify consistent or dominating currents of public opinion on social security problems.

15. However, certain general attitudes were discernible. We found no public support for the view that the system has unduly affected initiative, sapped self-reliance, or restricted economic social or cultural growth and development. Rather, we found public opinion to be marked by the same humanitarian approach which has characterised New Zealanders from the earliest days of settlement, and generally in support of a system which redistributes income and reflects community responsibility for ensuring that no one fails to reach an adequate standard of living.

The Economic and Social Climate

16. Our inquiry took place against a background generally characterised by economic expansion, rising employment, and rising living standards, but also by rising inflation. By contrast, the Social Security Act of 1938, like the Old Age Pensions Act of 1898, was a response to severe economic depression. But apart from relatively shortlived checks in economic activity, the years since 1938 have been marked by continuing increases in incomes and productivity. Full employment—once described as the miracle of the last 30 years and certainly of overwhelming social-welfare importance—has for the most part been maintained. Thus, while the consequences of high unemployment was a preoccupation of the 1930s, the emphasis of social welfare policies in later years has shifted to other areas of need and to a more general approach to improving the quality of New Zealand life.

17. Economic buoyancy has, however, raised some problems for social welfare. On the one hand, inflation calls for restraint on

spending and an increase in savings, investment, and productivity; but on the other it aggravates the difficulties of those on fixed incomes (of whom social security beneficiaries are an important part) and makes it necessary to spend more money on supporting incomes. It also compounds the problems of determining adequacy of benefits. Moreover, increasing general affluence accentuates the difficulties of the relatively few who are unable to benefit from it. The cost of helping them—like other costs—rises steeply, leading in New Zealand and elsewhere to reactions against the “burden” of social security.

18. At the same time, public attention tends to focus less on poverty and need and more on such things as better education and technical training, the need for child care facilities, the use of leisure, recreation, and, indeed, on the nature of the physical environment itself.

19. Nevertheless, poverty does still exist here side by side with plenty, and a social security system is needed now just as much as it was in the 1930s. What has changed is that the community is better able to bear the cost, and people’s needs have to be redefined in the context of a more prosperous general community. The goods, services, and amenities which are needed to make a living standard adequate today are very different from those required in 1938.

20. In economic policy and planning there has been a shift in emphasis from income protection towards quickening the rate of economic growth. But economic growth is not an end in itself. It has a social objective—to raise the living standards of the community. And it must be noted that economic growth does not obviate (and may indeed increase) the need for substantial redistribution of incomes.

21. Thirty years ago it was argued that social security was not only a humanitarian necessity, but would also help the economy by stimulating demand, production, and employment. Under present conditions, the accent is rather on holding demand in check. If this is to be done there is an added reason why social security expenditure should be concentrated primarily in areas of need.

The National Development Conference

22. In 1968 the National Development Conference set up a Social and Cultural Committee on terms which recognised the close inter-relationship of economic, fiscal, budgetary, and social policies. Thus it was emphasised that economic goals are in fact social goals having to do with people’s living standards and enjoyment of life. Poverty and need are relative conditions affected by the living standards enjoyed in the whole community, while income deficiency

itself is only one kind of poverty. Family assistance, health standards, and education, being concerned with human resources, have economic as well as social significance.

23. For various reasons the Social and Cultural Committee was able to offer only a few general comments on matters with which we are concerned. Both the Committee and the National Development Conference itself considered that basic social considerations were involved and that these called for widespread public discussion. For this reason the Conference recommended "an independent and penetrating examination of the social security system". Our Royal Commission of Inquiry was set up as a result.

24. The attention of the National Development Conference was directed to the fact that if the economy is important to the people, the people are equally important to the economy. On the one hand, economic growth enables the community to raise living standards. On the other, better education, better health and living conditions, and freedom from fear of poverty not only raise people's aspirations, but tend to stimulate effort and self help, and enhance the capacity to produce.

25. The Social and Cultural Committee made two assertions of special significance for our inquiry. The first, that "New Zealand is spending a high proportion of its national income on social services", raises the question of "the burden" of social services expenditure which we examine in chapter 5 (see also appendix 14 for statistical data). We note here that this assertion cannot be accepted without substantial qualification especially when these "social services" (including social security, education, and health) are examined separately. Social security expenditure is certainly neither a large nor an increasing proportion of national income.

26. The Committee's second assertion was that "some beneficiaries are getting more than they need while others get too little". Again this statement must be qualified. It is clear from our inquiry that the adequacy of benefits and allowances must be examined more objectively than in the past and related more closely to living standards in the mainstream of the community. It is also clear that for benefits to be "adequate", social security must be directed primarily to those who need help. To distinguish their needs is essential if financial resources are to be used properly and efficiently. But when we consider the system as a whole, including the medical benefits and health services and the particular problems of families and the aged, we find ample justification for monetary and other help of certain kinds being given irrespective of financial need. We now have, and should retain, a mixed bag of selective and universal benefits.

Other Environmental Aspects

27. There are further environmental differences between the 1970s and the 1930s directly relevant to our inquiry—among them, changing consumption patterns and changing views about what are the necessities of life or of any desired standard of living; greatly improved health and education; increased longevity (if not life expectancy) and other features of the population structure; the growing number of married women at work; growth in occupational superannuation and private insurance schemes; and the specialisation of voluntary welfare organisations. We refer to these in their proper contexts in this report.

28. Urban drift, the role of the family, affluence among the young, the proper use of leisure, and many other social and cultural factors influence the quality of living and thus social welfare aims, but did not seem to be directly relevant to our inquiry.

The Bi-racial Society

29. One question cannot be passed over—that of our bi-racial society with its two strong cultures, Polynesian and European, and its implications for social security policy.

30. We mention in chapter 2 that in the early days of European settlement the Maori showed a stronger sense of community responsibility for welfare than did the new settlers. In some ways this is still true despite the very great problems of the Maori in adjusting so rapidly to new cultural patterns and standards, and to the pressures of a predominantly individualistic economic society—an adjustment made more difficult by the quickening urban drift.

31. The Maori have not always enjoyed equal participation in the social security scheme. Usually the differences in treatment arose because it was considered that Maori needs were fewer, simply because their mode of living was different. This approach has long since and rightly been abandoned.

THE PROGRESS OF THE INQUIRY

Public Notification

32. The terms of our Warrant were advertised in October 1969 in the metropolitan and provincial press together with a notice stating that:

- (a) the Royal Commission would accept representations orally or in writing;
- (b) any people or organisations wishing to be heard or to lodge submissions should advise of such intention, giving a brief indication of the topics to be covered;

- (c) a formal opening would be held on 24 November 1969 to inform those interested of the procedures to be followed, and to ascertain who wished to make representations—after which the Commission would adjourn to enable submissions to be prepared;
- (d) the Commission would reconvene on 8 December 1969 to receive certain background and historical papers from State departments, and begin hearing representations on a date in February 1970 to be notified.

Public Hearings

33. Our hearings continued intermittently until 18 March 1971 as submissions flowed in. Written submissions continued to be received until July 1971. We sat for a total of 52 days and received in all 321 submissions (3,047 pages) from the people or organisations listed in appendix 1. Supporting oral evidence was recorded verbatim. It ran to 2,207 pages.

The Quality of Submissions

34. Most submissions received were helpful to us in assessing trends in public opinion, the desire and need for change, and the advantages and disadvantages of the present social security and medical benefits system. The quality of submissions naturally varied considerably, and the greatest weakness of many was that assertions were made without supporting facts, or that proposals for change were put forward without analysis of the costs or of the effects on the system as a whole.

35. We were particularly impressed by the high quality of the submissions presented by the Social Security Department. Its efforts to help us get to grips with complex problems deserve full praise, and the high calibre of its research and administrative staff was apparent in all the papers presented to us. Because of the restraints imposed under our terms of reference, the Department of Health was less involved in the philosophy and aims of our inquiry. Nevertheless, the quality of its submissions was also high as were those received from all the professional associations in the health field. In the later stages of the preparation of the report we had the additional assistance of the Social Security and Health Departments' staff in the analysis and assembly of data arising from the submissions for which assistance we are grateful.

36. We are grateful, also, for the help given to us by the Treasury, the Government Statistician, and the Departments of Inland Revenue and Labour. We were, however, disappointed that a wider interest was not shown by the universities in problems which we would have expected to have been of major concern to the social scientists in the

academic community. We were also disappointed by the relatively minor part played in our inquiry by the different industrial and political organisations. However, we appreciated all the more the help received from those who did respond to our invitation to make submissions.

Discussions Overseas

37. From the outset we considered it essential to take account of trends and developments in social security policies overseas despite the difficulties of comparing the relative effectiveness of different approaches in different environments. We therefore investigated these overseas ideas and developments in some depth.

38. It soon became apparent, however, that social welfare policies were in a state of flux all over the world. Everywhere old ideas and techniques (including some which we were being urged to recommend for New Zealand) were being questioned and re-examined. Nowhere did there seem to be satisfaction with the status quo.

39. In these circumstances it was necessary for some of us to visit a few of the countries where conditions were not too far removed from our own. The Government therefore authorised the Chairman and Mr John Turnbull to visit seven countries during an 8-week period (April–June 1971) accompanied by the Commission's advisory officer. Sir Alan Danks also took the opportunity while in Australia on other business to look into certain matters which appeared to be relevant to our inquiry.

40. There is no need here to describe the results of these investigations in any detail. The following summary of our main conclusions may nevertheless be useful.

- No system in operation overseas appears to be ideal. All are being questioned and the demand for change is strong everywhere.
- Nowhere did we find the aims of social security policy or of community responsibility clearly defined. Social security administrators are everywhere prisoners of history, tradition, and political will. Nevertheless, if any general trend can be discerned, it is towards more selectivity, better income redistribution techniques, and better identification of need.
- Everywhere we went we found high regard for the New Zealand system. This was especially true of our method of financing through the tax system.
- An important factor affecting social security policy everywhere is the rate at which change is occurring within the market system, with rapid obsolescence of skills, redundancy of managerial

staff, fluctuating employment levels, added mobility of labour, and so on. New Zealand is only on the fringe of this at present, and must be prepared to face similar problems.

- The "insurance" or contributory approach retains popularity as a way of meeting the high cost of financing universal and earnings-related benefits largely for political and psychological reasons. The high cost and low level of universal benefits is increasing the pressure for earnings-related contributory supplements. In countries having national insurance systems or flat-rate tax-financed universal benefits *plus* earnings-related supplements, total returns on retirement from the work force are generally low relative to both contributions or tax payments and past incomes.
- We were greatly impressed by the importance in a social security and welfare context, of full employment, adequate minimum wages, housing policies, education, rehabilitation and retraining, and social services. Cash benefits are obviously not the sole answer.
- While we found everywhere a general recognition that any form of means testing is disliked, there is also a strong belief that such testing (that is, more selectivity) is inevitable. There was, we found, little resentment in countries where the testing was flexible, liberal, and based on trust. Public education, public relations, and competent administration are key factors.
- We were impressed by the need for the greatest simplicity and the smallest number of categories in implementing any selective system. We were also impressed by the need for co-ordination of voluntary agencies and State activity, and by the usefulness of advisory committees.
- We noted a movement nearly everywhere we went towards the unification of health and social security welfare services and administrations.
- Unfortunately, we found no philosopher's stone to solve the problem of determining the "adequacy" of benefits. But, equally, we found nothing to suggest that our "belonging" aim (see chapter 3) for the community's dependants is not a desirable one.
- It seems to be common experience overseas that variations in housing costs create special poverty problems which must be distinguished before they can be dealt with. We also found a movement away from "aged communities" and away from caring for the aged in institutional surroundings.
- We found divided opinion on whether child-care facilities were a desirable priority for public policy, at least for very young children.

41. In the field of health we found:

- A fairly general agreement that health insurance has of itself raised total health costs to the community. This is especially true if the insurance is provided by the private sector.
- A reduced emphasis on the family doctor and the personal doctor-patient relationships. Nevertheless, in every country we visited, we found the need for more general practitioners recognised, and movement towards their organisation in group practices.
- In the United States there is a surprisingly strong movement towards negotiation and restriction of doctors' fees and incomes, while the Scandinavians seemed to favour evolving a completely salaried system. The general view seemed to be that when the State contributes directly or indirectly to doctors' incomes, some control of fees is inevitable.
- In every country we visited we found action being taken to keep as many people as possible out of hospitals by such means as attendance allowances, home aids, and half-way houses.

OUR APPROACH AND OUR CONCLUSIONS

42. Our approach to the inquiry as a whole and to the various issues raised in it has first been to learn what has been done in the past, and why it has been done. In chapter 2 we discuss the historical background of our social security system, and in many other chapters we outline the steps which have been taken to reach the present position on specific issues or benefits.

43. It was not always easy to ascertain why particular things were done. Certainly, we found no social principle or political theory dominating the course of events in New Zealand. Rather the legislative actions taken at different times could more readily be seen as attempts to reach objectives which then seemed necessary or desirable. If there was a pattern in these objectives it was of fairly hard-headed humanitarianism. If there was a characteristic common to the actions taken, it was their practicality.

44. Nevertheless, we sought for some underlying theories or principles by which we could measure the present system and be guided in reshaping it. Our study in this respect will be found in chapter 3. It embraces the experiences of other countries and the writings of distinguished men. But we found no immutable theory.

45. We conclude that each country has to decide what values it will adopt and what objectives it will strive for, and find such means of attaining those objectives as is best suited to its own environment and social and economic structure. We are satisfied that we can learn from other countries, but cannot copy them.

46. The principles and objectives which we consider appropriate to social security in New Zealand are set down in chapter 3. There is nothing very new in them; indeed they broadly confirm and support those on which the present system has been built. But we emphasise that the mere sustenance of life and health is not enough. What the community must strive for is to ensure that everyone in it is able to enjoy a standard of living close enough to the general community standard for him to be able to feel a sense of participating in the community and belonging to it. This, we feel, is the least that should be aimed for, but it will not be easy to attain.

47. Probably the most fundamental question we have had to answer is whether the present mixed system of categorical social security benefits and supplementary assistance is in tune with the social and economic realities of the 1970s. Subject to the proposals we make in this report, we think it is. In any case, we failed to find an alternative system which would be flexible and sensitive enough to deal adequately with poverty and need, while at the same time offering some universal benefits.

48. The further our inquiry progressed and the more deeply we examined the present system and various alternatives the clearer it became that, as the first aim of any social security system must be to relieve poverty and need, the means of doing this adequately and at reasonable cost must be in the main selective. While much has been written and said about ways of eliminating specific tests of individual need, no system has succeeded in doing so. The contributory insurance approach, frequently associated with an earnings-related benefit, has certain advantages in matching benefits to contributions at least for those who are able to contribute during their working lives. But, as we point out later, it has some major disadvantages as an anti-poverty technique and, like the negative-tax idea, does not succeed in removing a test of need for many members of the community. In many ways we found that the emotionally-charged question whether social security should be selective or universal is really a non-issue. There can be no clear-cut choice between the two, both seem to have a place, as they already have in New Zealand.

49. One of our main tasks was to determine criteria by which the adequacy of benefit levels could properly be assessed and this meant seeking realistic definitions of poverty and need which would be in tune with present thinking about reasonable living standards. In the absence of much necessary statistical and research data, we have had to resort to value judgments rather more than we would have wished. Moreover, we have had to conclude that there is no single measure which can be applied if a subsistence approach is to be avoided.

50. Having reached certain conclusions on the main aims of income maintenance and support, on the kind of system we considered most suitable in New Zealand conditions, and on the determination of adequate levels of assistance, we had then to examine the particular problems of the various categories of dependency (age, families with children, disability, solo parenthood, sickness, etc.). This examination uncovered a wide variety of issues either common to all beneficiaries or peculiar to only some of the groups who need help. One of the former was the impact of income limitations; one of the latter was the special assistance needed by the incapacitated.

51. In the medical and health field the basic issue confronting us was, in many ways, the same as that which exercised the Government and the medical profession when the present system was being devised—how to reconcile the need for free (that is, community-financed) or low-consumer-cost medical services at various levels of treatment (general practitioner, specialist, hospital) with maintaining a fee-for-service system and preserving freedom of choice. But wider issues intruded. Many of these relating to such aspects as the quality and quantity of public medical and health facilities, and the supply of practitioners of various kinds, were quite outside our terms of reference. Yet they could not be ignored in considering the medical and health benefit issues which were our responsibility. We reached three fundamental conclusions. First, we see no advantages and some positive disadvantages in changing our system to one which would place more emphasis on health-insurance techniques. Second, we believe that, whatever the imperfections of the New Zealand health and medical services may be, the basic aims of universal benefits and readily accessible service at all levels have stood the test of time, have received widespread commendation overseas, and should be preserved. Third, we foresee significant changes in the delivery of medical services (some of which we have commented on in this report) coming in New Zealand and overseas. These will have important, and not necessarily beneficial, implications especially for the public sector of our health services. How these changes develop will therefore need to be kept under constant critical scrutiny.

52. The importance of the issues we were directed to consider and the very great amount of detail surrounding the different matters upon which submissions were made, have led to a report which is long and detailed. The specific changes which we propose are set out in our recommendations, but a mere reading of these will give little insight into the factors, philosophies, and calculations which lie behind them. Nor will it inform the reader of the many submissions for change or for new measures which we considered and did not adopt. Such things can be gathered only by a comprehensive reading

of the report. But to assist that reading we have throughout the report endeavoured to separate out our conclusions on important matters in their context, and these may be found usually preceding the recommendations at the end of the various chapters, or in some cases as the last chapter of a Part.

53. For convenience, we gather together now all the recommendations made in the report.

WE RECOMMEND THAT

Chapter 15. *MEANS AND INCOME TESTS*

- (1) Assuming that our other recommendations about benefit levels (see recommendations (4) to (6)) are put into effect, the present rules under which some beneficiaries are allowed to have other income of \$17 a week and others to have \$13 a week without abatement of benefit, and under which benefits are abated by \$3 for every \$4 of other income beyond these limits be changed so that (except in the case of orphans benefit) :

- (a) There be one allowable other income level instead of two, and this be \$10 a week and that benefits be abated by \$1 for every \$2 in respect of other income over \$10 a week but not exceeding \$25 a week, and by \$1 for \$1 in respect of income above \$25 a week.

- (b) In respect of annual benefits the annual equivalents namely \$520 and \$1,300 be substituted.

Chapter 18. *EARNINGS-RELATED SOCIAL SECURITY BENEFITS*

- (2) Early consideration be given by the Government to the extended use of the National Provident Fund to ensure that employees without access to occupational superannuation have better opportunities to provide a higher retirement income.
- (3) Favourable consideration be given by the Government to the future introduction of earnings-related "compensation" for limited periods during incapacity caused by illness, to be administered separately from the social security system as an addition to the scheme for accident compensation proposed as a consequence of the 1967 Royal Commission on Compensation for Personal Injury, and that discussions with this end in view be held between the Government and organisations likely to be affected.

Chapter 19. *THE DETERMINATION OF FLAT-RATE BENEFIT LEVELS UNDER A SELECTIVE SYSTEM*

- (4) For purposes of establishing the level of adequacy of benefits at this time the ruling rate of wages paid to building and engineering labourers, and the lower quartile level of adult male earnings, be regarded as the major reference points.
- (5) (a) The married benefit rate be set close to 80 percent of the designated earnings levels after payment of income tax (say at \$33 a week at September 1971);
(b) The unmarried benefit rate be set at 60 percent of the married rate (say at \$20 a week at September 1971).
- (6) Benefit levels continue to be reviewed from time to time and adjusted as necessary.
- (7) Consideration be given to laying statistical data relevant to the level of social security in one document before Parliament each year.

Chapter 20. *THE AGED—AGE AND SUPERANNUATION BENEFITS*

- (8) The age and superannuation benefits be retained as separate benefits with the present different age qualifications and other conditions (and, as we recommend in recommendation (59), different residential qualifications).
- (9) The level of the superannuation benefit remain at parity with the age benefit to the extent that it now does, and for so long as the maintenance of an adequate level for age and other income-tested benefits is not thereby prejudiced.
- (10) The concession as to allowable income for those who defer application for age benefit beyond age 60 be abolished, provided, however, that the rights of those who have earned the concession or who are over 60 at the time of the repeal should be preserved.
- (11) The present suspension of payment of universal superannuation when beneficiaries leave the country be abolished, allowing the appropriate authorities to determine whether such funds, as any others, should be remitted overseas.
- (12) Superannuation benefit remain subject to income tax, and the existing rebate of \$58 be abolished.

Chapter 21. *ASSISTANCE TO FAMILIES*

- (13) The family benefit be increased from \$1.50 to \$3 a week.
- (14) The existing mothers allowance and family maintenance allowance be eliminated and the standard benefit rates which we propose in recommendations (4) and (5) be increased where a beneficiary is providing a home for a dependent child or children to the following weekly amounts (with appropriate family benefit to be paid additionally in each case):
- | | |
|---|----------|
| (a) For a married couple: | \$ |
| (i) with one dependent child | .. 36.00 |
| (ii) with two dependent children | .. 37.50 |
| (iii) with three or more dependent children | .. 39.00 |
| (b) For a solo parent: | |
| (i) with one dependent child | .. 30.00 |
| (ii) with two dependent children | .. 33.00 |
| (iii) with three dependent children | .. 34.50 |
| (iv) with four or more dependent children | .. 36.00 |
- (15) If the family benefit is increased as we propose, the present child exemption in the income-tax system be eliminated.
- (16) In the event of a child for whom family benefit is payable becoming eligible for a sickness, invalids, or unemployment benefit, the amount of such benefit be reduced by the amount of family benefit being paid on the child's behalf.

Chapter 22. *A PROPOSED DOMESTIC PURPOSES BENEFIT*

- (17) A statutory domestic purposes benefit, subject to the normal tests of income deficiency and residence, and to the specific qualifications set out in recommendations (18) to (22) be provided for solo parents, for women required to care for an infirm or sick person and for women whose previous domestic commitments have affected (or are deemed to have affected) their ability to obtain employment.

Solo Parents

- (18) Solo parents be distinguished for social security purposes by the fact that they are responsible for dependent children, and not by their marital status or the cause of their becoming a solo parent.

- (19) All solo parents with dependent children fall within this one selective statutory benefit category, irrespective of their sex or marital status.
- (20) The rates of benefit for solo parents be as set out in recommendation (14) (b).

Women caring for an Infirm or Sick Person

- (21) The benefit be available to any woman who satisfies the Department that she is caring for a sick or infirm person in respect of whom medical evidence establishes that it is in the best interests of the patient that he remain outside an institution but that he will be unable to do so without such care, provided that:
 - (a) She is thereby prevented from obtaining other employment; and
 - (b) The person who is being cared for, or the spouse of that person, is not financially able to pay adequately for the service.

Women Alone

- (22) Women alone without dependent children be entitled to the benefit if on losing the support of a husband, or when their last child ceases to be dependent (that is, eligible for family benefit), or on ceasing to be responsible for an incapacitated *relative* they were:
 - (a) At least 40 years of age and had had care and control of at least one dependent child or responsibility for an incapacitated relative for 15 years; *or*
 - (b) At least 45 years of age and had been married for 20 years; *or*
 - (c) At least 50 years of age and had been married for 10 years, *or* had had the care and control of at least one dependent child for 10 years, *or* had been prevented from taking employment for 10 years because of responsibility for an incapacitated relative.
- (23) The entitlement of "widows" and domestic purposes beneficiaries receiving benefit payments when the above recommendation is put into effect be preserved.

Chapter 23. *ORPHANS BENEFIT*

- (24) The allowable income of \$104 a year applicable to orphans benefits be increased to \$260 a year and the benefit be abated \$1 for \$1 for income in excess of this.

- (25) The Department be authorised to accept a child for the purposes of an orphans benefit when the parent who has had the past care and custody of the child has died and it is satisfied that the other parent cannot be found and the welfare of the child calls for such action.

Chapter 24. *SICKNESS, INVALIDITY, AND RELATED BENEFITS*

- (26) The full adult rate of sickness and invalidity benefits be paid from age 18.
- (27) The age of eligibility for sickness and invalidity benefits be 15 years.
- (28) The rates of sickness and invalidity benefits for those 15 years of age and under 18 be \$15 a week (in terms of September 1971 conditions), and be reduced by the amount of any family benefit paid for the beneficiary.
- (29) Sick pay and accident compensation for loss of earnings be treated as at present in determining eligibility for or abatement of social security benefits.
- (30) Where accident compensation for loss of earnings is received in a lump sum instead of in periodic payments, the Department be authorised to determine the benefit as though periodic payments were being received.
- (31) Accident compensation specifically awarded for loss of enjoyment of life be disregarded as income or earnings whether received in lump sum or in periodic payments.
- (32) The Act be amended to remove present doubts about whether people whose period of incapacity is indefinite are eligible for sickness benefit.
- (33) The Act be amended to make it clear that invalidity benefits may be granted when there is a severe disablement but the incapacity for work is less than total.
- (34) The Department be given authority, as an aid to rehabilitation, to disregard some or all of the earnings of a severely disabled person when determining the amount of benefit (see recommendation (80)).
- (35) There be no waiting period for sickness benefit when there is medical evidence of incapacity for 3 weeks or more.
- (36) Registered dental practitioners be authorised to give certificates of incapacity due to conditions coming within the scope of their profession.

- (37) Provision be made for granting a disability allowance to invalidity, sickness, and age beneficiaries to cover special expenses arising from their disabilities. The amount up to, say, \$8 a week be determined after assessment by a competent committee. The allowance, although paid as supplementary assistance, be not subject to any means or income test other than that determining eligibility for the invalidity, sickness, or age benefit.
- (38) This disability allowance be made available to non-beneficiaries subject to usual supplementary assistance conditions except that the limit of assistance should be as in recommendation (37) above.
- (39) The proposed disability allowance also be payable for severely handicapped children, and in such cases it be payable without income test to the person receiving the family benefit in respect of the child.
- (40) Consideration be given to such measures as may be appropriate to relieve the parents of severely handicapped children from the strain of the care of such children for, say, 1 month in each year. The cost of this relief be borne by the State where the condition of the child would qualify it for admission to a State-supported institution.
- (41) The question of sickness benefit for girls who have become pregnant while still students (whether under or over the age of 15) continue to be dealt with under the emergency provisions of the Act so that all relevant circumstances can be taken into account.

Chapter 25. *SUPPLEMENTARY ASSISTANCE*

- (42) Supplementary assistance be continued in its present scope and form and with present eligibility conditions.
- (43) Urgent attention be given to reconsidering and reconstructing the living costs formulae, especially in view of the effect which our recommendations as to basic benefit rates could have on the current formulae.
- (44) Ways and means be investigated to ensure, as far as possible, that those likely to be in need of supplementary assistance are made aware of its availability, emphasising that the provision of supplementary assistance where it is needed is part of the community's responsibility, and is not to be regarded as charity.

- (45) The home-help services of the Social Security Department be continued and developed.
- (46) The present limit of \$400 applied to advances for house repairs be re-examined in the light of present costs.
- (47) The various formulae and limits used in the system be reviewed from time to time in the light of changes in prices, patterns of consumption, and other relevant data.

Chapter 26. *UNEMPLOYMENT BENEFITS*

- (48) The age of eligibility for unemployment benefit be reduced from 16 years to 15 years.
- (49) The age of eligibility for the full adult single rate be reduced from 20 years to 18 years.
- (50) The rate of benefit for those 15 years of age and under 18 be \$15 a week (in terms of September 1971 conditions) and be reduced by any family benefit payable in respect of the recipient.
- (51) Present policy be changed to allow the first \$10 a week of *personal earnings* of an unemployment beneficiary to be treated as "other income" with the benefit abated \$1 for \$1 for any such earnings in excess of the \$10 a week.
- (52) The present policy of rigidly enforcing a 7-day stand-down period be re-examined.
- (53) Applications from full-time students for unemployment assistance be dealt with under the emergency provisions, and the Act be amended to exclude them specifically from unemployment benefit.
- (54) If there is legal doubt about whether the Department is entitled to apply the criteria set out in section 58 of the Act to beneficiaries as well as to applicants for benefit, the following subclause be added in section 60 (3):
 - “(d) The applicant or beneficiary has failed to take reasonable steps to obtain suitable work”.

Chapter 30. *THE MACHINERY FOR ADMINISTERING SOCIAL SECURITY BENEFITS*

- (55) The machinery of administration of social security be reconstructed to give it the following form:
 - (a) *The Minister* to retain parliamentary responsibility for the administration of the Act and the Social Security Department, with power to issue directives over the whole area of the Department's operations.
 - (b) *The Social Security Commission* to be reconstituted to stand apart from the Department. It should consist of about

seven members, one of whom should be the departmental head (with possibly another departmental member) and the others, people drawn from the community. One of the latter should be appointed chairman.

The Commission, so reconstituted, should have two functions:

- (i) *Advisory*: Either on request by the Minister or on its own initiative to proffer advice to the Government on—
 - (a) changes needed in the field of social security policy and scope;
 - (b) relevant activities of Government and voluntary organisations and the means by which they may best be promoted;
 - (c) the administration of social security generally;
 - (d) public relations and information services;
 - (e) any other matter referred to it by the Minister.
- (ii) *Appellate*: To act as the final appeal body in the appellate structure described below.
- (c) *The Department* to be responsible for the executive administration of social security as now.

(56) An appeal system be constructed in the following form:

(a) Appeal committees of three people each drawn from the community and to be known as social security committees, be established in the main centres and other cities as needed, to hear appeals from departmental decisions, including discretionary ones, made within the committee's area. The committee's decision to be put into effect by the Department unless within a fixed period leave to appeal has been applied for (see (b)).

(b) The Social Security Commission to hear appeals, on leave granted by it, from any decision of a social security committee given on appeal from a departmental decision. The decision of the Commission to be put into effect by the Department unless within a fixed period it is overruled by a directive of the Minister.

(57) The proposed Commission and social security committees be serviced by the Department and financed out of the social security vote.

(58) Should the Commission not be reconstructed in the form and with the functions recommended above, an alternative independent appellate system be set up outside the Department with a number of appeal committees covering the country and a final appellate body located in Wellington.

Chapter 31. *RESIDENTIAL CONDITIONS FOR MONETARY BENEFITS*

- (59) Residence tests be retained as an essential part of our social security system and the following qualifications be adopted for various categories of benefit:
- (a) Sickness, unemployment, and family benefits—existing rules to apply.
 - (b) Age and invalid benefits—10 years; to be applied, in the case of invalids, irrespective of whether the disability occurred inside or outside New Zealand.
 - (c) Superannuation benefit—20 years.
 - (d) Domestic purposes benefit—present widows benefit rules to apply.
- (60) The present system for determining the allowances to be made for absences from New Zealand be retained.
- (61) The present discretionary authority for the withholding of benefits from people not “ordinarily resident” in New Zealand be retained.
- (62) In the case of temporary absences from New Zealand of recipients of age, invalids, orphans, domestic purposes, and family benefits, the benefit be paid on return to New Zealand for the whole period of absence provided the beneficiary returns within 12 months. For absences in excess of 12 months the benefit be paid on return for the first 6 months of absence provided the beneficiary returns to New Zealand within 2 years. (See recommendation (11) for payment of superannuation benefit during absences from New Zealand.)

Chapter 32. *STARTING DATE OF BENEFITS*

- (63) The Department have discretionary authority to start paying a benefit from the date on which the applicant became qualified for it, but (except in the case of sickness and emergency benefits) not earlier than 6 months before the application for the benefit is received.

Chapter 33. *PAYMENT FOLLOWING A DEATH*

- (64) The provisions of section 85 (2) of the Act giving the Department a discretion to make a lump-sum payment on the death of an age beneficiary leaving a widow, widower, or dependent children be extended to invalids and our proposed domestic purposes beneficiaries leaving like survivors.

Chapter 34. *PAYMENT OF BENEFITS TO PEOPLE IN HOSPITALS*

(65) The following guidelines be adopted for the period of full benefit entitlement for *both general and psychiatric hospital patients*:

(a) *Single patients with or without dependent children*: Full benefit entitlement for 13 weeks; then review of whether the benefit should be continued at full rate for a further period, paid at a reduced rate considered appropriate after review, or discontinued.

(b) *Married patients with or without dependent children*: Full benefit entitlement in respect of the patient for 26 weeks; then review of whether the benefit in respect of the patient, as distinct from dependants, should be continued at full rate for a further period, paid at a reduced rate considered appropriate after review, or discontinued.

(c) *Family benefit*: Full entitlement for 13 weeks, after which the benefit should cease. The Department to have discretionary authority, on receiving an application from the parent, to resume family benefit payments at full or reduced rates in cases where the circumstances justify it.

(66) In all such cases the Department should seek guidance from the hospital social worker.

Chapter 35. *MAINTENANCE AND SOCIAL SECURITY BENEFITS*

(67) The Department be entitled to make it a condition of the grant of any benefit that the applicant take legal steps to enforce compliance by a husband, wife, or father, of the primary obligation to maintain the applicant and her (or his) children; and to have authority in appropriate circumstances to postpone or waive this condition.

(68) If a beneficiary refuses to take proceedings for a maintenance order against the person primarily liable for the support of those for whom the benefit has been granted, an officer of the Department be authorised by statute to take those proceedings and to compel the evidence of the applicant.

(69) The Department continue to enforce compliance with maintenance orders and registered agreements.

Chapter 36. *MORAL JUDGMENTS AND CONJUGAL STATUS*

- (70) The words referring to "moral character and sober habits" be deleted from the social security legislation.
- (71) The provisions enabling the benefit for single people to be reduced to half that for married couples when household living expenses are shared be repealed.
- (72) The provisions whereby a man and woman living together as man and wife may be treated as though they were legally married be retained, but be combined in section 63 of the Act, with repeal of section 74 (b).

Chapter 37. *OVERSEAS PENSIONS*

- (73) The legislation be amended to make it clear that the discretionary authority provided under section 70 of the Act lies solely in determining whether or not an overseas pension or benefit is analogous to a New Zealand benefit.
- (74) In the case of overseas war pensions, *no part* of the pension which can properly be regarded as *compensation* for the disability suffered be deductible from New Zealand benefit entitlement; but any part of such a pension properly regarded as *economic* (and thus analogous to our own selective social security benefits) be so deductible *except* that, for New Zealand superannuation and family benefits, small overseas war pension elements for wives and children be not deductible.

Chapter 38. *THE RELATIONSHIP BETWEEN SOCIAL SECURITY BENEFITS AND WAR PENSIONS*

- (75) Any changes in the rates and structure of social security benefits arising from this report be applied to those war pensions and allowances which perform an economic function equivalent to social security benefits.

Chapter 39. *REHABILITATION AND RETRAINING*

- (76) Whatever form of organisation be adopted, the State continue to accept the overall responsibility for rehabilitating those who, for whatever reason, are unable to undertake productive employment, and who have the capacity to benefit from the programme; and for co-ordinating the medical, assessment, training, and re-employment elements of rehabilitation.

- (77) As the rehabilitation facilities are built up, consideration be given to making them available to people whose incapacity for work arises from causes other than disability.
- (78) As rehabilitation facilities become available to other categories of people needing them, the rehabilitation allowance system be also extended to cover such categories.
- (79) The existing rehabilitation allowance be not regarded as "allowable other income" of social security beneficiaries (but be payable in addition to "allowable other income"), and to this end Part 2 of the Fifteenth Schedule of the Act be amended to exclude the amount of the allowance from the maxima specified, and to apply these maxima to all trainees and not only to social security beneficiaries.
- (80) The Department be given authority in cases where a person is assessed as being severely and permanently incapacitated to determine a special individual level up to which the beneficiary's earnings will be disregarded in the assessment of "other income" so that the beneficiary will have a positive incentive to rehabilitation.

Chapter 42. *MISCELLANEOUS MATTERS*

- (81) Section 86 of the Act be amended to provide the Department with an explicit discretion to waive recovery of an overpayment of up to \$100 which occurred as a result of an administrative error and to which the beneficiary in no way contributed.

Chapter 44. *GENERAL MEDICAL SERVICES*

- (82) If the general medical services benefit is to be increased, the State which is carrying an increased share of the cost should take some part in the fixing of general practitioner fees. This will ensure that increases in benefit rates are not paralleled by increases in fees. Appropriate machinery for this should be constructed after consultation between the Government and the medical profession.
- (83) The following classes of people be regarded as special groups for the purposes of general medical services benefit:
 - (a) All people 65 years of age and over.
 - (b) All children up to their tenth birthday.
 - (c) All income-tested social security beneficiaries and their dependants.
 - (d) All people receiving an economic war pension or allowance, and their dependants.

- (84) The basic amounts payable under general medical services benefit (and to specialists under section 97(3)(b), (4) and (5) of the Act) be as follows:
- (a) Standard benefit \$1.25.
 - (b) Special group benefit \$2, provided that the benefit is accepted by the doctor in full settlement. (Mrs M. A. Tiller dissents from the proviso.)
- (85) The amount which is added to the benefit for urgent consultations with, or attendances by, general practitioners outside normal hours be increased from 50c to 75c.
- (86) The extended-time payments be increased from 50c to 75c a quarter-hour.
- (87) The increases proposed in recommendations (84), (85), and (86) in so far as they apply to the special groups be introduced without delay, but in so far as they apply to standard rates be withheld until the machinery referred to in recommendation (82) above is established. (Mrs M. A. Tiller dissents from the withholding of the increases proposed in recommendations (84), (85), and (86) from the standard rates and would have them also introduced without delay.)
- (88) The amounts payable under the general medical services benefit be reviewed from time to time by the Government:
- (89) An appropriate benefit payable to doctors in full satisfaction of charges for immunising children up to age 16 be negotiated by the Government with the medical profession.

Chapter 45. *SPECIALIST BENEFIT*

- (90) The present system under which the specialist benefit is paid generally for consultations and not for treatments, which are or should be available through the public hospital system, be retained.
- (91) The amount of the specialist benefit remain for the present at the existing levels but the amounts payable under section 97(3)(b)(4) and (5) of the Act be the same as may be payable as general medical services benefit with the same additions where relevant.
- (92) The possibility of instituting a specialist psychotherapy (treatment) benefit be negotiated between the Government and the medical profession; in the meantime when patients are referred to psychiatric specialists for treatment the

higher benefit under section 97 (5) be payable without restriction as to the fee that may be charged.

- (93) The possibility of paying a specialist follow-up benefit for the supervision of certain chronic illnesses be investigated by the Board of Health, or some other expert body, having regard, among other things, to the effect on the clinical services offered by public hospitals.
- (94) The possibility of increasing the specialist consultation benefit for special groups of patients be investigated and negotiated between the Government and the medical profession.
- (95) The amount of the specialist consultation benefit be reviewed periodically, taking account of all relevant considerations.

Chapter 46. *PHARMACEUTICAL BENEFIT*

- (96) The present substantially free pharmaceutical drug system be retained and no general part-charge (either flat rate or proportional) be imposed on the patient.
- (97) The Department of Health and the medical profession discuss the conditions under which contraceptive drugs should attract a pharmaceutical benefit when prescribed by a doctor who has certified that the prevention of pregnancy is medically necessary for the patient.
- (98) Dentists be authorised to prescribe drugs necessary in the practice of dentistry, under the pharmaceutical benefit system, and the administrative details of this extension be negotiated between the New Zealand Dental Association and the Department of Health.

Chapter 47. *SUPPLEMENTARY HEALTH BENEFITS*

- (99) The laboratory diagnostic services benefits at present provided for medical purposes be continued at levels which meet the whole cost of the services.
- (100) A properly qualified and experienced committee investigate the scale of fees paid under the laboratory diagnostic services benefit scale, with particular attention to the economies in rates for individual items to be expected from increased turnover and automated operation.
- (101) Private pathologists as a condition of entitlement to benefit payments be required to take a reasonable responsibility for training specialised staff under a scheme designed by an expert committee appointed for that purpose.

- (102) The extension of the laboratory diagnostic benefit to services requested by dentists be approved in principle; the New Zealand Dental Association, the Department of Health, and the New Zealand Society of Pathologists to draw up a satisfactory scheme with such limitations and restrictions as are necessary to safeguard the interests of all concerned, including the taxpayer.
- (103) For the reasons given in chapter 46, para. 48, pregnancy tests where needed for medical purposes, and so certified by a doctor, attract the laboratory diagnostic services benefit.
- (104) The physiotherapy benefit be increased to \$1 a treatment.
- (105) Control of fees be reintroduced, preferably by the reimposition of a limit upon the additional charge which a physiotherapist may make to the patient over and above the benefit.
- (106) The present dental benefits scheme be extended to include children up to 18 years of age still attending school.
- (107) An orthodontic benefit be introduced for children up to the age of 18 years if still at school, the amount and conditions of the benefit to be negotiated between the Dental Association and the Department of Health.
- (108) When a doctor rather than the dentist himself gives an anaesthetic in a dentist's surgery, the doctor receive a benefit of the same amount (\$5) as is at present paid to a dentist for giving an anaesthetic.
- (109) Wheelchairs be issued on loan by hospital boards in all appropriate cases, including patients not in hospitals, solely on the basis of medical need, and independently of any question of financial means; and that the present practice of supplying wheelchairs through the Social Security Department be discontinued.

Chapter 48. *PROPOSALS FOR NEW BENEFITS*

- (110) A chiropody benefit be introduced for people aged 65 years and over referred by a medical practitioner to a registered chiropodist for treatment; the amount, conditions, and method of payment to be negotiated between the Department of Health, the medical profession, and the Society of Chiropodists.

54. We do not see all of the above recommendations as of equal importance or necessarily calling for simultaneous implementation. Indeed, in respect of some which we consider to be very important—such as the reconstruction of the Social Security Commission—there is no immediate urgency. But matters which we consider of prime

importance and needing early consideration are first, the raising of the levels of standard benefits; second, the relief of parents and others bearing the financial cost of children, with particular regard to adjusting anomalies; and third, the assumption by the State of a greater share of the medical costs falling on the special groups which we have designated. We think, too, that there is need for early attention to the extended use of the National Provident Fund for those without access to occupational superannuation as it will take some time to formulate and introduce the changes needed.

COSTS

55. Estimates of the additional costs of our proposals have been made except in some minor areas where inadequate information is available, but where, in any case, the additional expenditure is not significant. The net cost of our proposals to the Government will approximate \$94 million a year (which includes \$18 million covering the cost of basic-benefit increases recently authorised with effect from February 1972). This additional cost would have been considerably more had it not been for the fact that benefit levels have already been raised several times since we were directed to conduct this inquiry. In September 1969 the standard benefit levels were \$13.25 (single) and \$24 (married). By September 1971 they were \$16 and \$29, having been increased by just over 20 percent in 2 years. The additional costs are itemised below:

Chapters	Proposal	\$ (million)
15 and 19	Increase in basic benefits, adjustment of allowable income and rate of abatement ..	46.8
	Additional for corresponding adjustments to war and other pensions and allowances ..	3.7
20	Payment of superannuation benefit while the beneficiary is overseas	4.0
21	Increase in family benefit	78.0
24	Variation in waiting period for sickness benefit ..	.3
31	Reduction in residence qualification for age and invalids benefits	1.0
32	Retrospective payment on late applications ..	} 0.1
33	Extension of provisions for payment after death	
44	Increase in general medical services benefit ..	5.4
47	Increase in physiotherapy benefit	0.2
47	Extension of dental benefit	0.2
	Minor proposals for which there is no adequate data for estimating—say	1.6
		141.3

<i>This cost will be reduced by—</i>		\$
20	Abolishing taxation rebate \$58 a year for superannuation beneficiaries ..	5.9
21	Abolishing taxation exemption for children	38.0
21	Varying rates of family maintenance al- lowances	1.3
34	Varying payments while in hospital ..	2.1
		47.3
	Net additional cost	\$94.0

56. Expenditure on social security cash benefits for the year ended 31 March 1971 was \$288 million, and it has been estimated that expenditure for a full year at the rates of benefit for June 1971 would be \$318 million. The annual cost of our proposals (which will include the cost of the increases authorised with effect from February 1972) would increase this figure to \$450 million. But there would be an increased taxation yield of \$43.9 million if our recommendations in this area are accepted.

57. The cost of medical and supplementary benefits under Part II of the Social Security Act for year ended 31 March 1971 was \$21.1 million. Our proposals about these benefits would increase this cost to \$26.9 million.

SUMMATION

58. It will be apparent from what has already been said in this chapter, and from our recommendations, that we have not been persuaded that our social security system should be radically changed at this time. We are in effect saying that the present system has worked to the advantage of the nation since 1938, it has become part of the economic and social fabric of the nation, it is capable, with certain changes, of serving its purpose adequately in the foreseeable future, and that no alternative which we examined is likely to do so better and without considerable disruption of the other economic and social elements which make up our national pattern of life.

59. Perhaps the strongest impression we have, as we come to the end of our inquiry, is that our social security system is not something apart from the mainstream of national life, any more than the people who benefit from it are people apart from the community at large. A social security system cannot be put on or off as the weather or the mood changes. It grows with the nation and must develop with the nation. And its effectiveness and adequacy are more powerfully affected by factors outside the system—such as levels of health, employment, and general prosperity—than by changes or adjustments to or within the social security system itself.

60. We considered a great number of suggestions for changes within the system. Many of them made an immediate appeal as offering solutions for problems or anomalies. But as our inquiry progressed we found that the social security system is itself extremely complex and that no question was simple and straightforward, without implications for many inter-related issues. Nevertheless, with the expert knowledge and experience which was freely made available to us and with the opportunity and time to weigh advantage against disadvantage which exists only within the framework of such an inquiry as ours, we believe that we have been able to make recommendations which are capable of improving what is already a good, well-administered system, and of ensuring that it will be able to cope with future problems as it has coped with those of the past 30 years.

61. We have adopted what well may be regarded as a cautious approach to some proposals for increases in monetary benefits or extending benefit coverage. We have done this advisedly because we have been conscious that our recommendations, if adopted, are likely to cost something approaching \$100 million a year, and that this is bound to have significant effects for taxation and for inflation. But if the Government and the country accepts, as we do, that our present social security benefit structure is basically sound, and if the adjustments we recommend are made, the resulting structure should not remain static.

62. Indeed, it must not do so because the pace of change in society is likely to become even more rapid than it has been in recent years and our social security system must be sensitive to changes in the community. We considered how best the desired attitude and approach could be achieved. Two factors impressed us. First, that Parliament must retain the power of decision on significant changes. Second, that those who look to social security for help are in the very nature of things unorganised and probably incapable of effective organisation as one group in a society where organisational representation is the accepted way of getting things done. We concluded that a new Social Security Commission largely composed of interested able laymen could provide the element of dynamism which we seek, and this is discussed in chapter 30. Such a Commission would not represent social security beneficiaries. It would have a special responsibility to the community to see that in the field of social security those changes are made which will enable the system to continue to give effective support to the changing needs of an evolving society.

<i>This cost will be reduced by—</i>		\$
20	Abolishing taxation rebate \$58 a year for superannuation beneficiaries ..	5.9
21	Abolishing taxation exemption for children	38.0
21	Varying rates of family maintenance allowances	1.3
34	Varying payments while in hospital ..	2.1
		<hr style="width: 10%; margin-left: auto; margin-right: 0;"/> 47.3
	Net additional cost	\$94.0

56. Expenditure on social security cash benefits for the year ended 31 March 1971 was \$288 million, and it has been estimated that expenditure for a full year at the rates of benefit for June 1971 would be \$318 million. The annual cost of our proposals (which will include the cost of the increases authorised with effect from February 1972) would increase this figure to \$450 million. But there would be an increased taxation yield of \$43.9 million if our recommendations in this area are accepted.

57. The cost of medical and supplementary benefits under Part II of the Social Security Act for year ended 31 March 1971 was \$21.1 million. Our proposals about these benefits would increase this cost to \$26.9 million.

SUMMATION

58. It will be apparent from what has already been said in this chapter, and from our recommendations, that we have not been persuaded that our social security system should be radically changed at this time. We are in effect saying that the present system has worked to the advantage of the nation since 1938, it has become part of the economic and social fabric of the nation, it is capable, with certain changes, of serving its purpose adequately in the foreseeable future, and that no alternative which we examined is likely to do so better and without considerable disruption of the other economic and social elements which make up our national pattern of life.

59. Perhaps the strongest impression we have, as we come to the end of our inquiry, is that our social security system is not something apart from the mainstream of national life, any more than the people who benefit from it are people apart from the community at large. A social security system cannot be put on or off as the weather or the mood changes. It grows with the nation and must develop with the nation. And its effectiveness and adequacy are more powerfully affected by factors outside the system—such as levels of health, employment, and general prosperity—than by changes or adjustments to or within the social security system itself.

60. We considered a great number of suggestions for changes within the system. Many of them made an immediate appeal as offering solutions for problems or anomalies. But as our inquiry progressed we found that the social security system is itself extremely complex and that no question was simple and straightforward, without implications for many inter-related issues. Nevertheless, with the expert knowledge and experience which was freely made available to us and with the opportunity and time to weigh advantage against disadvantage which exists only within the framework of such an inquiry as ours, we believe that we have been able to make recommendations which are capable of improving what is already a good, well-administered system, and of ensuring that it will be able to cope with future problems as it has coped with those of the past 30 years.

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62. Indeed, it must not do so because the pace of change in society is likely to become even more rapid than it has been in recent years and our social security system must be sensitive to changes in the community. We considered how best the desired attitude and approach could be achieved. Two factors impressed us. First, that Parliament must retain the power of decision on significant changes. Second, that those who look to social security for help are in the very nature of things unorganised and probably incapable of effective organisation as one group in a society where organisational representation is the accepted way of getting things done. We concluded that a new Social Security Commission largely composed of interested able laymen could provide the element of dynamism which we seek, and this is discussed in chapter 30. Such a Commission would not represent social security beneficiaries. It would have a special responsibility to the community to see that in the field of social security those changes are made which will enable the system to continue to give effective support to the changing needs of an evolving society.

Chapter 4. ECONOMIC AND FINANCIAL ASPECTS OF SOCIAL SECURITY

1. Though the aims of a social security system are essentially humanitarian, they can be accomplished only through economic means—by providing, for example, services and cash benefits. But there are other less obvious economic implications which affect the extent to which these humanitarian goals of social security can, or ought to be, pursued.

2. In essence, social security involves redistribution of national product. Thus, economic policy for increasing national product *per capita* is directly relevant to social security policy. The *per capita* size of that product limits what can be done by redistribution. But the process of redistribution itself, which increases the incomes of some through benefits and reduces the incomes of others through taxation, is likely to affect personal decisions about spending, saving, investing, or working, and thus in turn to increase or reduce national product.

3. Income redistribution is not the only aim of State social and economic policy. Resources must also be allocated to such things as education, law and order, defence, and the preservation of a wholesome physical environment, which contribute to the general well-being of the community. Pursuit of social security aims will therefore depend on how much the community wants *them* rather than other kinds of public services or private spending.

4. Very few of the submissions touched on these and other important economic aspects of social security policy. Those which did were largely confined to suggesting changes in methods of administration or financing, for social or presentational reasons, and not because present methods affected undesirably either the economy or its ability to support measures of social policy. Indeed, if we were to judge by the general nature of many submissions, we could only conclude that, even among those of the general public who have professional interests in social policy, there is widespread lack of appreciation of the plain fact that if a social security system is to accomplish its goals, it cannot be separated from the economic system through which it must work.

5. We do not say that answers to many social security issues can be found only in economic analysis and principles. But economic analysis

can give a clearer view of what the community is doing through social security with its available resources, and what the economic consequences of any particular approach might be.

6. The proper starting point is the distribution of the national product. In a subsistence or communal society the problem of distribution is solved by authority of chiefs or other leaders, or by group decision according to customary criteria usually (though not always) related to need or status. This method still prevails in many parts of the less industrialised world. Those who cannot work—young children, the aged, or the sick—share total product with those who can. Generally speaking, there is no essential functional link between work (contribution to output) and income (share in output).

7. In industrialised individualistic societies, a person works for money, the personal spending of which determines what shall be produced. Who gets income to spend, and how much, depends upon the price put upon one's contribution. Those who cannot or do not contribute through the market system get nothing directly from the productive process. Given the social ethic that those who cannot contribute nevertheless *ought* to receive a share, the problem is how to modify or supplement the market mechanism in a way which ensures that they do so without impairing the productive capacity of the economy as a whole.

Economic Growth

8. Economic management has recently paid much attention to economic growth and the setting of productivity targets in various sectors. There has been a shift from the 1938 emphasis on massive income redistribution to create purchasing power and stimulate economic activity, to attaining real increases in the rate of growth in relatively stable conditions. Consequent efforts to curtail consumption and public expenditure and to increase savings and investment will inevitably affect social security policy.

9. We are not competent to comment on the growth targets set by the National Development Conference or, indeed, on the economic policies to achieve them. However, we recognise that if there is to be real economic growth, and if real living standards are to be raised, savings rather than consumption need to be encouraged. It does not follow that this is a legitimate argument for cutting expenditure on social security benefits. Total public expenditure and even total social services expenditure may well have to be checked; but the level of social security expenditure must be determined by need, and by a judgment (which we agree must finally be political) of what level of income support is fair and adequate relative to changing incomes and living standards in the community as a whole.

10. It is generally accepted that economic growth is a prerequisite to rising living standards throughout the community, and that *per capita* incomes will rise if the national income increases. But social security is primarily concerned not with *per capita* incomes or "average" citizens, but with those individuals whose ability to share in the production of the market system is reduced or removed. The many submissions remarking on this point convince us that many New Zealanders share our reservations about the simplistic view that economic growth can of itself abolish poverty, and that growth policies should have overriding priority. "Poverty amid plenty" is, as we will note in chapter 10, a feature of rapid economic growth in some countries overseas.

11. Economic growth does not obviate the need for income redistribution. Indeed, if the dependent sector is to share adequately in higher living standards, this need will become greater. Fortunately, as economic growth occurs, the community is more able to transfer resources to its dependants and to finance social and other expenditure even though the proportion of gross national product so transferred may fall.

12. Few would disagree with the view that the fundamental aims of economic growth are social. Human betterment is the goal, and the basic problem of both economic and social management is, we suggest, how, while maintaining reasonable growth, to translate the proper proportions of increasing production into increased current consumption, better health, nutrition, education, and housing, and better social facilities and services. This is a continuing need—not just something to be done when certain growth targets have been reached.

13. There is merit in the view that the basic aim of economic development is to increase the capacity of the community to produce. While this will naturally be affected by investment in machines and plant, equally important is investment in people themselves and in the environment in which they can best realise their capacity to work productively and enrich their lives.

14. What is done now in all these areas affects what the community is able to produce in the future. We would find it difficult therefore to accept without strong reservations any proposition that social security expenditure merely increases present consumption and thus tends to slow down savings, investment, and economic growth. Despite study and inquiry we have found no conclusive evidence on how expenditure on social security or medical benefits has affected savings, investment, growth rates, or indeed, the incentive to work. We shall refer later to issues of this sort. We note

here, first, that there have been satisfactory growth rates in periods when the ratio of social security expenditure to gross national product has been higher than it is at present; and second, that variations in social security payments have not affected decisions to retire from work. We were told, however, that for some categories (such as solo mothers), the present income test and rate of benefit abatement may act as a disincentive. We consider this in chapter 15.

The Family and Income Protection

15. The social problem of dividing up total product between workers and dependants exists in all societies. The more dependants, the greater the workers' burden at any one time. Nevertheless, the mere existence of dependants does not demand collective State action. Social security systems as we know them are relatively modern; not so long ago the family, or kinship group, or locality, supported its own dependants. The family still plays a main part even within highly-developed money economies; indeed the need to support close relatives is commonly recognised in social legislation. What is seldom appreciated is that transfers of income among family members (for example, from the working head of a household to a wife, children, or aged parents) are still quantitatively a more significant aspect of income redistribution than is any action by the State. Family benefits, housing loans, and taxation exemptions may be seen as efforts by the State to shift part of the burden of family responsibilities.

16. Though the family remains of first importance, a State system of social security is an implicit recognition that in a market economy the family alone cannot be left to deal with dependency. In the first place, family income is not necessarily related to the number of people it must provide for. Second, except as far as it can draw on savings, the family cannot protect its members if the breadwinners become unemployed for any reason. Third, the family does not provide for those unable to work who are not members of it. Fourth, the more members in a family, the less likely that savings can be built up to provide for times when incomes cease or there are large unforeseen expenses (on medical care, for example). Fifth, the evolving patterns of family income throughout its life do not correspond exactly to its changing responsibilities.

17. This problem (of differing significance for European and Maori or Island families) has been accentuated by the State's prescribing a minimum school-leaving age and restricting the employment of women and children. As we note in chapter 21 when considering aid to families, education and training of children seeks to develop their human personalities and ensure they become more productive

workers. The cost of this process depends on the size of the family unit, and not on ability to meet such cost. Family benefits are a means of alleviating part of this cost, not only for equity's sake, but to provide more effectively for the future labour force.

The Family Income Cycle and Access to Amenities

18. Thus families are the main means of supporting dependants. As well, individuals and families deal with the risk of income failure or unforeseen expense by spreading income over the life-cycle through two types of saving.

19. The first is in money entitlements—savings bank accounts, debentures and shares, insurance policies, annuities, and private pension rights. In economic terms this involves both the saver's restricting consumption out of current income, and the borrower's spending more than his current income. When savings accounts are eventually spent the person concerned is drawing from the current flow of goods and services of the economy more than he is simultaneously contributing. He will be less able to adjust his consumption reliably over time if his savings lose value through inflation. But he will usually make the attempt because it is not possible to store up against times of need many types of necessary consumables in the same way as a squirrel stores up nuts for winter.

20. The second type of saving lies in the storing up of those varieties of durable goods which are capable of continuing to yield real as distinct from money income. These are consumer durables of all kinds—household equipment, clothing, heating systems, furnishings, and most important a house itself. Most families over their life-cycles build up much of this personal capital which is of considerable importance in maintaining standards of living when money income diminishes, or money savings become eroded by inflation. Income of this kind cannot easily be measured; but, equally, it cannot be ignored especially when one is considering the adequacy of cash income in retirement when family responsibilities are usually at their lowest.

21. In national income statistics, expenditure on consumer durables other than houses is counted as consumption, not investment. But in considering social security policy we should not ignore the fact that such goods or amenities may yield a stream of benefits ("real income") for many years even though money income may fluctuate or cease. It usually takes some money income to maintain such capital intact over a long time or to meet money outlays associated with it (mortgage repayments, interest, repairs, rates, hire purchase commitments, and so on). On the other hand some commitments

ine—for example, a table mortgage begun at the age of 20 be more or less paid off by the age of retirement. Other outlays, such as some house maintenance, can be deferred without seriously impairing the yield of real income from the asset. A further point is that such real income, by contrast with the money income of a household, is not eroded by inflation. Moreover, fixed cash commitments (for example, for mortgage repayments, or hire purchase interest) can be a strong incentive to earn more money by extra work, and so decrease the burden of such fixed outlays.

22. Not much is known about the extent of this kind of capital and the real income it yields, or of how it is distributed among various socio-economic groups in New Zealand. Such information can only be had from the surveys of consumer expenditure and budgets which are now being planned in this country. Census data, and various limited particular inquiries give some information.

23. The most important household asset is the house itself. House ownership relative to renting has changed considerably since the mid 1930s as table 1 shows.

Table 1

TENURE OF ALL PERMANENT PRIVATE DWELLINGS

		Percentage of Total				
		1936	1945	1951	1961	1966
Renting and rent free	..	49	43	39	31	31
Owned with:						
Table mortgage	..	17	18	19	26	30
Flat mortgage	..	16	14	11	14	11
Mortgage free	..	18	25	31	29	28
		100	100	100	100	100
Owned by occupier	..	51	57	61	69	69
Rented by occupier	..	49	43	39	31	31

Source: Census data.

24. In its 1966 Report No. 10, the Monetary and Economic Council estimated that mortgage debt would be the equivalent of about one-quarter of the total capital value of private household property. It would be about one-third of the total value of the household property mortgaged. The Council also estimated the capital value of consumer durables, including cars, boats, and baches, at \$1,520 million. Household financial assets such as savings accounts, life insurance, and building society investments were valued at \$3,000 million but this excluded all other shares, debentures, and the assets of unincorporated businesses.

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25. Ownership of consumer durables and other household amenities is also very high, thus:

Table 2

AMENITIES IN NEW ZEALAND HOUSEHOLDS

	1956	1961	1966
Percentage of dwellings with:			
Hot water service ..	88	94	99
Bath or shower ..	94	97	99
Refrigerator ..	54	81	92
Washing machine ..	57	78	89
Television ..	..	..	64
Radio ..	..	..	94
Vacuum cleaner ..	..	..	90

Source: Census data.

26. More detailed information about the housing status of the elderly is available from a special survey made in 1962*. Though this survey is now 10 years out of date, it shows that at that time over 70 percent of beneficiaries between the ages of 65 and 74 years owned their own homes, although with increasing age the elderly tend, because of growing infirmity, to live as part of a family group. Those in the 65-74 age group renting dwellings were only about 11 percent of men and 14 percent of women beneficiaries compared with 31 percent in the case of all householders.

27. The importance of the home and its physical assets as a defence against poverty in later life was shown in a recent survey of poverty in Melbourne made by the Institute of Applied Economic and Social Research, University of Melbourne†. It showed that when houses and other capital assets owned by the aged were taken into account the percentage of aged "income units" below the selected poverty line in terms of income dropped from 15 to 6 percent.

28. Though it would be reasonable to suppose that the composition of individual household assets and liabilities is likely to be affected by factors such as age, number of dependants, or income, very little is known directly on this subject as far as New Zealand is concerned. However, an analysis made in 1966 by the Monetary and Economic Council throws some light on the matter‡. The analysis was based on statistics of deceased peoples' estates and

*Department of Health Special Report Series No. 10 *Elderly Persons' Accommodation Needs in New Zealand 1962*, Government Printer, Wellington, 1963.

†Ronald F. Henderson, Alison Harcourt, R. J. A. Harper, *People in Poverty*, Cheshire, Melbourne 1970.

‡Report No. 10 of the Monetary and Economic Council, Wellington, 1966, Ch. II.

does not therefore pretend to show how any individual's asset structure might change over his lifetime. It must be interpreted with due regard to the limitations inherent in the source material.

29. The Council's analysis showed that, whatever the age of deceased,

for small estates the greater proportion of assets are held in the form of cash and money deposits, personal effects and furniture, and real property (mainly in the form of a house). As wealth increases the actual value of these items increases but the proportion of total assets in these forms declines and the proportion held in financial assets (shares, stock debentures, mortgages, loans to others) and business assets increase.

Total assets show a peak at age 60 with net assets continuing to rise until after age 75 as debts continue to be paid off. The debt peak is at age 40, while real and personal property is also at a peak at that age remaining constant until age 60 and then declining somewhat. Cash, shares, and similar financial assets are, on the average, constant between ages 25 and 35 and then begin to rise sharply throughout life. The Council did not include in its analysis the value of rights accumulating from the payment of superannuation contributions (which increase with age). In the Council's view the data suggested:

. . . four phases in the average asset and liability pattern of persons . . . Up till marriage they are net lenders to others, their debts being smaller than their cash deposits, loans to others, and shares. The age of retirement begins the fourth phase. The growth of total assets is halted at the end of the active earning life and their composition is changed as some private business assets and family homes are sold. For the most part these persons seem to be neither net lenders or net borrowers since the additional funds they are able to invest in shares, loans and deposit accounts are supplied by the purchasers of the physical assets they are disposing of.

30. All the foregoing material indicates that the private sector has a considerable capacity for dealing with the general problem of social dependency, and that it is important that this capacity should not be impaired. Economic policy in general has a role to play, but so also have other governmental policies, for example, those which stimulate personal savings, home-ownership, and private provision for age or sickness. These measures may reduce the need for the State to intervene more directly through the social security system.

Demographic Factors

31. The extent of the social problem of dependency is likely to be affected over time by changes in the age structure of the population,

by technological change and economic development, as well as by social and economic policy measures which can affect the proportion of dependants to workers.

32. In 1938 much concern was expressed at the prospects of an ageing population (that is, a growth in the proportion of the elderly to total population) increasing the burden on the work force, making it difficult for the economy as a whole to support the substantial extension of cash benefits and the health services envisaged in the 1938 Social Security Act. The consultant actuary at that time, Mr G. H. Maddex, estimated, for example, that in 1939 there would be 37 men and women over 60 for every 100 men aged 16-60, and that this ratio would be 50 : 100 in 1959, 57 : 100 in 1969, and 66 : 100 in 1979. Thus it was thought then that the community's burden of dependent aged would increase. Maddex's projections assumed that the population trends of the 1930s would hold good for the next 40 years. The large rise in the birth rate after the Second World War, however, has produced a quite different outcome. Later statistics show that the ratio mentioned earlier was only 44 : 100 in 1969, and it has recently been estimated that it will be the same in 1979. So far as benefits for aged are concerned, Maddex estimated that in 1939 there would be 12 people drawing benefit for every 100 people in the work force, rising to 18 in 1949 and continuing to rise as the proportion of the population over 65 years of age rose. In fact, the ratio was only 15 : 100 in 1950, but had risen to 22 : 100 for 1969. The latter figure, moreover, includes both age and superannuation beneficiaries, and conditions of eligibility have been greatly eased since 1939.

33. Changes and estimated changes in population structure are shown in table 3.

Table 3

AGE DISTRIBUTION OF NEW ZEALAND POPULATION

		Percentage of Total Population				
		0-14	15-59	15-64	60+	65+
1936	..	28.3	63.2	65.3	10.2	6.4
1945	..	28.6	60.7	62.7	12.9	8.7
1951	..	29.5	57.3	61.4	13.2	9.1
1956	..	31.5	55.8	59.4	12.6	9.1
1961	..	33.1	54.7	58.3	12.2	8.6
1966	..	32.7	55.4	59.1	12.0	8.3
1970	..	32.0	55.8	59.7	12.2	8.3
1975	..	31.4	56.3	60.2	12.3	8.4
1980	..	31.6	56.4	59.9	12.1	8.5
1985	..	32.5	55.6	59.2	11.9	8.3
1990	..	32.8	55.7	59.1	11.5	8.1

Source: 1936-1966, Census data.
1970-1990, Estimates supplied by Department of Statistics.

34. Table 3 shows that from 1936 to 1951 the proportion of the population over 65 increased but not as sharply as Maddex expected, and also after the 1939-45 war the 0-14 year group rose. Thus the main "dependent" age groups are now about 40 percent of total population compared with just under 35 percent in 1936. But since 1936 the productivity of the economy has risen sharply and unemployment has very greatly declined. (In 1936 the latter raised the dependent group significantly above the level shown by population structure.)

35. The important point for the future is that the proportions of dependent to non-dependent age groups are not expected to change much for at least the next 20 years. This is in marked contrast to a number of other countries where "population ageing" is a major social security problem.

36. The age structure shows only part of the picture. What we need to know is the ratio of the work force as a whole to the total population dependent on the output of that work force. Estimates of the work force at 5-yearly intervals to the year 1990 are given in table 4. These show that as a proportion of total population it will decrease only very slightly over that period, depending on assumptions about migration.

Table 4

ESTIMATED LABOUR FORCE

At 31 December	Projected Labour Force Assuming Net Annual Migration of		Projected Labour Force as a percentage of Projected Population	
	(a)	(b)	(a)	(b)
	5,000 inflow	10,000 inflow		
1970 ..	1,095,785	1,104,522	38.0	38.1
1975 ..	1,205,096	1,221,534	38.3	38.4
1980 ..	1,322,386	1,353,716	38.3	38.4
1985 ..	1,423,188	1,470,224	37.5	37.7
1990 ..	1,554,373	1,615,069	37.4	37.6

Source: Department of Statistics.

37. These projections assume that the proportion of women in the labour force will be the same as in the recent past. In New Zealand the proportion of women workers is very low compared with countries of similar cultural background and stage of economic development. There is therefore considerable room for an increase and although it is impossible to make any useful forecasts of what actual trends might be, it may be noted that changes in social attitudes about the place of women in New Zealand society, equal-pay

legislation, and economic pressures for higher real incomes, could increase the proportion quite markedly over the period of the projections.

38. The projections also assume that participation rates of the male work force will not change. For those over 60 years of age, the participation rate now falls from around 80 percent at age 59 to 79 percent at age 60, and 50 percent at age 65, and 30 percent for those over 65. The proportion of men over 65 in the work force has in fact been declining almost continuously since the early 1890s (from over 85 percent to the present level of 30 percent), though it seems to have stabilised since 1950. The effect of age and superannuation benefits on retirement is considered in some detail in chapter 20. We merely note here that the possible effect on participation, and hence on the social burden of dependency, must always be considered in any change in social policy.

39. One must note the effect of education policy and social attitudes towards higher education. In the past 30 years there has been a sharp increase in the number of people over 15 remaining at school, or attending universities and other institutions. Whether these students are financed privately or through State grants, the proportion of dependants increases.

40. Finally, we note that the burden of dependants on a community depends not only on their proportion of the work force, but also on what level they are maintained relative to economic growth. Those in families would by and large share in that growth through the rise in family income. But this does not automatically happen with the dependant who must rely upon State help from the general community.

Chapter 5. COSTS OF SOCIAL SECURITY

1. The rising costs to the State of adequate incomes for the dependent, as well as medical benefits and health and welfare services, have become a matter of great concern in many countries, and in New Zealand. Here it has most recently been expressed by the Social and Cultural Committee of the National Development Conference, which drew attention to the apparent prospect of a growing burden of social security on the economy at a time when increasing resources would be needed for development.

PROPORTION OF NATIONAL INCOME

2. Changes in the money costs of social security cash benefits since 1939 (along with other social services expenditure) are shown in appendices 10 and 14. In summary the cash benefits show an increase of over 13 times from \$22.2 million in 1939 to \$298.7 million in 1971. Money costs, however, can be misleading and certainly do not show what the burden on the economy is or has been. In the first place rising money expenditures in part reflect inflation. Second, both the population and the economy have grown considerably since 1939. Appendix 11A gives a better picture of development. These figures show expenditures as a proportion of national income. In 1939 cash-benefit costs were the equivalent of 4.78 percent of gross national product. They rose to 7.03 percent in 1947 and, after a decline in the 1950s, rose again to 7.21 percent in 1961. Since then the proportion has steadily declined to stand at an estimated 5.5 percent for the year ended March 1971. This trend is not one which would justify the view that social security cash-benefit expenditure on its own constitutes an increasing burden.

3. It must be noted also that, although in terms of national income, outlay on cash benefits is not significantly greater now than it was in 1939 and is well below the level of 1947, many changes have been made both to rates of benefit and to conditions of eligibility (see appendix 5 for details). The main changes occurred in 1946 when the means test was removed from the family benefit, and in 1960 when the universal superannuation benefit was lifted

to parity with the income-tested age benefit. The scheme for capitalisation of the family benefit introduced in 1959 also had a significant effect on costs at that time. Other changes such as the removal of the property test, and continued relaxation of allowable income limits, have all tended to make more people eligible for benefits. At the same time the period from 1939 to 1961 saw an upward shift in the proportion of dependent people. Since then a stable relationship has established itself and appears likely to continue.

4. Rates of most benefits have also been continually increased. While these adjustments have helped to increase money costs, the general conclusion must be that, largely through growth, the economy has been able to make better provision for a larger number of people.

5. As with other policy goals (education, defence, etc.), the resources to be given to maintaining dependants or providing medical care are limited not only by the absolute size of community resources related to population, but also by the strength of public desire for the social security package as against other possible packages—private consumables, public or private investments, and the like. Unlimited resources would give unlimited attainment of all goals. Hard reality dictates otherwise. We can have more of one thing only by restricting others. From our own resources (that is, apart from overseas borrowing) we can have more of everything in the future only by increasing the size of our future national product by investing in capital goods and human resources. But this means restricting present consumption of either public goods or private goods or both. These are the economic facts from which we cannot escape.

6. It is always easy to point to needs that seem in themselves to justify action. This is especially true of those areas of policy which deal directly with people and their welfare—education, health, and social security. But with limited resources public policy cannot be based on absolute needs because any one element of our "Total Social Services Expenditure" could absorb all or most of the resources which it is considered prudent to extract from citizens by taxation whatever its form or nomenclature. Public policy is arrived at by deciding the relative merits of one type of expenditure against others and the same kind of relative evaluation is necessary within any broad programme. In essence what has to be decided, as the economy grows, is the relative rate of growth not only of public services in comparison with private expenditure but the relative

rates at which particular kinds of services should expand. These are essentially and finally political decisions.

7. Social security cash-benefit expenditures from 1939 to 1956 were generally about 26 to 27 percent of total Government current expenditure (see appendix 11B). By 1961, because of the sharp increases in both family and superannuation benefits the proportion had risen to just under 30 percent. Since that time it has declined steadily to slightly less than 24 percent in 1970, mainly because the family benefit rate has been unchanged since 1958. There has also been some decline in the share of age benefits, including superannuation, in the total. For much the same reasons, cash benefits as a proportion of total social services expenditure (including education) have declined from nearly 48 percent in 1961 to 38.3 percent in 1970 (see appendix 11C). Social services expenditure as a whole (excluding stabilisation subsidies but including education and health) in the past 3 years has averaged almost 63 percent of total Government expenditure, dropping to about 45 percent if education costs are excluded. These compare with 62.5 percent and 48.6 percent respectively in 1961. Though total social services expenditure has not been declining, more within that total has been going to education and health (including hospitals and equipment) and *less* to social security cash benefits.

8. From appendix 15 we note that total social services expenditure in 1970 was a higher percentage (14.82 percent) of national income than it was in 1950 (13.59 percent), but that the relationship has remained fairly constant since 1960. The percentage of national income spent on total social services expenditure *excluding* education has fallen since 1960. For both social security cash benefits and total health benefits (see appendix 11A) the percentage of national income being spent has tended to fall since 1962.

FUTURE COSTS

9. Changes in social security can only be properly considered by gaining some idea of what future commitments are implied by present policies, that is, by assuming constant benefit rates. Table 5 gives such an estimate for the years ending March 1976 and March 1981 and compares them with the figures for the year ended March 1971. The assumptions on which the estimates have been made are such that we feel confident that the total figures estimated to be expended err, if at all, on the high side.

Table 5

CASH BENEFITS—ESTIMATED EXPENDITURE

Benefit	Number in Force 31 March			Estimates of Expenditure for Year Ending 31 March \$(000)		
	1971	1976	1981	1971*	1976*	1981*
Age	102,797	115,000	125,000	80,000	89,000	97,000
Superannuation..	146,299	165,000	180,000	105,000	115,000	129,000
Widows† ..	15,899	18,000	20,000	16,750	19,000	21,000
Invalids ..	8,557	9,500	10,500	7,600	8,500	9,500
Unemployment..	715	1,000	1,000	725	1,000	1,000
Miners and or- phans ..	410	400	400	280	260	260
Sickness ..	6,306	6,900	7,600	6,600	7,200	7,900
Family‡ ..	1,000,451	1,100,000	1,200,000	78,000	85,000	94,000
Emergency ..	6,422	7,700	8,500	8,000	9,700	10,600
Supplementary assistance ..	..	..	..	3,200	3,600	4,000
All benefits..	..	..	..	305,000	340,000	375,000

*Estimates consist of annual values of benefits in force at rates prevailing at 31 March 1971.

†Includes deserted wives, etc.

‡Numbers of children included in benefits (including those capitalised).

10. The assumptions on which the estimates in table 5 are based are explained in the following paragraphs.

The Number of Beneficiaries

11. Estimated numbers of beneficiaries have been calculated on the basis of population projections which assume a net immigration inflow of 10,000 people a year from a base of 31 December 1970. (A net inflow of 5,000 would be more realistic, and on that basis total expenditure would be reduced by about \$3 million for 1976 and about \$7 million for 1981.)

12. *Age*: Numbers of age beneficiaries assume that the proportion of those aged 60–64 on benefit will be approximately that of recent years, 24 percent; and that the proportion of those over 65 drawing age benefit will remain constant at about the average of the past 5 years. This implies that many people over 65 will prefer for *present* reasons to continue on age benefit rather than switch to the non-income tested superannuation benefit.

13. *Superannuation*: The assumption is that 61 percent of people over 65 will draw superannuation benefit—slightly more than in recent years. It is assumed that 92.5 percent of all people over 65 will be drawing either age or superannuation benefit.

14. *Widows*: The estimate for "widows" benefits (which of course includes women not actually widowed) allows for a slight increase over 1971 in the proportion of women aged 16–59 drawing benefits although it follows average experience over the past 10 years.

15. *Invalids*: For invalids benefits the ratio to population aged 16 to 59 fell significantly from 0.83 percent in 1951 to 0.55 percent in 1971. The reasons for this are not entirely clear but seem to be related to falling incidence of tuberculosis and to a more positive attitude in helping the handicapped participate in normal community life and work. The rate of decline has, however, slowed down in the last few years and our estimate is therefore based on a constant factor of 0.53 percent.

16. *Unemployment*: No useful conclusions can be drawn from past experience about unemployment benefits, and we have simply included a nominal number. The obvious assumption here is that full employment policies will continue.

17. *Family*: The estimate for family benefits is also based on the past ratios between the number of children aged 0–16 years and the number for which benefit is paid. Capitalisation of the benefit, as well as the tendency for more children to remain at school until 18, have been allowed for.

18. *Sickness*: The ratio of sickness benefits to working population has increased since 1961 from 0.28 percent to an average of 0.36 percent in recent years. We have assumed the latter percentage will hold.

19. *Emergency*: Emergency benefits have risen from 0.20 percent in 1966 to 0.37 percent in 1971. We assume that it will be 0.40 percent for both 1976 and 1981.

20. *Supplementary*: These estimates are not much more than a guess based on the expectation that the rising trend of recent years will continue although this will, we assume, be affected by the level of standard benefits actually paid from time to time. Benefit numbers have not been shown in this case as they are not very meaningful.

Expenditure

21. Estimates of expenditure based on the forecasts of benefit numbers are simply annual values; that is, they show the expenditure that would result if the benefit numbers indicated drew benefits for a full year at rates applying at 31 March 1971. These estimates allow for various factors such as the payment of family maintenance allowances (included in the estimates for the relevant benefit), differential rates paid for unmarried beneficiaries, and benefits to dependent wives of age beneficiaries.

22. The rates of benefit used are those in force at 31 March 1971. In this exercise no account has been taken of the increases in benefits given by the 1971 Budget. Nor has there been any attempt to allow for future increases in rates either to meet increases in the cost of living or to enable beneficiaries to share in economic growth. In other words, the estimates are simply a projection of the cost of present policies at the above rates aimed at showing how capacity to pay these or higher benefits will be enhanced by economic growth.

23. Table 5 shows that the annual value of cash benefits would under these assumptions rise by approximately \$35 million between 1971 and 1976 and by a further \$35 million in the next 5 years, a total increase of some \$70 million. The table is not in any way a forecast of actual expenditure, but simply seeks to indicate how much extra it would cost to give benefits on present terms and conditions to more beneficiaries. Population increase is the most important factor, though there are also underlying assumptions about the extent to which the increased population will become eligible for benefit. One aspect of this, of course, is the assumption that the conditions of the income tests which apply to most benefits will not change. Thus, because money incomes as well as real incomes are expected to rise with economic growth, if there is no change in income-test (for example, in the amount of allowable income) the numbers of full beneficiaries would tend to reduce. But this is not likely to be significant.

24. We must take into account the expected growth in gross national product over the 10 years which roughly coincides with the planning period used by the National Development Conference. One difficulty is that estimates of economic growth are being revised on the basis of recent experience, and will need to be further revised when Britain enters the European Economic Community. At this stage therefore we can do no more than assume a conservative estimate of growth in gross national product (somewhat less than the National Development Conference projection) when indicating what could be available to increase benefits, or extend them, or liberalise their conditions. We are in any case merely seeking to establish orders of magnitude rather than to give a precise estimate of what could be available.

25. In its Report No. 21 of May 1971, the Monetary and Economic Council estimated gross national product at \$5,425 million for the year ended 31 March 1971. The annual value of cash benefits in force at that date shown in table 5 was \$305.99 million or 5.6 percent. This is somewhat lower than in the immediately preceding years though consistent with the generally falling trend in the ratio of cash benefits to gross national product which appendix 11A shows through

the 1960s. If gross national product were to rise over the next 10 years at say 4 percent a year (slightly less than the targets of the National Development Conference) then on a "no change in benefit" basis, the annual value of cash benefits in 1976 would be the equivalent of 5.06 percent of gross national product in that year, and 4.60 percent in 1981. Conversely if cash benefits were to be the same proportion of gross national product in 1976 and 1981 as in 1971, then expenditure could rise in 1976 to \$370 million, and in 1981 to \$450 million. Various alternative assumptions about the proportion of cash benefits to gross national product and about growth rates of gross national product can of course be made. Some of these are set out, with their implications for cash-benefit expenditure, in the following tables:

Table 6

PROJECTION OF CASH BENEFITS AS PROPORTION OF GROSS NATIONAL PRODUCT

Year Ending	GNP Growth Rate	Estimated GNP (\$ million)	Percentage of GNP Needed to Pay for Cash Benefits if 1970-71 Rates Continue
	Percent		
31 March 1976 ..	4	6,600	5.06
	3	6,290	5.31
31 March 1981 ...	4	8,030	4.60
	3	7,310	5.05

Table 7

PROJECTED CASH BENEFIT EXPENDITURE

Year Ending	Estimated GNP (\$ million)	At 5.6 percent of GNP (1970-71 level)	6%	6.5%	7%
31 March 1976 ..	6,600	370	396	429	462
	6,290	342	377	409	440
31 March 1981 ..	8,030	450	482	522	562
	7,310	409	439	475	512

SUMMARY

26. What emerges from these tables is that if cash benefits remain at the 1970-71 levels, then the proportion of national income absorbed by them will reduce as gross national product grows. And further, that if the cash benefit rates are increased at the same percentage rate as gross national product is growing (for example by 3 percent or 4 percent) then approximately the same proportion of national income will be required as in 1970-71.

27. Presenting future expenditure possibilities in this way also highlights a number of important policy issues.

- (a) There is no necessary reason why cash benefits should remain constant at any particular relationship to gross national product. In some circumstances (for example, where the numbers of the dependent group were rising significantly) a rise in the proportion may be desirable if the dependants are not to lose real income. This is not expected to be an important factor in New Zealand as our earlier analysis of demographic trends indicated. There may also be a rise in the ratio if the dependent sectors are to receive a greater share of product than they have in the past. And a fall in the ratio may be quite appropriate in the light of demographic factors or if a period of economic growth increases the ability of individuals and households to make their own provision for retirement. The essential point is that too much emphasis placed on a ratio of this kind introduces too inflexible an element into public policy decisions, and this may result in doing too little or too much in the field of social security.
- (b) Unless it is thought that social security beneficiaries are already receiving more than they should then it seems to us that they must share in any growth. Otherwise benefits must become inadequate. As we have stated elsewhere, social security is more and more concerned with relative poverty, and the adequacy of benefit levels must be considered against the living standards of the rest of the community.
- (c) There is in addition the need to decide on how social security as a whole should share in total social services expenditure, and in State expenditure as a whole.

28. The Government must decide these matters against the competing demands both for various expenditures, and for reduced taxation. We cannot judge unequivocally what the relative balance in expenditure should be. Indeed we would be strongly opposed to basing benefit-expenditure policy on any preconceived notion that social security expenditure should be a rising, constant, or falling percentage of gross national product, or of total Government expenditure. The main criterion for benefit levels must be adequacy.

Chapter 6. SOCIAL SECURITY AND THE DISTRIBUTION OF INCOME

1. It is important to note that every governmental act of spending changes the distribution of incomes. The process is not confined to social security transfers. It is necessary to consider separately the distribution effects of social security expenditure, and of taxation, before bringing them together to examine the extent of redistribution.

2. Social security expenditure increases the money which people have to spend, and has therefore an inflationary effect, which, if not checked would distort the distribution aimed at. The collection of taxes not only provides the funds for the social security expenditure, but by reducing money incomes checks the inflationary effect and tends to preserve the aim of the social security distribution. But it must be remembered that those who receive benefits—and especially “universal” benefits—may also pay taxes and to this extent the redistributive aims of the social security system are modified by the taxation system.

3. The distributional changes brought about by the social security system are not easy to discern. Those on lower incomes (such as the aged, sick, or widowed) have their incomes increased by cash grants. In addition, those with family responsibilities receive grants regardless of income, and so also do many people over 65. Furthermore everybody, regardless of income, is entitled to share in the medical services. However, while it is relatively easy to ascertain which individuals or households receive cash grants, it is much more difficult, in our present state of knowledge, to determine which receive the benefits of medical services and how these are related to money incomes. About all that can be said is that most of the cash benefits are received by people on low incomes and that those over 65 and those with families gain at the expense of other members of the community. So far as medical services are concerned, the aged and those with young children are likely to receive relatively more than other members of the community because it is in these age groups that the need for medical care is highest.

4. The question of “who pays” is even more difficult to answer. In the first place it is impossible to say what the structure of the taxation system would be if there were no social security. In New

Zealand the taxation system is by and large composite and does not direct taxes to specific purposes, except for the National Roads Fund. Thus it is not possible to separate out what kinds of taxation or which person's taxation could be said to be needed to counter-balance social security expenditure. Nor is it possible to sort out personal taxes paid and compare these with personal benefits received, as is sometimes attempted.

5. Some general points may be made. First, personal income taxation with various exemptions helps to shift the distribution towards those with children as compared with those without, and towards those who are making private provision for retirement, the latter mainly in the higher income groups. With a progressive rate structure, those on higher incomes have their incomes reduced more than proportionately, thus shifting distribution in favour of the lower income groups. Commodity taxation on the other hand is not directly related to income except through consumption. In this case, those with families and those who buy taxed commodities (cigarettes, beer, and motorcars, for example) would pay more than those who do not.

6. From another standpoint, redistribution may be seen as a shift in net incomes in time—within generations and between generations. Those now in the labour force are “paying” through taxes for social security benefits and other State services being consumed by those who have retired. It is assumed that when the present generation has retired the government of the day will be willing to continue the benefits, and tax the then work force accordingly. Again, there are continuing transfers within the present generation of the work force in favour of those with family responsibilities and against those who are single, or whose family responsibilities have lessened.

7. It is easier to state such generalities than to discover facts about income distribution in New Zealand and how this is affected by social security, taxation, and State activities generally, for very little is known at present.

8. We need to know much more than we do for several cogent reasons.

- (a) Social security policy, among other things, should ensure a desirable income distribution and, in particular, that benefits are not negated by taxation or other State policies.
- (b) It is desirable to know whether policies intended to improve income distribution in fact do so.
- (c) It is desirable to be able to compare alternative policies in terms of their expected results, without guesswork.

- (d) It is desirable that the public should be able to judge the implications for them of any proposed policy (such as an increase in benefit rates or coverage). They must be able to see that increased social security expenditure has to come out of increased productivity, increased taxation, or savings in other governmental expenditure.
- (e) Changes in the distribution of incomes can affect patterns of demand, consumption, saving, and investment, and hence the growth and composition of the total product available for distribution.

9. Attempts have been made overseas to measure the effects of budgetary policy (especially for social services) on the distribution of incomes. It is, however, generally agreed that all such studies are open to very considerable objections on conceptual as well as statistical grounds, and any results have to be treated very cautiously. The same reservations necessarily apply to the study prepared for us by Mr L. V. Castle of the Department of Economics, Victoria University, and appended to this chapter as table 8. The figures cannot be taken literally. They are indicative only. As Mr Castle points out, the study pretends to do no more than give a broad picture of income redistribution in New Zealand on the basis of inadequate and outdated information, especially regarding the composition of households. The procedures followed for the allocation of benefits and taxes to the selected income groups also suggest that the results should be cautiously treated. Further, as these were the only figures available at the time of writing, the study relates to one income year (1965-66) with the tax and benefit rates that applied at that time. Since then there has been an important revision of the income tax structure and a new tax (the payroll tax) has been introduced. The general rise of incomes under the influence of inflation and economic growth must also be borne in mind.

10. Nevertheless the study suggests a number of points about the state of income distribution in New Zealand in 1965-66 which are unlikely to have changed much, except in actual money terms.

11. First, most earners had incomes under \$2,800 before tax. If allowance is made for the large number of married women, students, part-time and casual workers in the two lowest groups, most full-time earners had incomes between \$1,500 and \$2,800. Total income before tax was thus concentrated into a fairly narrow middle range.

12. Second, though there was marked progression in income tax above incomes of \$3,600, tax as a percentage of group income was

more or less *proportional* over a fairly wide range of incomes, which includes most taxpayers, because of the predominance of the $7\frac{1}{2}$ percent social security tax which applied at that time. This yielded 44 percent of all income tax on individuals. Largely because of this, the distribution of incomes after tax was not markedly different from the pre-tax distribution. Those in the upper income range were somewhat worse off and those in the lower ranges slightly better off. This does not take account of company taxation, the net distribution effect of which is unknown. When the $7\frac{1}{2}$ percent social security tax was abolished, other changes in the income tax rates, and personal and other exemptions occurred. Given the low level of income at which the minimum tax-rate of 8 percent now applies, these changes are not likely to have markedly affected distribution.

13. Third, social security cash benefits resulted in a strong upward shift in the relative position of those with under \$1,000 of other income—a result that could be expected. However, the extent of the redistribution was modified by the effect on net incomes of the universal superannuation and family benefits which are paid at all income levels. Around 45 percent of the latter was estimated to have been paid to those on incomes above the average.

14. Fourth, even after education and health expenditure as well as consumer subsidies were taken into account, the distribution of incomes (apart from those at either end of the scale) was not markedly different from the distribution that obtained before tax. A general conclusion therefore might be that under the tax system in force, the social security system as a whole was in 1965–66 relatively neutral in its redistribution effects except at the very lowest incomes. We have seen no evidence to suggest that the position is much different in 1970–71. However, much more work needs to be done in this area by those responsible for advising the Government on social services expenditure and taxation policy.

Table 8
DISTRIBUTION OF INCOMES, TAXES, AND BENEFITS
 (Year Ended 31 March 1966)

Income Group (\$)	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.
	0- 1,000	1,000- 1,499	1,500- 1,999	2,000- 2,399	2,400- 2,799	2,800- 3,199	3,200- 3,599	3,600- 3,999	4,000- 5,999	6,000- 7,999	8,000- 9,999	10,000+	Total
1. Number of tax returns	338,150	180,070	176,890	160,770	139,680	96,990	57,570	33,820	59,940	18,370	5,232	6,257	1,273,739
2. Percentage of total	26.5	14.1	13.9	12.6	11.0	7.6	4.5	2.7	4.7	1.4	0.4	0.5	100
3. Income returned less superannuation benefit (\$'000)	158,700	223,960	317,370	364,130	358,940	287,700	193,180	126,850	282,930	124,440	46,310	92,280	2,576,790
4. Percentage of total	6.2	8.7	12.3	14.1	13.9	11.2	7.5	4.9	11.0	4.8	1.8	3.6	100
5. Total assessed individual tax (\$'000) ..	8,480	20,470	36,400	45,010	47,800	41,270	30,100	21,550	57,500	32,510	14,750	37,850	393,190
6. Percentage of total	2.2	5.2	9.3	11.4	12.0	10.5	7.7	5.5	14.6	8.3	3.7	9.6	100
7. Tax as percentage of group income ..	5.3	9.1	11.5	12.4	13.2	14.3	15.6	17.0	20.3	26.1	31.9	41.0	15.3
8. Estimated total social security tax on individuals (\$'000)	6,630	13,990	21,043	24,802	24,741	20,064	13,590	8,986	20,285	9,046	3,391	6,839	173,380
9. Percentage of total group income	4.1	6.2	6.6	6.8	6.9	6.9	7.0	7.0	7.2	7.3	7.3	7.4	6.7
10. Percentage of total tax for group	78.2	68.3	57.8	55.1	52.3	48.6	45.1	41.7	35.3	27.8	23.0	18.1	44.1
11. Estimated total ordinary income tax (\$'000)	1,850	6,480	15,357	20,208	22,559	21,206	16,509	12,563	37,215	23,463	11,358	31,042	219,810
12. Percentage of total group tax	1.2	2.9	4.8	5.6	6.3	7.4	8.5	9.9	13.1	18.9	24.6	33.6	8.5
13. Percentage total tax for group	21.8	31.7	42	44.9	47.7	51.4	54.9	58.3	64.7	72.2	77.0	81.9	55.9
14. Income (line 3) minus direct tax (line 5) (\$'000)	150,220	203,490	280,970	319,120	311,640	246,430	163,800	105,300	225,430	91,930	31,560	54,430	2,183,600
15. Percentage of total	6.9	9.3	12.9	14.6	14.3	11.3	7.5	4.8	10.3	4.2	1.4	2.5	100
16. Indirect tax allocated (\$'000)	23,327	20,246	27,508	30,809	30,149	23,767	15,625	10,123	21,566	8,803	3,081	5,061	220,064
17. Percentage of total	10.6	9.2	12.5	14.0	13.7	10.8	7.1	4.6	9.8	4.0	1.4	2.3	100
18. Net income for group after tax (\$'000) ..	126,893	183,244	253,462	288,311	281,491	222,663	147,455	95,177	203,864	83,127	28,479	49,369	1,963,535
19. Percentage of total	6.5	9.3	12.9	14.7	14.3	11.3	7.5	4.8	10.4	4.2	1.5	2.5	100
20. Superannuation benefit	26,955	12,230	9,560	3,500	2,770	1,750	1,380	850	2,240	700	270	375	62,580
21. Family benefit	2,456	2,315	7,227	11,998	14,033	10,945	6,946	3,929	6,946	2,175	562	631	70,166
22. Family benefit capitalisation	955	955	956	2,865	2,865	..	..	..	..	..	..	..	8,596
23. All other cash benefits and war pensions (except family and superannuation) ..	89,583	3,054	3,054	3,054	2,000	1,000	1,000	750	1,000	250	250	250	105,245
24. Group income after cash benefit and tax (\$'000)	246,842	201,798	274,259	309,728	303,159	236,358	156,781	100,706	214,050	86,252	29,561	50,625	2,210,119
25. Percentage of total	11.2	9.1	12.4	14.0	13.7	10.7	7.1	4.6	9.7	3.9	1.3	2.3	100
26. Education	4,648	4,382	13,678	22,710	26,561	20,718	13,148	7,438	13,148	4,117	1,062	1,190	132,800
27. Percentage of total	3.5	3.3	10.3	17.1	20.0	15.6	9.9	5.6	9.9	3.1	0.8	0.9	100
28. Health	20,947	10,097	18,687	23,509	24,413	18,235	11,303	6,480	11,453	3,617	904	1,055	150,700
29. Percentage of total	13.9	6.7	12.4	15.6	16.2	12.1	7.5	4.3	7.6	2.4	0.6	0.7	100
30. Group income (line 24) plus health ..	267,789	211,895	292,946	333,237	327,572	254,593	168,084	107,186	225,503	89,869	30,465	51,680	2,360,819
31. Percentage of total	11.3	9.0	12.4	14.1	13.9	10.8	7.1	4.5	9.6	3.8	1.3	2.2	100
32. Group income plus health plus education ..	272,437	216,277	306,624	355,947	354,133	275,311	181,232	114,624	238,651	93,986	31,527	52,870	2,493,619
33. Percentage of total	10.8	8.7	12.3	14.3	14.2	11.0	7.3	4.6	9.6	3.8	1.3	2.1	100
34. Consumer subsidies	1,338	1,115	4,720	8,846	10,109	4,943	2,081	1,115	2,453	335	37	72	37,166
35. Percentage of total	3.6	3.0	12.7	25.8	27.2	13.3	5.6	3.0	6.6	0.9	0.1	0.2	100
36. 32 plus 34	273,775	217,392	311,344	364,793	364,242	280,254	183,313	115,739	241,104	94,321	31,564	52,944	2,530,785
37. Percentage of total	10.8	8.6	12.4	14.4	14.4	11.1	7.2	4.6	9.5	3.7	1.2	2.1	100
38. 3 minus 36	+115,075	-6,568	-6,026	-6,663	+5,302	-7,446	-7,867	-11,111	-41,826	-30,119	-14,746	-39,336	-46,005
39. 36 as percentage of 3	172.5	97.1	98.1	100.2	101.5	97.4	94.9	91.2	85.2	75.8	68.2	57.4	98.2

Source: Mr L. V. Castle (see paragraph 9)

Chapter 7. TAXATION OF BENEFITS

THE CASE FOR TAXING BENEFITS

1. Item 4 of our Warrant requires us to consider "the extent (if any) to which monetary benefits should be subject to taxation". We have already discussed in the previous chapter the parts played by taxation and social security benefits in the redistribution of incomes, and we have noted that the redistribution effected by one may be offset or defeated by the other. The two policies should therefore be co-ordinated, and it is apparent that this has received less attention in the past than would seem desirable. It is beyond the terms of our Warrant to reappraise the tax system to try to establish co-ordination but the question of taxing benefits is inseparable from other important social security problems.

2. Submissions from the Social Security Department and from the Treasury dealt directly with this question; some others touched upon it usually from the point of view of using taxation to eliminate means or income tests. The Commissioner of Inland Revenue at our request commented on some points raised.

3. Taxation of benefits has been advocated on two main grounds. The first is that it would allow the present income test to be eliminated, while leaving the net revenue-expenditure position of the State unchanged. In our opinion this view is mistaken—the more so when the present relatively low maximum income tax rate of 50 percent at higher levels of income is taken into account. It is indeed administratively possible to tax all benefits whether they are subject to an income test or not. It is also theoretically possible to preserve the net revenue-expenditure position by collecting extra taxes to the exact amount of total additional benefits. But it is not possible to take in tax from any *individual*, the exact amount he has received in additional benefit. Therefore, many people would in fact retain a good amount of additional benefit, thus increasing their net disposable incomes. Other people would have to pay extra taxes, thus decreasing their net disposable incomes. There would be repercussions of unknown magnitude both because of the effect on the economy of the increase in gross expenditure and because of the shift in distribution of incomes. In terms of social security aims, those who are most needy would not have received an extra penny, because they are not the ones who would have benefited by removal of the income test. Indeed

those most needy would be worse off to the extent that tax is paid on benefit as it would be under the present tax structure in New Zealand.

4. The second argument is that taxing of benefits is desirable in order that all income should be treated alike, regardless of source. Other things being equal, people with the same total income would then pay the same amount of tax.

5. A proper appraisal of this view can be made only by considering the circumstances of the different types of benefits, and the aims they are supposed to serve. The benefits fall into two broad classes, those that are subject to an income test and those that are not.

INCOME-TESTED BENEFITS

6. So far as the income-tested benefits are concerned the aim is clear. It is to give beneficiaries disposable incomes "adequate" by acceptable community standards but still flexible enough to allow them to have a small amount of other (and often taxable) income without affecting the benefit. Under the present allowable-income rules, some beneficiaries will receive in benefit and earnings as much or more than some workers who pay tax on total earnings. The beneficiary pays less tax. If the allowable-income rules were liberalised, this would become more common. The idea that the total incomes of both kinds of people should be taxed is obviously attractive, as then there would be equity between the full-time worker and the part-time worker-beneficiary, and some problems in respect of a beneficiary's wife's earnings would be solved. It would remove one obstacle to liberalising the allowable-income rules.

7. However, it can only be in respect of very few beneficiaries that any anomaly arises. Many have no income beyond their benefit. It would be illogical to reduce the benefit in their case by taxation. To preserve an adequate standard of living, the basic benefit would have to be increased by the amount of the tax; or the tax exemptions would have to be equated with the benefit. The former course would be administratively inefficient, and would lead to further complications. The latter course would seriously disrupt the taxation system. In any case, it confuses the separate functions of the social security and taxation system. We agree with the Commissioner of Inland Revenue that "the special tax exemptions (personal, wife, children) are not intended to represent the amount required for the maintenance of the individual or his family. They are rather a device by which some tax adjustments are made depending on individual circumstances and within the context of the overall revenue figures

required for Government purposes." Nevertheless the present disparity between exemptions and benefit levels exemplifies the need for greater awareness of the inter-action between different Government policies.

8. Many other beneficiaries have small incomes which are insufficient to bring them up to the level of full-time wage earners. The additional income is taxable, but they pay less than if the benefit portion were also taxable. If this is an anomaly it does not seem to us to be a significant one, particularly as in most cases the additional income will be earned, and the State will gain from the extra production.

9. In chapter 19 we accept the possibility that there may be some cases—and they would be few—where a full-time worker might earn less from his work (or very little more), than the total of earnings and benefit received by a beneficiary in more-or-less comparable circumstances (they cannot be the same). In these cases the comparison is made worse when earnings are taxed and benefits are not. But these cases are so rare that there can be no justification for seeking to correct them by a measure which would adversely affect all beneficiaries.

10. Thus we cannot support the view that income- or means-tested benefits should be taxed. There may be better ways of alleviating any tax inequity between beneficiaries and non-beneficiaries. Ensuring that earnings are adequate may be one of them; changes in the rules of allowable income may be another; and perhaps people receiving full benefit should not also be allowed to claim a personal income tax exemption. The last suggestion and also the present great disparity between the income exemptions and basic benefit levels might well be studied when attempts are being made to co-ordinate taxation and social security policies.

BENEFITS NOT INCOME TESTED

11. Miners benefit, war disability pension, superannuation benefit, and family benefit are universal benefits not subject to income test. They raise different issues.

Miners Benefit

12. Miners benefit has been free of income test since it was first introduced under the Miners Phthisis Act of 1915. There are no strong grounds now for changing, after 55 years, the rather more favoured position of those on miners benefit (compared with others on invalidity benefit) either for income test or taxation.

War Disability Pension

13. War disability pensions have also always been exempt both from an income or means test and from taxation. Presumably the

argument is that they compensate for injury suffered in the defence of the country, the level of pension representing some degree of personal compensation and having only a tenuous link with the aim of compensating for loss of income.

Superannuation Benefit

14. Superannuation benefit is exceptional in that it is the only benefit taxed, though only from 1 October 1951 when the benefit was raised to \$150 per annum. It has never been income tested and undoubtedly many receive it who would not be eligible if it were. Superannuation beneficiaries receive also a tax rebate of \$58 a year, so that even though the benefit is taxed the rate structure applied is more favourable than that applied to other taxpayers. The special treatment derives from the fact that universal superannuation was exempted from social security tax, which has now been absorbed into ordinary income tax. Insofar as superannuation benefit is not related to need, we can see no reason why it should not be taxed along with other income and in line with the taxation of income from private pensions. Our view therefore is that superannuation benefit should continue to attract tax. Some administrative problems consequent upon this decision (including the special tax exemption of \$58) will be discussed in chapter 20 when we deal with retirement benefits.

Family Benefit

15. Family benefit is also not income tested nor is it assessed for tax. Its aims are quite different from any of the income-tested benefits or the superannuation benefit. As we see it, it is intended basically to narrow the financial gap between families with children and those without. It is not intended primarily as a means of income maintenance, though it will raise the *per capita* income within the family. It may also be seen as a kind of subsidy to those who are rearing the next generation of citizens. From this standpoint, and from the standpoint of equity, payment without an income test is justified. Taxation of the benefit would moreover so reduce it in the case of those on higher incomes that the aims of the benefit would be largely nullified.

16. The purposes of the family benefit and those of the tax exemption for children are closely connected. Neither is intended to meet the full costs of child raising, but both represent an attempt to gain equity between those with and those without children, as well as to recognise the work of the family in bringing up the next generation. Thus, it would be administratively simpler if only one technique were employed and we discuss this further in chapter 21.

Chapter 8. SOCIAL SECURITY AND THE SUPPLY OF LABOUR

1. Important factors affecting the burden of social security on the community are the proportion of total population in the work force at any time, and the productivity of that work force. Other things being equal, a reduction in labour input (fewer workers, less hours, or less intensive work) will tend to reduce total product or raise its cost, leaving less for distribution among all members of the community. But a reduction in economic product does not necessarily reduce well-being, because this is affected by many other things—like leisure, or lack of anxiety about one's own future or that of one's family or friends. If a person is obliged to work even though sick, or if a widow, by working, deprives her children of the love and guidance and the feeling of security they need, then *not* working may possibly increase well-being.

2. Therefore we must take care in considering the effects of social security on the incentive to work. Reducing work is not always undesirable. And we must have a clear view of the aims of any particular benefit before evaluating the observed effects.

3. With given preferences between work and leisure, and given wage rates, the usual general theoretical conclusion is that the payment of a cash benefit will tend to reduce the supply of work effort in the individual case*. But whether and to what extent this would happen in practice either for particular people or for beneficiaries in general, cannot be predicted from economic theory as it stands at present. Indeed experiments which we observed in the United States suggest that in some cases at least, the payment of benefit-income increases economic and cultural aspirations and gives a positive incentive to work. However, in New Zealand there has been almost no empirical research done on the problem of work incentives or disincentives in relation to benefits. There have nevertheless been plenty of opinions, one being that social security benefits encourage "idlers and loafers" and enable those who could work to sponge on the rest of the community.

4. We must again assert that there is little hard evidence to support or disprove such a view. Such limited evidence as there

*See R. A. Musgrave, *Theory of Public Finance* and A. Williams, *Public Finance and Budgetary Policy*.

is tends to disprove it in the case of men over 60, but to support the proposition that current "allowable other income" limits and rates of benefit abatement may deter some classes of beneficiary from working as much as they could.

Unemployment Benefit

5. The Social Security Department's paper on the subject (Submission No. 261) reviewed overseas evidence about the effects of unemployment, sickness, and retirement benefits on work effort. In the case of unemployment benefits, the evidence showed little basis for the belief "that the provision of unemployment benefits is liable to foster idleness in the general working population. Rather, there is some evidence to suggest that for most people work is a source of satisfaction which cannot be replaced simply by finance in the form of unemployment benefit."

6. The department noted that New Zealand experience, like that overseas, suggested that people do not often abuse unemployment benefit. However, New Zealand has for 30 years had little unemployment, and it is impossible to say what the effect here would be if there was a serious shortage of jobs for a long period.

Sickness Benefit

7. As for sickness benefit, overseas experience is again our main guide. There is some evidence that there is an inverse relationship between levels of unemployment and rates of sickness absence, low absence rates being associated with high unemployment, and vice versa. Further, provisions for sickness benefit or paid sickness leave seem to be associated with higher rates of sickness absence than is the case where no such benefits exist, or where sick pay is much below wages. The waiting period or the extent of entitlement is of further significance. As the department says, "if a worker has to wait a week before he qualifies for a benefit there may be an incentive for him to get back to work quickly if his illness is not likely to be lengthy, as opposed to a scheme with no waiting period before he qualifies for a benefit. On the other hand, assuming he can obtain a medical certificate, he may decide to stay away longer in order to qualify for benefit."

8. The department also noted that in New Zealand there was no apparent increase in sickness benefits granted when the waiting period was waived for married men with dependent children where the sickness lasted longer than 3 weeks. It commented: "if the benefit is available for a restricted length of time for any one period of unemployment or for a certain restricted period accumulated in any one year, then there would seem to be a greater incentive for the worker to get back to work in order to conserve future entitlement."

9. In Britain, social security sickness benefit has apparently led to a rise in the rate of sickness absence. A research symposium commented that "if sickness benefits are introduced or improved for short-term absences attributed to sickness then in general the amount of such short-term absence increases . . . there is some indication that these benefits have resulted in an increase in absences of at least two weeks duration attributable to sickness"*. This coincides with information given to us in some other countries.

10. Although it may be concluded that sickness payments, whatever their source, tend to increase rates of sick absence, it is difficult to carry this conclusion much further as in New Zealand we know very little about the incidence of sick absence or about sick leave conditions given by employers, or how widespread the latter are. Neither do we have any information about how job interest, and a host of other things affect sick absence. We simply do not know what the effect of sickness benefit has been in New Zealand. We note however that the ratio of granted sickness benefits to total labour force fell sharply during the early years of the scheme, but it rose somewhat during the 1960s. To what extent the decrease may have been due to improved provisions for sick pay for employees we cannot say. It can be expected that if sickness benefit conditions are substantially liberalised the ratio will rise once again, but it is impossible to say by how much. We must also note that an increase in sick absence is not necessarily a bad thing because, as the Department points out, it "could well have long term positive results through lengthened working lives of healthier workers, less demand for major health services through early attention to minor illnesses and generally through achieving a community better able to enjoy life".

Retirement Benefits

11. In the case of age and superannuation benefits there is once again no unequivocal evidence that payment of benefit reduces the supply of labour by encouraging people to retire from the labour force. It is true that in the United States increases in retirement benefits and increases in the proportion of persons over 65 receiving them have been accompanied by a sharp drop, since 1950, in the proportion of such people in the labour force. Similarly in New Zealand this proportion showed a very rapid decline from the late 1890s, when old age pensions were first introduced, until 1950. However, the rate of fall has slowed down considerably, and indeed the male participation ratio has been almost stable.

*Report on research symposium "Absence from Work Attributed to Sickness" *Occupational Health*, Jan-Feb 1969, pp. 39-41.

12. On the basis of studies overseas, and of New Zealand experience, it seems apparent that the reasons for retirement are much more complex than a mere desire to exchange wages for an unearned social security benefit. Other things impinge—social pressure to retire at a traditional age, ill health, desire for more leisure as well as time to take up long-deferred interests, need to care for an ill spouse, work boredom, compulsory retirement. In this connection we may speculate whether the principal factor—both in the United States and New Zealand—leading to the reduced numbers of older people in the work force has not been the unwillingness of employers to employ such people, and whether this has made social security provision for them more necessary.

13. The relationship between benefits and retirement thus seems somewhat indirect, the income from benefits *allowing* people beyond the eligible age to retire for non-economic motives rather than *inducing* them to retire. Nevertheless if the benefit did not exist, or was paid at a higher age some people would have to go on working for longer than they do. In this sense it is probably true that benefits do reduce the supply of labour where they are an adequate substitute for earned income, and where the person concerned is fit for employment. It would, however, be illogical if, at one and the same time, society accepted it as right and proper that in terms of social and individual well-being people ought to be enabled to retire at a particular age, and still deplored the fact that they did. There is nothing inconsistent in a social welfare policy for age which allows those of the aged who wish to do so to work, and gives to those who do not wish to work opportunity and the means of retirement.

Other Benefits

14. We are able to say very little about the effect on the work force of other types of benefit. Invalids by definition cannot work or can only work in special circumstances or at restricted activities. Eligibility for widows benefit already takes some account of employment possibilities. Where there are dependent children, the conditions for paying a benefit may (as we have already noted) sometimes act as a disincentive to work. The well-being of dependent children is an important matter here. Sociologists and psychologists differ the world over on whether it is desirable to discourage mothers from working, at least before their children reach a certain age.

15. Again there is no evidence about the effect of family benefit on work effort. Stories are heard from time to time of people with large families "living on the family benefit". Undoubtedly there are cases where something of the sort does occur, but the benefit for 10 children is still only \$15 a week. We feel that there would be other

important factors operating in such cases, including low employment opportunities through personal or environmental factors. We do not believe that the family benefit is an important work disincentive even though it may inhibit extra work effort in some cases.

Benefit Conditions and Abatement

16. The particular conditions of income-tested benefits generally could exercise a special influence on work effort separate from the effects of any benefit itself. The main points here are the effects of the allowable income level and the rate of benefit abatement.

17. A point which needs to be emphasised, however, is that so long as benefits are significantly lower than wage rates, the financial incentive is to work. That incentive will be reduced if the gap is reduced, but other incentives such as work satisfaction will still operate. The financial incentives are lowest where wages are lowest—and this has special application to women—and where work opportunities are not great—as in the cases of disabled people and of women with dependent children.

18. For those who have full work capacity wage rates ought to constitute an adequate financial incentive to work. For those whose work capacity is very limited the allowable other income should constitute a sufficient incentive to increase their income. But for those who have greater work capacity, but by reason of disability or domestic responsibilities cannot reach full capacity, the financial incentive to do more than what is necessary to earn the amount of allowable other income is admittedly small.

19. Thus social security benefits do not constitute a disincentive to work. However, they do reduce the positive incentive which proper wage rates should provide. The area in which this reduction is significant is comparatively small, being restricted to those who receive income-tested benefits and who have considerable but less than full work capacity, and whose benefits would be reduced but not eliminated if they worked as much as they could.

Chapter 9. CONCLUSIONS ON ECONOMIC ASPECTS

1. Consideration of social security policy cannot be separated from an examination of the general economic framework. In part III we have attempted to assess the significance of various aspects of this dynamic framework such as the relationship between social security expenditure and gross national product, growth and employment levels, and the ratio of the young and the old to the rest of the population. Although much of the information we would have liked to have used is totally or partly lacking or is inconclusive, our view is that present and foreseeable economic conditions in this country do not closely constrain the judgments and decisions we are called upon to make. In any case we believe firmly that the resources to be allocated to social security cash benefits must be decided by need and by assessing priorities within the general conspectus of public revenues and disbursements. As we have noted, only those who are politically answerable to the people can, in the final analysis, properly make decisions on levels of social security expenditure.

2. This does not mean, however, that no useful guidelines can be indicated as these summary points show:

On Growth: The expanding economy can accommodate absolute improvements for beneficiaries as part of the advance in living standards we can reasonably expect.

On Incentives: There is little evidence that early forebodings that social security would foster dependency and idleness have come true. If the over 65s nowadays are more likely to be retired, those rather younger, and married women, increasingly may seek personal fulfilment in work. In a mixed situation social security benefits may not play a dominant part.

On Population: The old and the young constitute the groups which demand most support from the social security benefit system. The proportion they bear to the work force which supports them is likely to remain about constant in the foreseeable future and this fact has important consequences for policy.

On Costs: The relative costs of social security benefits are shown to have fluctuated and the statistical possibilities set out demonstrate

that there is considerable room for variation in benefit levels without radical departure from the relative cost burden which has been accepted in the past.

On Taxation: Taxation and social security benefit policies are closely related facets of the income-support system. But in New Zealand the right hand of the tax gatherer has not always known as well as it might what the left hand of the cash-benefit disburser has been doing. If social security costs are to be met not from specific taxation or contributions but from general taxation (as we conclude later) we must emphasise that any enlargement of benefits or of the scope of the social security system will involve either increased revenue from taxation which may come from growth (and would not necessarily require an increase in tax rates), or an adjustment of other Government expenditure priorities. No general case is seen for the taxation of income-tested or family benefits.

On Income Redistribution: There are some uncertainties about how far our public revenues and expenditures (including taxation and benefit payments) affect the transfer of incomes from the better off to the needy. Some tentative evidence suggests that within our egalitarian income structure there is less redistribution than might be expected. It should be borne in mind therefore that the distributional effects of any proposed changes on either side of the ledger should be closely scrutinised: there is a probability that beneficiaries themselves pay for a considerable proportion of their benefits. The income redistribution over time which commonly occurs (whereby the working population helps to support its young, old, and other dependants in the expectation that its individual members will receive their benefits at the due time) is an acceptable and justifiable state of affairs.

On Productivity: There are countervailing forces at work here and the total net effects are unknown. Social security payments may marginally encourage consumption rather than saving in the short run; but they are likely to aid productivity by creating a sound social and economic environment.

3. We conclude from this survey that New Zealand's economic circumstances and prospects are sufficiently open to permit variations in social security benefits to be effected either on general grounds of political priorities or on particular grounds of desirability and equity.

PART IV

NEED AND INCOME MAINTENANCE

In chapter 3 we concluded that "need and the degree of need" should be the primary test and criterion of the help to be given by the community. Here we consider the essential problem of what we mean by "poverty" and "need". Surprisingly few submissions of substance dealt with this, and most of these confined themselves to assertions that present benefit or allowable "other income" levels were inadequate, but did not try to define such concepts as "reasonable living standards" or "needs", or to suggest how one might go about determining the adequacy of income-maintenance aid. Little, if any, attention was paid to methods of financing benefit payments, or to the costs of increasing them. Typical of the submissions received was one which "urgently requested . . . an *adequate* increase [in age benefit] to ensure a *reasonable* standard of living". This proposition begs the two key questions: What is "adequate"? What is "reasonable"?

Chapter 10. CONCEPTS AND DEFINITIONS OF POVERTY AND NEED

1. Throughout this chapter we deal mainly with *primary poverty*, where a person or family does not have the income to pay for the goods and services regarded by the community as essential to a "reasonable standard of living". *Secondary poverty*, the misuse or inefficient use of income, is doubtless a problem here as everywhere. Its cure rests mainly in education, training, and counselling.

2. Today's poverty (it is said) is yesterday's standard of comfort. It is as obvious that "affluence" in one country may be "subsistence" or near destitution in another. "Poverty levels" vary in time and place according to the changing standards of living enjoyed by the majority of a particular community. Poverty should not be confused with the old poor-law definition of "destitution", or with "subsistence", for it can (and does) exist at levels of income well above those needed to pay for the essentials of life. Moreover, in any society, those at the bottom of the income scale will be *relatively* poor compared with those higher up. The important point is, then, not that relative poverty should be eliminated, but that no one should have a standard of living below the level the community as a whole regards as reasonable. And standards of living are not determined by cash income alone.

3. Poverty is also a *subjective concept*. Some would measure it by inability to meet personal commitments irrespective of the standard of living these commitments might represent. Others may relate it to past incomes, or other people's income standards, without any thought of what may be an essential or reasonable minimum income.

4. As both "poverty" and "adequacy of income maintenance" are relative and subjective concepts, precise definition or measurement is extremely difficult. We found among the many definitions of poverty that of the Economic Council of Canada one of the most useful*:

To feel poverty is, amongst other things, to feel oneself an unwilling outsider—a virtual non-participant in the society in which one lives. The problem of poverty in developed industrial societies is increasingly viewed not as sheer lack of essentials to sustain life, but as an insufficient access to certain goods, services and conditions of life which are available to everyone else and have come to be accepted as basic to a decent minimum standard of living.

**The Challenge of Growth and Change*, 1968, p. 104.

5. We are impressed by the relevance of this definition to New Zealand. Our assessment of poverty is therefore made within the context of the levels of living enjoyed by the mainstream of the population. It is not based on determining some minimum subsistence level related only to the "life and health" goal. At any time people must have the means of belonging to their community and enjoying a standard of living approaching that which is normal for the community as a whole.

6. But we found no precise formula for determining that normal standard of living, and our inquiries overseas showed that many other countries face the same problems of definition, measurement, and evaluation. Subjective judgments (political decisions) have to be made in determining, for benefit-level purposes, the point at which the aim of "belonging and participating" has been achieved, or must be modified by other policy goals. There is very wide scope for educated guesswork; but to comply with our terms of reference, we must try to suggest how benefit levels may be fixed equitably within the limits of the income resources the whole community is willing or able to transfer from one income group (or one policy aim) to another.

7. It should be noted that a positive distinction has to be made between "income", "economic well-being", and "standard of living". In a cash economy, income represents potential economic well-being. In seeking to ensure "adequate" income maintenance for various dependent categories, the first need is to try to determine a particular level of economic well-being relative to that enjoyed by the mainstream of the community. Only then can the incomes of beneficiaries be set to meet that aim. Even if the first need can be met, one must still consider (among other things) the effects of taxation—both its incidence and income redistribution effects, and the use of such devices as differentials between married- and single-rates, family benefits and supplementary assistance to meet variations in personal or family living costs. It is also necessary to take account of the life cycle of incomes and the accumulation of household amenities.

8. Another important general point has to be noted. It cannot be assumed (as was the case in some of the submissions received) that poverty and employment are mutually exclusive. Nor do minimum wages necessarily set a ceiling on the income which may be received by social security beneficiaries. The fact is that poverty, defined in a relative sense, can and does exist among the fully employed—for example, among families with only one wage earner particularly if that is a woman, in a community where many families have two adults earning the upkeep. It may be seen in families with many children or other dependants, or in those with

abnormally high housing costs. Payments such as the family benefit can partly compensate for the fact that wages are determined without taking account of the varying family circumstances of individual wage earners.

9. That non-working beneficiaries should *not*, under a selective tax-financed system, have significantly higher cash incomes than full-time workers with comparable family responsibilities seems a reasonable general proposition. But its force depends on the level of wages taken as the measure, and whether fair and reasonable minimum wage levels are guaranteed under the market system. It would, we consider, be quite unrealistic, in terms of aims we have accepted in chapter 3, to argue that beneficiaries should never receive more income than the lowest paid full-time workers in the community. We consider it important to see that benefits and allowable "other incomes" are never so tied to minimum wages that beneficiaries who depend solely on social security assistance are deprived of an acceptable standard of living.

10. Considering the way economic growth is now being stressed, we note that some of the poorer people in the community may gain least from economic growth, rising productivity and rising (and more costly) consumption patterns. This is because the poorer people include the aged, the disabled, the less educated or trained (in short those with the least bargaining strength in the market), and solo parents. It has indeed been a feature of rapid economic growth in the richer countries of the world that rising general affluence has tended to intensify the problem of poverty.

11. The phenomenon of "poverty amid plenty" is fortunately less noticeable in New Zealand, largely because of our high levels of employment, education, health, and technical skills, the availability of effective wage-fixing procedures, the existence over many years of a widely based social security system, and the traditional egalitarianism of our society. Nevertheless, there is some poverty amid our plenty, and it is liable to increase as our economy develops. The problem is to ensure that the dependent sections are not removed from the main body of the community by failure to match the rate of change in levels of income maintenance to the rates of change in prices, incomes, and productivity in the rest of the community. Fortunately, the economic growth which tends to widen the so-called "poverty gap" between the dependent and non-dependent also increases the resources available to narrow it.

12. Another problem in an environment of economic expansion and affluence is that rising incomes, consumption, expectations, and financial commitments (for example, hire purchase, high mortgage

repayments or rents) aggravate the difficulties faced by families in the event of sudden loss of income. This problem has led to increasing interest in earnings-related social insurance schemes and has, for example, prompted some of the conclusions of the 1967 Royal Commission on Compensation for Personal Injury. We consider this matter in more detail in chapter 18.

13. To the lower-income groups, poverty or deprivation is not a statistical or sociological matter. It is a fact of life which cannot be changed by altering definitions or juggling with more or less sophisticated instruments of measurement. Yet, if levels of community-financed aid are to be determined primarily by need within the dependent categories (as we think they should), some measure of relative poverty must be attempted, and some standard of "adequacy" of benefit payments must be devised which takes account of the individual's or the family's own resources. To accept the principle of basing assistance on need clearly demands some sort of system for testing need. As we have noted, "need" relates to the "adequacy" of income to give a "reasonable" standard of living compared to that enjoyed by most of the community. The question is: How does one measure such relative and subjective concepts?

14. Before considering the techniques for doing this, we must note one other general difficulty. We have seen that "needs" and income "adequacy" in the dependent sections vary with changes in income, productivity, and generally accepted norms of consumption and use of amenities within the rest of the community. But they also vary within the various categories of dependency. The needs of an aged person living alone and paying rent or house mortgage and maintenance costs may be very much greater than those of one living with relatives, or owning a debt-free house and garden. One widow may be left in much better circumstances than another so that the fact of widowhood is not necessarily a criterion of need. Variations in family size affect the costs of family needs and commitments. Thus any categorical system of social security which, as in New Zealand, stresses meeting *need* must be selective, flexible, and somewhat more discretionary in its administration than might otherwise be necessary. It is in this context that the use of income or means tests, and supplementary assistance, have to be considered. Poverty and deprivation affect individuals, each differently. Hence the idea of simply determining a "poverty line" below which the income of any person or family is not allowed to fall (for example, under a negative tax system) must be regarded with considerable reserve. The attractive simplicity of such a system conceals its disadvantages and weaknesses, as we try to show in chapter 17.

Chapter 11. ATTEMPTS TO MEASURE POVERTY AND NEED

INTRODUCTION

1. The nineteenth century poor-law approach to measuring poverty held that destitution was both the definition and the test of the condition. No great advances have since been made in determining how to measure poverty or to define adequacy of income-maintenance payments. There have, however, been great changes of attitude about the condition (or degree of poverty) which income-maintenance policies should be designed to deal with. Words like "destitution" and "subsistence" are seldom heard today, although they were common enough even in 1938.

2. The fact is that in New Zealand no satisfactory measurement of poverty has ever been made. Neither has any co-ordinated attempt been made to assess particular needs in the various dependent categories, or to determine the adequacy of benefits in terms of clearly prescribed welfare or standard-of-living goals. Indeed, it has only recently been decided to make nation-wide household expenditure surveys from which, among other things, normal patterns of consumption or use of amenities might be determined. Such patterns obviously have a part to play in establishing levels of income at which different kinds of beneficiaries may be said to belong to and participate adequately in the mainstream of New Zealand life. The difficulties we faced in trying to comply with item 3 of our Warrant (criteria for determining appropriate rates of monetary benefits) have therefore been formidable.

3. Many assertions were made to us about the erosion of the value of the 1938 scheme, some on quite false premises. It is necessary to put the matter in perspective. When the 1938 Act was formulated the emphasis was on giving minimum incomes to people "not able to fend for themselves". Benefit levels were low even compared with the wages of the time and were probably close to subsistence. Whether the framers of the Act liked it or not, a means- or at least income-tested system had to be retained for financial reasons and also to distinguish those "not able to fend for themselves" and thus eligible for help "according to their needs". A tentative start was made towards a system of universal superannuation (which was intended eventually to replace the age benefit) to give people reaching the

prescribed age cash help irrespective of need. The universal family benefit came later. We have seen no evidence to suggest that it was intended in 1938 to remove income or means tests from *all* other categories of dependency.

4. The basic benefit level of 30s. (\$3) a week established under the 1938 Act for a single age beneficiary was not, as far as we can now ascertain, fixed according to any formula. Certainly no measurement of adequacy was applied then or since (except to a limited extent in the different context of the 1952 supplementary assistance scheme). It is equally certain that the basic benefit in 1938 was not in any way related to a prescribed or tangible level of *subsistence*. We do know that the figure seemingly plucked from the air—\$6 per week for an aged couple if *both* were eligible (only \$3.50 per week if the wife was not eligible)—happened to be 65.3 percent of the then *minimum award* wage rate for unskilled labour (£4 13s. 4d. or \$9.33 a week *before tax*) fixed by the Arbitration Court in 1937, more than a year before the 1938 Act came into force.

5. It is clear from contemporary statements that the basic 1939 benefit was simply the most the Government felt it could afford, after taking into account economic conditions and the pension levels previously in force. It is therefore of little use in determining the adequacy of present benefits. We can say that over the period from 1939 to 1970 the benefit levels have risen *faster* than the price indexes (see appendix 8). But the usefulness of comparing relationships between benefits and wages in 1938 with 1970 depends entirely on which wage rates are used. There can be wide variation. Moreover there is no satisfactory measure (nor was there in 1939) of changes in living standards.

6. We shall come back to these aspects later. We should note, however, that the basic issue is not whether the real value of present benefits is lower or higher than in 1939 but rather whether present benefit levels are adequate according to present needs and currently accepted standards of living. We need to find acceptable ways of determining adequate levels of income maintenance in present conditions. In this context, cost of living and benefit-wage relationships are useful indicators.

ATTEMPTS TO MEASURE POVERTY AND ADEQUACY*

7. The first known attempts to measure poverty and minimum living standards were made by Ernst Engel in Germany and Seeborn Rowntree in Britain in the late nineteenth and early twentieth

*In preparing this historical review we acknowledge our indebtedness to a December 1968 study entitled *Historical Development of Concepts and Measures of Minimum Living Standards* prepared by the Canadian Department of National Health and Welfare.

centuries. Their efforts were part of a liberal movement away from the poor-law approach.

8. Engel believed it possible to apply statistical quantitative methods to the study of social phenomena and, in particular, to the study of consumption. His studies led to the formulation of "Engel's Law of Consumption" which stated that as income increases, families spend more money on food but that this larger amount takes a smaller share of income leaving proportionately more money to buy other things. Accordingly, if a low proportion of total income was spent on food the family was likely to be prosperous. A high proportion spent on food indicated that the family was deprived. Empirical studies overseas have since reinforced the validity of Engel's Law, as has the limited study undertaken in New Zealand by the Public Service Association during 1952 and 1953. Efforts to find similar laws for other kinds of necessities such as shelter and clothing have failed.

9. Engel's attempts to derive social data from the observation of family budgets were somewhat crude. With more sophisticated statistical techniques, however, overseas studies based on Engel's Law became more useful (although by no means conclusive) for social welfare. From a social security point of view, the recent decision to make regular household expenditure surveys in New Zealand is most important.

10. In Britain Seebohm Rowntree was the first to attempt a more adequate study of poverty based on Engel's pioneering work. Like his contemporary, Charles Booth, Rowntree recognised that there was no absolute definition of poverty and that its meaning was relative to time and place. In his earlier studies around 1900 Rowntree started by interviewing working-class families and drawing up a list of consumption "necessities" under such headings as food, clothing, fuel, and household expenses. He then estimated how much it would cost to buy these goods and services at current prices. Families which had insufficient income to buy the "necessities" were defined as living in "primary poverty".

11. In drawing up his list, Rowntree was the first to use *nutritional* studies. He made the basic assumption (which is not always valid) that housewives selected the necessary family diet with a careful eye on nutrition and on the lowest prices. The "nutritional" approach in determining minimum living standards is, however, full of difficulties. In considering whether such a technique would be useful in setting benefit levels in New Zealand, we were confronted by very strong reservations on the part of health authorities as to whether it is possible to draw up nutritional standards with any kind of precision, or to cost them adequately.

12. In a later study Rowntree based his work on a British Medical Association report on nutritional needs, and translated these into the cheapest possible diet. His efforts here—and similar studies in other countries—have never been entirely accepted by doctors or sociologists for three main reasons.

- (a) One can, of course, scientifically assess the nutritional needs for various ages and activity. But when the wide range of substitute foods at various prices is taken into account, the assessments can be only rough guides for estimating minimum or desirable living standards.
- (b) Consumers are credited with more knowledge and skill than they usually have, and their traditional buying habits and tastes tend to be ignored.
- (c) Somewhat arbitrary value judgments of basic individual and family needs have to be made.

13. Rowntree's technique also suffered because in dealing with other necessities such as housing and clothing he based his calculations on current average expenditures which were not necessarily related to desirable or even minimum standards. Nevertheless, his methods have been used as a guide—notably by Lord Beveridge whose 1949 British National Assistance benefit rates are said to have been closely related to Rowntree's 1936 subsistence standards. Despite the weaknesses of the nutritional approach, we feel that its usefulness (for example, in assessing the varying needs of the aged and young children) should be more fully examined in New Zealand, and that research in this area should be encouraged. It will be noted below that nutritional assessments already play a part in calculating "poverty lines" in the United States. The place of such assessments in determining benefit levels would appear to be established.

14. In the 1950s the British sociologist, Peter Townsend, took Rowntree's work a step further by concentrating on what *ought* to be regarded as "necessities". He wished to determine a desirable minimum standard of living in a given society at any point of time rather than a minimum level of subsistence.

15. It is not necessary here to spell out Townsend's rather complicated proposals. Suffice it to say that he regards subsistence standards based on minimum nutritional or similar approaches as relatively valueless unless one also studies the expenditure patterns of those who have suffered sudden loss of income to find out what individuals and families actually treat as expendables and what they regard as necessities. We would agree that in trying to determine desirable levels of income maintenance and adequate living standards in

New Zealand no *one* approach (nutritional, minimum expenditure on necessities, cost of living changes, or benefit-wage relationships) is entirely satisfactory on its own. All have their place and their relative values.

16. In the United States and in some other countries the thinking of people like Engel, Rowntree, and Townsend has been developed in recent years. A technique employed in the United States to determine "poverty lines" (but not levels of public assistance) is described as the "market basket" approach. It is worth a closer look. We should stress, however, that neither in the United States nor elsewhere is this approach regarded as a completely satisfactory method of either measuring relative poverty or determining income-maintenance aid, though it is regarded as a useful technique if used with such other indicators as may be available.

17. Mollie Orshansky is one of the principal authors of the United States "market basket" approach*. She sought to establish a minimum income for individuals and families of varying sizes and living in different regions by first calculating the amount of money needed to buy the minimum adequate diet determined by regional food consumption studies made by the United States Department of Agriculture. Because surveys have shown that lower-income families in the United States spend an average of *one-quarter* of their income on food, it is assumed that if more than *one-third* is spent on food the family must be deprived or in poverty. Thus the "poverty line" for individuals and families of varying sizes and in various regions is calculated by multiplying the cost of the appropriate "market basket" of food by a "poverty factor" of three. This rather crude but reasonably flexible means establishes the various "poverty lines" below which the individual and different family incomes should not, in theory, be allowed to fall.

18. We found from our inquiries overseas that the Orshansky technique and variations of it are still regarded as crude measurements and lacking in scientific precision. The composition of the various "market baskets of food" is based on value judgments, as are decisions on the appropriate "poverty factor" to use in relating actual food costs to desirable minimum income levels. As Mollie Orshansky herself put it:

Counting the poor is an exercise in the art of the possible. For deciding who is poor, prayers are more relevant than calculation because poverty, like beauty, lies in the eye of the beholder . . .

*Mollie Orshansky, *Counting the Poor: Another Look at the "Poverty Profile"*. Social Security Bulletin, Washington, Vol. 28, No. 1, 1965.

Whatever the possibilities for socio-economic research in general, when it comes to defining poverty you can only be more subjective or less so. You cannot be non-subjective*.

Nevertheless, we consider that the Orshansky technique could eventually be of some use in New Zealand in helping to determine the adequacy of social security benefits and minimum desirable income levels. The main problem here is that we do not yet have the statistical data to enable us to make even these crude calculations.

19. Fortunately the Department of Statistics will soon begin wide-ranging surveys of household expenditure patterns. We were told by the Government Statistician that such surveys will facilitate a general view of both the actual living conditions of various categories of social security beneficiaries (or any group for that matter), and their level of living *relative* to other groups in the community. They will also give facts about changes in consumption patterns (over time and at various levels of income) which will greatly help define "needs" and aid judgment on the "adequacy" of benefit payments. The Government Statistician said:

The concept of minimum needs becomes "operational", only if it can be given a measurable content. Attempts to measure minimum needs proceed by determining what commodities and what quantities of each, are to be regarded as necessary. Since it is convenient to have a money measure of the cost of maintaining a minimum living standard, investigators generally go on to price this basket of commodities with a view to comparing its price with the incomes of families or individuals or households in the social groups with which they are concerned. Though it obviously has its limitations, the worth of the household expenditure survey data to the calculation of a minimum living standard and the cost of its maintenance must be recognised. In the first place, the survey will bring together in a coherent fashion, all the commodities upon which people have spent their money; the expenditure on these commodities assisting the determination of what commodities (and in what quantities) are to be regarded as necessities and the recording of these in monetary values.

Once the minimum living standard has been operationally defined, we will find that poverty too has been defined. In this respect poverty will be the negative counterpart of the term "minimum living standards". A family will be in poverty if its minimum requirements are not being satisfied. The minimum living standard may therefore be termed "the poverty line".

ASSESSMENT OF RELATIVE NEEDS

20. We now examine in a little more detail "relative needs", that is how cash incomes and standards of living are related to personal,

*"How Poverty is Measured", Monthly Labor Review, February 1969.

social, and environmental factors. We are concerned in essence with those variables (for instance, age, sex of family head, family size, locality) which determine the differing amounts of cash income individuals or families need to enjoy a similar standard of living, a matter of direct relevance to adequacy of benefits and services.

Lack of Data in New Zealand

21. Again it must be noted with regret that there are at present very serious gaps in the data. For example, the New Zealand census now gives information on dependent children of married men, widowers, and widows, but not for those of separated, divorced, or single women. Much more is being done overseas to collect information on such matters as:

- (a) identifying personal, environmental, and social characteristics which predispose sub-groups of the population to a certain standard of living;
- (b) showing the extent of poverty or unacceptably low living standards among the fully employed;
- (c) suggesting more scientific methods to measure relative needs and income adequacy against a reliable standard of living scale; and
- (d) highlighting the interrelationship of all forms of income redistribution—social security, savings, taxation, health, education, housing, and rehabilitation services.

22. It is becoming more and more clear from overseas studies that there is much common ground in research and policy relating to poverty, social security, consumer behaviour, and social and economic planning. New Zealand has much to do in this area.

23. Appendix 20 comprises a useful submission (No. 262) made by the Social Security Department—"Implications of Relative Needs for the Structure of Cash Benefits". Without endorsing every detail, we consider that its conclusions are of great importance in determining income-maintenance policies which take account of the wide range of variation in individual and family needs and circumstances. We fully agree that the Departments of Statistics and Social Security should, in close collaboration, try to identify variations of need and circumstances within dependent categories.

24. There is no point here in trying to list every conceivable variation in circumstances which might have a bearing on standards of living and benefit adequacy. We list merely some of the important ones.

25. *Personal factors*: These include age, sex, marital status, the number and ages of dependants, occupational status, solo parenthood, invalidity, sickness, and dependency on those in hospitals or prisons.

A complicating factor is the stage reached in its life cycle by any economic family unit when withdrawal from the market system takes place.

26. *Environmental factors*: These include population density, urban-rural differences, or broader regional characteristics, which exert an important influence (among many others) on differences in cost and range of choice. For example, the cost and availability of housing, food, education, work, transport, medical facilities, and many other things are likely to vary according to such factors.

27. *Social factors*: These include the broad and pervasive customs and standards which themselves are influenced by current wages and salaries, employment and retirement policies; also the incentives and sanctions generated by taxation, investment, insurance, education, home ownership, family, property, and employment legislation, and the many other elements affecting social activation and behaviour.

28. Appendix 20 examines in some detail the following key questions relevant to adequacy of benefits:

- (a) What are basic needs and how do they vary?
- (b) How does the cost of maintaining a child (and children of different ages) compare with the cost of maintaining an adult?
- (c) How does the cost of maintaining a man compare with the cost of maintaining a woman?
- (d) What are the costs of working?
- (e) Are economies of scale (for example, in bulk purchasing) made by larger families?
- (f) How are individual needs related to housing and other overheads?

We do not intend to cover this ground again in the body of the report. But several general propositions are worth noting here, and will be referred to again in other chapters dealing with specific benefits.

29. It is clear, in the first place, that "basic" needs will change over time due to numerous factors and that concepts of minimum standards based on "necessities" should have little relevance to present day efforts to determine the "adequacy" of income-maintenance payments. Second, present circumstances of beneficiaries are conditioned by past incomes, savings opportunities, and consumption habits. Third, it is necessary to study expenditure patterns and standards of living throughout the community to ensure that people dependent on benefit income can "belong to and participate in" the life of the community at an appropriate level of living. But it is clear that New Zealand's statistical and economic and sociological research

has not yet been developed to the point where full account can be taken of the various factors affecting "need" or where reasonably scientific measurements of poverty and benefit adequacy can be made.

30. In this context the Social Security Department presented to us a valuable study on possibilities of compiling a "Scale of Living Standards" as a guide to the adequacy of social security benefits. This study makes a new and inventive approach to a problem which is bedevilling the administrators of income-maintenance programmes throughout the world. During our overseas visits we found that the New Zealand department's study had created a great deal of interest and evoked much favourable comment. We have decided therefore to publish the study (Submission No. 260) as appendix 19 in the hope that it will provoke debate amongst economists, sociologists, and people in general.

31. This "standards of living scale" approach has not so far as we know been tested anywhere in the world. At this stage, we cannot say that it would answer the problems of measuring relative poverty, determining needs in various dependent categories, or establishing the adequacy of benefit levels. But the concept is too important to brush aside. We are strongly of the view that its relevance and usefulness should be tested as soon as possible. We consider that money and staff should be made available to enable the Departments of Statistics and Social Security to make the "Scale of Living Standards" study. There is clearly a close relationship (and some overlapping) between the Social Security Department's concept, and the household expenditure surveys that the Department of Statistics is now authorised to make. To avoid unnecessary duplication, and to ensure that the necessary data is collected from the household expenditure surveys, authority for the preliminary study should be given without delay.

Chapter 12. INCOME-MAINTENANCE MEASUREMENT AND BENEFIT ADEQUACY IN NEW ZEALAND

1. We deal here with a number of matters pointing to the adequacy or the inadequacy of benefit levels and we take first the available evidence, indirect and direct.

INDIRECT EVIDENCE

2. It has been argued that the rising cost of supplementary assistance, and the increase in the numbers of grants of such assistance, show that standard benefits and allowances for dependants are inadequate. These increases are claimed to be all the more significant because many beneficiaries are not aware that supplementary assistance is available, or are reluctant to submit to the relatively severe means test.

3. There is no doubt, as table 9 shows, that the numbers of supplementary assistance grants and the amounts spent have risen steeply since the scheme began in 1952. It is also apparent that the total of supplementary assistance has increased at a greater rate than has the total amount spent on all monetary benefits or on income-tested monetary benefits.

4. But these facts do not of themselves prove that the standard benefits and allowances for dependants are inadequate. Other factors have undoubtedly played a part in supplementary assistance increases. The administration of the scheme has become more liberal and has extended into such fields as home help, and help towards meeting rest-home charges for old people in Auckland and Christchurch especially. The increases in the normal maxima for continuing grants have not only had an effect on the amounts granted, but have tended to make it more worth while to apply for supplementary assistance. Further, beneficiaries and welfare organisations have become more widely aware of the scheme, and there would be some justification for assuming that reluctance to apply and to submit to the means test, has decreased.

5. Tables 9, 10, 11, and 12 show respectively supplementary assistance costs for selected years, application and approvals for supplementary assistance from 1965 to 1971, and categorical analyses of continuing grants as at 31 March 1970 and 1971.

Table 9

SUPPLEMENTARY ASSISTANCE COSTS FOR FINANCIAL
YEARS 1952-71*

Year	Continuing Grants in Force at 31 March		Lump Sum Grants During Year		Total Expenditure (Including Home Help and Rest Homes)
	Number	Assessed Annual Value \$	Number	Value \$	
1952 ..	57	..	..	..	4,384
1953 ..	1,127	88,768	672	16,634	42,574
1955 ..	3,229	248,804	1,335	35,118	270,324
1958 ..	4,721	386,884	1,339	41,000	436,402
1961 ..	5,743	548,846	1,448	46,376	615,718
1964 ..	7,660	1,171,874	1,750	58,308	1,176,980
1967 ..	10,581	1,977,226	2,406	82,354	2,108,168
1970 ..	12,887	2,337,793	3,125	114,042	2,702,992
1971 ..	13,968	3,004,000	2,816	117,241	3,163,548

*In considering the upward trend in costs, it must be remembered that supplementary assistance limits were raised in 1955, 1964, 1965, and 1970. At September 1970 the normal weekly limits were \$4.50 (single) and \$6 (married) although these may be raised in particular cases.

Table 10

APPLICATIONS FOR SUPPLEMENTARY ASSISTANCE

Financial Year	New Applications	Renewal Applications	Total Applications	Total Approvals
1965 ..	.. 6,915	7,699	14,614	12,592
1966 ..	.. 8,076	8,827	16,903	14,815
1967 ..	.. 8,775	9,978	18,753	16,432
1968 ..	.. 9,026	10,983	20,009	17,587
1969 ..	.. 11,605	12,033	23,638	20,260
1970 ..	.. 11,916	13,482	25,398	21,550
1971 ..	.. 13,842	14,509	28,315	23,847

Table 11

SUPPLEMENTARY ASSISTANCE GRANTS IN FORCE AT
31 MARCH 1970

		(a)	(b)	(b) as Percentage
		Income-tested Benefits	Supplementary Assistance (Continuing Grants)*	of (a)
Category		Number		
Age	.. ..	98,905	8,248	8.3
Widows	.. ..	15,663	1,220	7.8
Orphans	.. ..	315	..	..
Invalids	.. ..	8,342	843	10.1
Unemployment	.. ..	983	39	4.0
Sickness	.. ..	5,876	342	5.8
Emergency	.. ..	5,266	1,009	19.2
Totals	.. ..	135,350	11,701	8.6

*This is not to be confused with "Total Approvals" shown at 21,550 in the preceding table, as this figure includes lump-sum grants and also grants made to non-beneficiaries and to universal superannuitants. Nor is the total to be confused with the 12,887 shown in force in table 9 which includes non-beneficiaries and universal superannuitants.

Table 12

SUPPLEMENTARY ASSISTANCE GRANTS IN FORCE AT
31 MARCH 1971

		(a)	(b)	(b) as Percentage
		Income-tested Benefits	Supplementary Assistance (Continuing Grants)*	of (a)
Category		Number		
Age	.. ..	102,797	8,851	8.6
Widows	.. ..	15,899	1,206	7.6
Orphans	.. ..	319	..	..
Invalids	.. ..	8,557	902	10.5
Unemployment	.. ..	715	23	3.2
Sickness	.. ..	6,306	413	6.5
Emergency	.. ..	6,422	1,245	19.4
Totals	.. ..	141,015	12,640	9.0

*Footnote to preceding table applies.

6. Tables 9 and 10 illustrate the rapidly increasing use of supplementary assistance. But tables 11 and 12 show that only less than 9 percent of the main income-tested beneficiaries—age and widows—were receiving continuing supplementary assistance grants. It is true that this does not take account of lump sum grants, but these are much fewer in number and we were informed that most of them are made to people who are also receiving continuing grants.

7. We also ascertained that 72 percent of age beneficiaries, and 51 percent of widow beneficiaries as at 31 March 1971 had other incomes of less than \$4 per week. It is people with such low incomes that the supplementary assistance scheme was designed to help, and who could be expected to need assistance from it if basic benefits were too low. And indeed 98 percent of the age beneficiaries receiving supplementary assistance, and 93 percent of the widow beneficiaries receiving supplementary assistance, were in this very low-income group.

8. It did seem surprising to us, however, that such a small proportion of those with very low incomes—one in eight of the low-income age beneficiaries, and one in seven of the low-income widows—was receiving supplementary assistance. It could not be concluded, on this evidence, that the basic benefit level is too low.

9. All that the evidence tells us is that a significant number of beneficiaries could not meet their reasonable commitments out of the basic benefit, but that a much greater number who had no other income—or very little—did manage to do so. And this illustrates a point which is fundamental to the determination of benefit levels. The circumstances of beneficiaries vary so very greatly because of their personal characteristics and habits, their location, and their degree of family support—to mention only some of the factors—that no benefit level can exactly meet the needs of all of them. Unless the level is so high that the great majority are getting more than they need, some will inevitably get too little. If the level is designed to meet the needs of the majority a system of supplementary assistance will be necessary for the remainder.

DIRECT EVIDENCE

10. Many submissions asserted that basic benefit levels were inadequate. But of all the submissions received only four tried to make actual comparisons between household maintenance costs and benefits, or benefit plus other income. The results varied widely. For example, stated costs of actual food bought ranged from \$3.12 to \$7.50 per head per week. A few others sought to prove inadequacy by referring to price-index (usually described incorrectly as “cost of living”) changes or benefit-wage relationship changes. On a basis of price indexes there is in fact no case to be made, while the benefit-wage rate approaches showed wide variations according to which wage level was chosen and usually ignored the facts that “average wage” figures include a wide range of actual wages and exclude taxation payable on them.

11. The use overseas of family budget surveys or prescriptive budget techniques (such as the Orshansky method described in chapter 11), notwithstanding their obvious limitations, encouraged us to obtain such data as was available on the *per capita* spending on food. In the absence of information about family spending we looked at *per capita* weekly food costs in New Zealand public institutions.

12. *Armed Forces*: The weekly *per capita* averages for all three services are: 1965-66, \$6.15; 1966-67, \$6.41; 1967-68, \$6.67; 1968-69, \$7.04; 1969-70, \$7.24. The cost of food for the armed forces is understandably quite high despite the advantages of bulk contracting. The most interesting aspect is that *per capita* food costs for basically the same dietary pattern rose by 17 percent in the 4 years.

13. *Child Welfare Homes*: The weekly *per capita* averages are: 1966-67, \$3.43; 1967-68, \$3.78; 1968-69, \$4.06; 1969-70, \$4.13. Food produced in institutional gardens, orchards, and farms (2 cases) is *not* included in the above costs. Food is often donated.

14. *Prisons*: In 1969-70 the actual cost of food in prisons averaged \$163 an inmate a year or \$3.10 a week over and above food produced within the institutions. The Justice Department estimated that costs were reduced by approximately 25 percent on account of bulk contract purchases, and institutionally grown food. A comparative figure of say \$4.13 a head a week would therefore seem reasonable.

15. *Department of Labour Hostels*: The weekly *per capita* average for 1969-70 differed from hostel to hostel and place to place. Avonhurst Maori Youth Hostel, Wellington, \$3.45; Public Service Boys' Hostel, Wellington (Antrim House), \$4.40; Public Service Boys' Hostel, Wellington (Orient House), \$3.23; Public Service Girls' Hostel, Wellington (Hobson Street), \$2.46; YWCA Hostel, Woburn, \$2.83; Miners' Hostel, Huntly, \$3.85; Miners' Hostel, Ohura, \$5. Variations in costs in these figures are explained by differences in the numbers and sexes of those housed, and in the meals provided. For example, Antrim House, Wellington, provides a midday meal, but the other Wellington hostels do not.

16. We also tried to discover a basis for applying a *nutritional approach* to assessing minimum-adequate food intakes and food costs. Again there were no data, nor were we able to get an agreed opinion from nutritionists as to what "market basket" of food was a desirable balanced diet at various ages and levels of activity. The wide range of food substitutes available, different prices, and

the variations in buying and cooking skills compounded the difficulties. Nevertheless such information as was available should be recorded.

17. Basing its approach on the United States Nutritional Research Council's 1968 recommendations for *minimum* nutritional requirements, the University of Otago produced the following weekly food costs (at first-quarter 1970 prices) for a *minimum "no-treat" diet*:

	\$
Adult male (moderately active) ..	2.80
Adult female (moderately active) ..	2.45
Teenage boy	3.50
Teenage girl	2.80
School child	2.10
Pre-school child	1.40

The university stressed that these figures are based on "minimal food requirements and few people would be happy eating on such a limited meal plan".

18. Later some new weekly food costs were published by the Department of University Extension of the University of Otago, based on the Department of Health pamphlet *Food for Health*, which is itself based on the nutritional requirements laid down by the American board mentioned above. These figures, at *February 1971 prices* in Dunedin, are:

	\$
Man	4.07
Woman	3.62
Boy (11-17)	4.96
Girl (11-17)	4.11
Child—10 years	3.28
Child—5 years	2.36
Child—4 years	2.09
Baby—1 year	1.49

Again these figures relate to minimum health standards. The sharp increase in the University of Otago's figures over this 12 months' period cannot be explained solely by actual price changes disclosed by the Consumer Price Index. The university has informed us that the difference is explained in part by the fact that different amounts of food were used.

19. While expressing the strongest reservations about reliability or usefulness, the Department of Health provided some unofficial "guesses" on the cost, at *January 1970 prices*, of a minimum weekly menu which did *not* include treats, snacks, food for visitors, or meals outside the home. For an elderly woman living alone the estimate was \$3.92 per week. In a separate exercise in 1968, the Department of Health estimated the approximate cost of a reasonable diet for

an elderly couple over 65 years of age based on a daily intake of 2,200 calories for the male and 1,800 calories for the female. At *March 1968* prices, this menu would have cost roughly \$8, or \$4 each; or approximately \$4.40 each at *June 1970* prices, assuming no food was grown at home. The Department of Health estimated that it would cost \$1.95 per week at *June 1970* prices to feed a 9-months-old baby.

20. It was obviously quite impossible for us to draw any firm conclusions from information on food costs. Nevertheless, it would be possible to apply the Orshansky-type technique to New Zealand if we had a reasonable measure of actual food-expenditure patterns. For purposes of analysis only, we assumed that we had such information and this showed a weekly food-cost figure of \$5 at *June 1970* prices for a single person. We chose this amount for these five reasons. It was higher than the estimated cost of a minimum "no-treat" diet. It was slightly higher than the estimated cost per head of a reasonably varied diet for a couple over 65 years of age. It was higher than the average cost per head of feeding the inmates of prisons and other public institutions. It was lower than the costs per head of feeding young active servicemen in the armed forces. And finally, it took some account of and allowed a margin in favour of the beneficiary for variations in the cost of feeding people of different sex, ages, and levels of activity. No allowance was made, however, for the fact that a number of beneficiaries can grow food at home. It seemed desirable to use as a basis a figure which would cover the food costs of the many beneficiaries who do not have this advantage.

21. The next step was to decide on a proper ratio of minimum desirable food expenditure to total family expenditure. Here again the absence of household expenditure survey data was a major impediment. We had one small and rather dated piece of evidence. From 1952 to 1953 the New Zealand Public Service Association made an extensive household budget survey among its members on various incomes. The result, expertly assessed by an officer of the Department of Statistics, showed that, on the average, families at the lower levels of surveyed incomes spent roughly 25 percent of total income on food; while families on higher incomes spent only about 20 percent. These results are in line with those obtained recently in other countries with comparable living standards. It seems not unreasonable, therefore, and again for the purpose of analysis only, to assume for New Zealand (as has been done for the United States) that, as the average lower-income family spends roughly *one-quarter* of its total income on food, any family which spends more than *one-third* of its income on food, must be deprived,

or "in poverty", relative to the rest of the community. Thus, with this technique, the assessed *per capita* weekly food cost is multiplied by a factor of three to determine a *minimum* desirable income level. This gives a figure of \$15 per week for a single-person household compared with the actual single standard benefit at *June 1970* of \$13.75. We go into this more fully in chapter 19.

22. How imprecise is this technique, especially when it is not supported by exact information, is apparent when it is realised that had we taken \$4.50 as our weekly food figure the desirable minimum-income level would have emerged as \$13.50, that is 25c below the June 1970 benefit level, and \$1.25 below the September 1970 benefit level; and that had we decided to multiply by four (as could be justified) instead of by three, the desirable minimum-income level (based on \$5 for food) would have been \$20, well above the benefit even in September 1970.

THE "COST OF LIVING" APPROACH

23. We can ascertain whether benefit levels have kept pace with cost-of-living changes, but this does not prove that they are adequate or inadequate. In the first place, there can be no guarantee that the standard \$3 a week for an age pensioner established at 1 April 1939 was "adequate" either as a subsistence allowance, or relative to income levels elsewhere in the community. Thus, even if changes in standard benefit rates were to match or exceed changes in the appropriate consumer price index, it still could not be concluded with assurance that the benefit level was "adequate". Second, the price index information available at present is not, and does not claim to be, a wholly reliable indicator of changes in the cost of living at various income levels and for various family sizes in an environment of changing consumption patterns. It is expected that household expenditure surveys will enable cost-of-living indexes to be prepared.

24. Despite reservations about using price index data for cost-of-living purposes, we have compared the 1939 and 1970 standard benefit levels against the price movements disclosed by price indexes. Taking the "Long-term Linked Series" of the All Groups Consumer Price Index, we found that the index rose from 397 in the 1939 calendar year to 1271 for 1970. This shows an all-groups price change of approximately 220 percent. If we were to apply this increase to the standard single age benefit of \$3 at 1 April 1939, the result would be a single age benefit of \$9.60 at 1 April 1970. The actual benefit rate at 15 April 1970 was \$13.75, or \$4.15 *more*.

25. We also noted that from 1965, when the consumer price indexes were revised, to 1970 the All Groups Consumers Price Index rose by 27 percent while the All Foods Index rose by 25.8 percent. But over the same period the standard single benefit was increased from \$10.60 to \$13.75, an increase of 29.7 percent.

26. We do not, of course, suggest from these figures that the benefit level at 15 April 1970 was "adequate" simply because it had risen faster than prices since 1939 or 1965, since we do not know that the 1939 basic benefit rate was "adequate". It must be noted, however, that once "adequacy" of benefits has been established the price changes can provide a useful indicator for adjustments.

BENEFIT LEVELS AND WAGES

27. Some submissions proposed that benefit levels should be "closely related" to wage levels. Statistical data are set out in appendix 8. In the absence of a standards-of-living scale, we believe that it is desirable in principle that such a relationship should be determined. This is indeed the only basis available through which the "belonging" objective we have endorsed can at present be applied. However, before such an approach can be adopted a number of questions have to be answered. They include:

- What is a "close relationship" between benefit and wage levels?
- What is the appropriate wage rate to take as the measure, allowing for the significant difference, in present New Zealand economic conditions, between statutory minimum, award, and ruling rates of wages, and the difficulties implicit in the concept of "average wages" including a very wide range of actual wages?
- To what extent should benefit payments match some prescribed level of wages, bearing in mind the need to maintain work incentives and the fact that many full-time workers must earn less than the *average* wage within their occupational groups?
- Should any class of beneficiary receive more by way of benefits (or benefits plus allowable "other income") than the lowest income group of full-time workers?
- To what extent should total incomes of the growing number of "two wage-earner" families, and the ready availability of overtime, be taken into account in deciding on benefit levels?
- What account should be taken of tax paid by wage earners?

28. Those making submissions largely failed to get to grips with questions of this kind. Some suggested simply that benefit levels should equal "average" wages, ignoring the effects of taxation or

the problem created by the numbers of fully employed people earning less than the average relevant wage. Some proposed that benefit levels should be set at a certain percentage of unspecified "wages", while others took the view that the relationship which is alleged to have existed in 1939 had been eroded and should be restored.

29. But it was generally overlooked that while social security benefits are specifically related to family responsibilities, wages are not. Earnings from wages for 40 hours of work are (with family benefit) commonly expected to cover the costs of maintaining a family irrespective of its size or composition. Thus there is a major difficulty in relating benefits to wage rates.

30. It is true that wages are often augmented by overtime or by a wife's earnings. But in April 1970 the Department of Labour's survey (*Labour and Employment Gazette*, August 1970) showed that the 763,340 employees in surveyed industries worked on the average only 3.2 hours overtime in the survey week; while according to the 1966 census, only 20 percent of married women were in the work force. Even though this last figure may have risen since 1966, it is still a fact that for many families the only supplements are the universal family benefit and the exemptions for dependants allowed by the tax system. This being so, the soundest basis for comparison seems to be between the benefit payable to a married couple without other earnings on the one hand, and some adult male wage rate, excluding overtime payments, on the other hand. If the married benefit rate is taken as the basic rate, we think that the single benefit rate will have to be determined as a percentage of the married rate. At present (1 July 1971) the single rate happens to be roughly 55.2 percent of the married rate. In our view this ratio is too low. It is indeed one of the lowest in the world, and ratios of above 60 percent are not uncommon. We shall come back to this in chapter 19.

31. Two other factors need to be discussed. First, from 1 April 1939 until 1 October 1945, beneficiaries who had wives who were not eligible for a benefit in their own right received only a small wife allowance (\$26 a year in 1939). In October 1945 the dependent-wife allowance was made equal to the standard benefit so that a married age beneficiary without children (whether his wife was eligible in her own right or not) received twice the amount of the single benefit. From 1 August 1955 the rate paid to a married beneficiary became *less than twice* the single rate because, at this date, it was recognised that the living costs of a married couple were less than twice those of a single person living alone.

32. Second, under section 3 (5) of the Industrial Conciliation and Arbitration Amendment Act 1936, the basic wage for adult males was to be fixed at such a rate as would, in the opinion of the Court of Arbitration, be sufficient to enable a man in receipt thereof *to maintain a wife and three children in a fair and reasonable standard of comfort*. Though this 1936 legislation was not repealed until 1954, the Registrar of the Court of Arbitration gave us his opinion that the Minimum Wage Act 1945 had the effect of superseding the 1936 basic wage legislation. Nowhere does the 1945 Act (or later wage legislation) refer to criteria which would require the family unit to be taken into account in determining minimum adult male wages. However, statutory minimum wage rates today have little relevance to wage rates prescribed in awards and agreements, or indeed to wages actually paid.

33. Thus, in at least these two respects, the position is very different today from what it was when social security benefits were fixed at 1 April 1939. When it is also considered that 1939 benefits probably bore only an incidental relationship to wages, comparisons based on the 1939 situation have only limited value in determining the adequacy of present benefits.

34. We have given much thought to which wage levels might most appropriately be used for benefit comparisons and we deal with this fully in chapter 19 where we also deal with the question of what proportion of a selected wage rate should be taken as a guide to benefit levels. However, for comparative purposes, and as a measure of *movements* in wages, it is of interest that the Department of Labour's survey for April 1970 shows that average weekly earnings rose from \$30.59 in April 1960 to \$50.38 in April 1970—an increase of 65 percent. In the same period (or more exactly from 30 March 1960 to 15 April 1970) the *married* age benefit rose from \$17 to \$25—an increase of 47 percent. Again, however, this by itself does not establish the adequacy or inadequacy (as we have defined this concept) of the present benefit levels.

Chapter 13. CONCLUSIONS ON NEED AND INCOME MAINTENANCE

1. Our main purposes in this Part of our report have been to define what we mean by "poverty" and "need", and to outline ways in which we might progress towards our basic income-maintenance aim of ensuring that benefit payments are sufficient to enable beneficiaries with small or no other resources to "participate in and belong to" the mainstream of their community. We have reached the following conclusions:

2. Poverty, need, and benefit adequacy are relative concepts. They can be measured or determined only by comparing the standards of living of dependent people and families of varying sizes with those of people deriving their incomes from the market system.

3. Benefit levels (plus the relevant child and other allowances) should be sufficient to ensure that beneficiaries are not separated from community life. It follows that the monetary levels will have to be adjusted regularly as market incomes, normal consumption patterns, living costs, and productivity change.

4. At the present time there are insufficient data to allow benefit adequacy to be precisely assessed, if indeed this will ever be possible. Value judgments are necessary not only in deciding what levels are adequate, but in relating these to what the taxpayers may be expected to pay for.

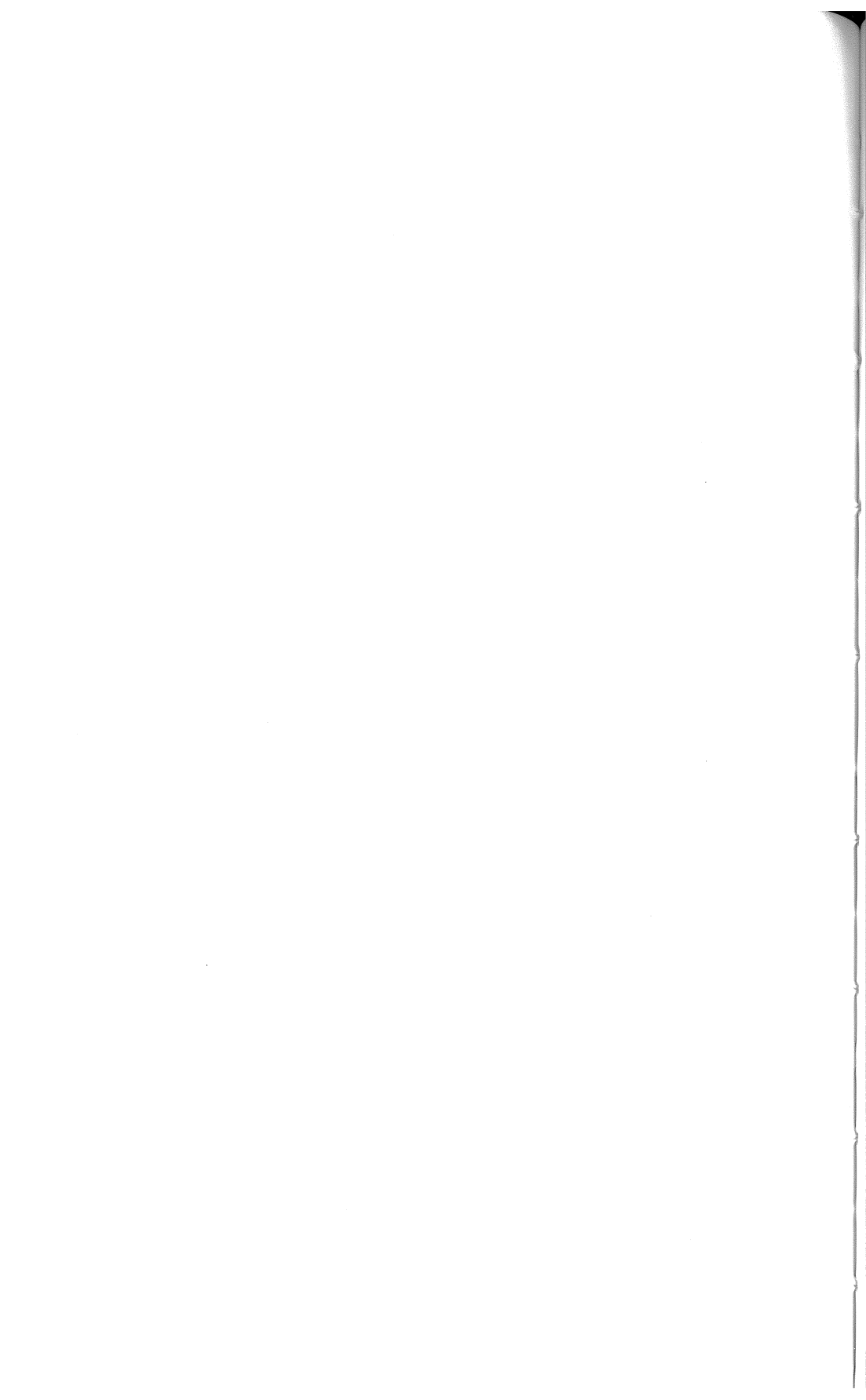
5. We consider it worth while to explore the proposal for determining a standards of living scale as a basis for measuring the adequacy of income-maintenance payments. Given the deficiencies and difficulties inherent in all the other approaches we have examined, we believe that as a first step a pilot study, run jointly by the Departments of Social Security and Statistics, should be authorised immediately.

6. Our conclusion that "belonging and participating" should be the aim of income-maintenance policy shifts the problem of determining benefit levels away from that of trying to measure poverty to that of trying to measure what standards of living are in fact enjoyed by people in the market sector. The future collection of household expenditure survey data is likely to be very valuable here, and should thus be a further guide to benefit adequacy.

7. It must be recognised, nevertheless, that even the fullest household expenditure survey data and the various income-maintenance techniques based on its use will not give all the answers. Value and political judgments will still be needed to decide what level of basic benefit is "adequate", what extra income should be allowed without affecting the basic benefit, and what special allowances or supplements should be paid to meet variations in the needs of the various dependent categories (for example, the aged, the disabled, the solo parent), and the special needs of individuals within the categories.

8. It is clear that no one approach or technique can be relied on to determine the level of monetary benefits, if that level is to meet the aims we have outlined. The most useful single indicator at present appears to be some wage level which provides the standard of living of families in the non-dependent or market sector. The benefit level can be measured against this wage level. But even then a subjective value judgment must be made as to what the relationship should be and this is discussed in chapter 19.

9. The relationship between the benefit level and the selected wage level will not be fixed and immutable. It may have to change from time to time in the light of a number of factors, including the place of the chosen wage level in the total wage structure, the greater or lesser incidence of overtime work, or of two-earner families, and changes in the incidence of taxation.



PART V

THE STRUCTURE OF THE SOCIAL SECURITY SYSTEM

Our Warrant requires us to report on:

any changes considered desirable in the structure . . . of monetary benefits and supplementary assistance.

We here examine the structure of the system on the basis of our conclusions in Parts II–IV about principles and aims, economic and budgetary aspects, and the nature of poverty and need. We have to consider whether the present system is compatible with accomplishing the aims we have put forward, and whether it is efficient. We do so under the following headings:

Universality and Selectivity

Means and Income Tests

Methods of Financing Social Security

The Guaranteed Minimum Income Approach (Negative Income Tax)

Earnings-related Benefits

Determination of Benefit Levels

Chapter 14. UNIVERSALITY AND SELECTIVITY

1. During our discussions overseas, we were told by one eminent British sociologist that the apparent conflict between universality and selectivity is now a "non-issue", and most countries have devised systems which mix the two approaches. This is certainly as true of New Zealand as it is of countries with somewhat different structures. It seems to us, therefore, that the degree of universality or selectivity of any system is largely a matter of judgment which will be influenced by such things as the historical development of the system, the resources available for transfer, the manner in which these resources are collected, the efficiency of the market system in supporting and protecting incomes, and the way in which dependency and poverty are defined and identified. Our inquiry and research confirms that there is no one dogma, and that there are no immutable rules.

2. *Universality*: This term is frequently used to indicate comprehensive coverage but we use it in the sense of paying benefits or providing social services (for example, health benefits) irrespective of the incomes or means of individual recipients. The application of this universality can be restricted by confining the payment of benefits to people or families falling within certain categories. Thus, in New Zealand, benefits available to those over 65, or to families with dependent children are regarded as being "universal". A person qualifies solely by being included in a benefit category and the term means simply "not subject to means or income test".

3. *Selectivity*: This on the other hand involves discrimination between people who are within the determined categories. Some kind of test of need related to the individual's own resources is therefore implicit in the selective approach.

4. It must be noted that the concepts of universality and selectivity are not relevant to a system in which the right to benefit is established by contributions, and benefit levels are related to contributions made.

5. A social security system does not have to be either wholly universal or wholly selective because it may have two or more different objectives. One, the relief of need, may call for a selective approach. Another, such as the development of human resources, when applied to the sharing of the cost of rearing children, may call for

a universal approach in social security as in education. The real point at issue—and one which is being debated in many parts of the world—is whether the particular objective can best be attained by more or by less selectivity, considering always the resources the community is willing to make available.

6. In many ways the concept of universality emerged as an answer to the real indignities and stigmas of receiving help under the old poor-law approach with its connotations of charity, subsistence, and destitution. Community-financed benefits it was felt should be gained not by “right of poverty or destitution” but by “right of citizenship or residence” if one fell within a certain category of age or other disability. Closely related is the idea that eligibility for benefits or pensions should be established by “the right of contributions” either to general tax revenue or to a specific social security or national insurance fund.

7. In recent years universality, that is freedom from income or means test, has usually been associated either with *demogrants* (benefits paid to or on behalf of people in prescribed age groups irrespective of need or means) or with *insurance-type* schemes based on contributions, where the benefit may or may not be directly related to the amount of contribution. We examine each of these aspects more fully later in this chapter.

8. Submissions received would make it appear that there are two main reasons for support of universality in New Zealand. First, the persistent belief that selectivity is inseparable from degrading means tests; second, that benefits paid to people within prescribed categories (for example, the aged) should be paid “by right of contributions” and not by “right of need”. Some submissions argued that everyone who contributed to the funds available for social security (that is, contributed either to general tax revenue or to a specific social security fund) should get something back irrespective of need. Those who realised that this inevitably increases expenditure and makes it more difficult financially to give proper help to those in need thought that if benefits were made taxable the income tax system would ensure that the non-needy did not benefit unduly from universalised aid.

9. We found during our inquiry that many prominent social welfare thinkers have tended to discredit universality as a weapon against poverty because it represents a shot-gun approach. It cannot precisely identify need and it fails to channel aid into areas where the need is greatest. Moreover, it seems to us to be becoming more widely accepted in countries where contributory insurance schemes are accompanied by universal payments or demogrants that whatever the philosophical or psychological advantages of universalism, its general application

must be curtailed. The reason is obvious—if a benefit is paid to all individuals in a given category irrespective of their incomes or needs, the cost of paying the benefit at a level which is adequate for those who are in need becomes too high. The result too often is that the benefit level is held down below the level of adequacy.

OVERSEAS TRENDS

Canada

10. The Canadian Government's White Paper "Income Security for Canadians" (1970) which outlined a programme for restructuring its social security policies after a comprehensive review, was of considerable interest in this connection. In chapter I, the White Paper notes that:

. . . some income protection programs are increasingly criticised because they are universal—they pay benefits to all or most Canadians regardless of income. In some cases the payments clearly go to people who have ample resources of their own. The challenge then is to arrive at a renewed affirmation of income security policy which will have the effect of assisting people in greatest need without detracting from programs designed to stimulate economic development which is the basis of national well-being.

The White Paper continues:

Greater emphasis should be placed on anti-poverty measures. This should be accomplished in a manner which enables the greatest concentration of available resources upon those with the lowest incomes. Selective payments based on income should be made where possible in place of universal payments which disregard the actual income of the recipient.

11. The new Canadian programme therefore proposes more selectivity and less universality—so much so, that Canada's present universal family benefit system is to be modified to become selective and income tested, paying increased benefits to lower-income families with dependent children, and phasing the benefit out at higher levels of income.

United States of America

12. There is a similar trend in American thinking, where the emphasis in public assistance is on raising the living standards of people and families on lower incomes. In the public assistance field, selectivity rather than universality is implicit both in the Administration's recently proposed family assistance programme and in the various new ideas based on guaranteeing minimum incomes. But the United States income-support system is so different from ours in its stress on insurance and in the social problems it faces, that we do not wish to place undue significance on changes there.

Britain

13. It is difficult to identify any dominant trend in Britain. Since the Beveridge Report of 1942 and the British social security legislation of 1949, universality has been identified with National Insurance under which rights to benefits are established by contributions to the insurance funds. But for those unable to contribute, or to otherwise earn adequate insurance payments, a selective means- or income-tested system has been retained. Universality through contributory insurance was the slogan of the 1940s because it seemed to offer at least a partial answer to the past indignities of means testing. In chapter 3 we noted a more recent view of Professor Titmuss who had been associated with the formulation of 1949 British policy. Another well-known earlier advocate of universality, Professor Brian Abel-Smith, was reported in the *Weekend Telegraph* (25 November 1965) as saying about the rising costs of social insurance that "the most obvious remedy is to concentrate help where it is needed and to stop giving it where it is not".

14. Under the last Labour Government, the emphasis (for example, in the Crossman proposals referred to in chapter 18) was on a more elaborate national insurance scheme whose benefits would be closely related to the previous earnings of the beneficiary. As we understand it, however, the selective elements in the British system were not intended to disappear. The present Government's latest family-assistance legislation is more clearly selective. It gives a little extra money to low-income workers with dependent children, but retains existing National Insurance and selective supplementary assistance provisions.

15. The present Government's latest proposals contained in a White Paper presented in September 1971 place the main emphasis on universality. They aim at a State basic scheme which will provide "basic benefits paid as of right in return for contributions", and a State reserve scheme which will enable employees without access to occupational pensions to supplement these basic benefits—again by right of contribution. But the selective element will still be very strong. There will be "selective additions [to the basic benefit] for categories of social need", and "for those whose resources still fall short of an acceptable minimum standard of living the Government will continue to maintain the provision that is made through the [selective] supplementary benefits scheme".

Europe

16. In Scandinavia and most other European countries, the development of insurance-type schemes relating contributions and/or benefits to a person's past earnings makes any argument about the

respective advantages of selective and universal benefits irrelevant. But their insurance-type schemes have not eliminated the need either for selective assistance (for example, for those outside the work force) or for the payment of universal benefits (for example, child allowances). Social security in a number of these countries is a very mixed bag indeed.

General

17. We have noted that present international thinking on social security and welfare problems places great emphasis on finding efficient ways of giving minimum-income guarantees for those people and/or families unable to reach a prescribed standard of living, whether they are active workers or not. (We deal separately with the negative-tax approach in chapter 17.) We note here that minimum income guarantee schemes are by definition selective not universal. The basic income grant is payable only to those who can show, under one or other form of test, that their income is below the prescribed standard. While such schemes inherently recognise the need for a more selective approach, they do not preclude the universal provision of benefits or other help to particular demographic or social-status categories, or for particular purposes such as health or education.

ARGUMENTS FOR UNIVERSALITY

18. The submissions which asserted the "indignity and stigma" of a selective income-tested system were, we felt, somewhat confused about how the income test for standard benefits is applied in New Zealand, and partly misunderstood the meaning of universality. It must be remembered that in New Zealand universal social security benefits (as distinct from universal health benefits) are not necessarily paid to everyone in the community, but rather to persons or families within certain categories. It can be argued that the larger a universal benefit must be to provide adequately for the *least* well-off people in any category, the more pressure there will be to restrict the size of the category. For example, a move to increase significantly the amount of the universal superannuation benefit might well result in strong pressure to raise the age at which it could be paid without test of need, and would certainly limit the possibility of reducing the qualifying age.

19. A few submissions argued that those who pay or have paid the taxes which support social security have in fact contributed to social security funds, and have thus earned the right to benefit without a test of income or means. But if one accepts as a primary aim—as we do in chapter 3—that help should generally be concentrated in areas of need, eligibility for benefits should not be based on either the fact or the amount of such contributions any more than taxpaying capacity

should determine the amount of education, road usage, or police protection any person should receive.

20. It is probably true that the universal superannuation benefit was introduced to New Zealand at least partly because it was thought that people reaching the set age of 65 years had, in most cases, contributed to the community through taxation and work and were entitled to something back. But this was not the only reason. From the opposition to the means tests of the past came the view that need could be assumed to exist for certain categories, and that within them the community could omit specific tests of individual need.

21. But even if one accepts that limited universality in this sense is desirable, it does not follow that the test of need should be removed from *all* categories of beneficiary. This we think would so dissipate available resources as to make it much harder to make benefits adequate for those whose need is greatest. It has been put to us, for example, that the universal family benefit has remained constant at a low level for so many years because its very universality greatly adds to the cost of any increase.

22. Some members of the community can never hope to earn "the right to benefits by virtue of contribution (taxes) paid", and they are the ones, so we have argued, whose needs for help must be met whatever the administrative system for collecting and disbursing the necessary money and whatever else is done under the system. In considering the argument that rights to help have been established by contributions we must remember that the main aim of social-welfare policy is to ensure that all people or families have a standard of living which is not significantly removed from that of the mainstream of community life. We are satisfied that such a goal cannot be met at reasonable cost without at least some measure of selectivity.

23. It was put to us that if all benefits were freed of income tests, but were treated as taxable income, taxes would recoup most of the extra expense. But this is not so. Individuals who received benefits for which they are not now eligible would pay back no more than 50 percent (the present maximum) in extra tax. Most of them, being on only moderate incomes, would pay back less. Thus, much less than half the extra expense would be regained from those who benefited from it.

24. A comparatively small part of the deficit would be collected from those already receiving benefits, but most would have to be recouped in extra taxation which would further reduce the disposable incomes of those in need. Without major changes in the tax structure the proposal could eliminate income tests only by reducing the level of assistance to those in need.

25. It was also suggested that abolishing income tests would encourage beneficiaries to work, and to earn more than they are now

doing. This would also give more tax revenue. Looking at the people who fall within the benefit categories (those over 60, invalids, widows, and solo parents are the main ones), we cannot believe that there is any great reserve of work potential to be tapped in this way, or that the resulting extra tax revenue would make any significant contribution to regaining the extra expenditure.

26. We conclude that:

- (a) The case in New Zealand for universal benefits is based partly on the indignity and stigma which allegedly still applies to means and income tests, and partly on the view that everyone who contributes to social security revenue (whether established as an insurance fund or not) should get a specific cash benefit in return irrespective of other income. The force of the first argument depends largely on how the eligibility tests are applied. The second argument reflects an approach to benefit entitlement which negates the "needs" principle which has been (and we consider should be) the basis of this country's social security system.
- (b) If *all* categorical benefits were paid on a universal basis irrespective of individual needs or incomes, the strong probability is that benefit levels would be much lower than would otherwise be desirable and possible. Those whose need for help was proven would be disadvantaged simply because of the necessity to spread more thinly whatever resources the community as a whole was prepared to make available. The community would be *less able* to ensure that every individual and family enjoys a standard of living consistent with the aim of belonging and participating. The real choice lies between limiting the benefit unduly so that everyone within the benefit category can have it, or paying larger benefits to those in the category who cannot fend adequately for themselves. We place the main stress on a basically selective system. As the case for universality rests on grounds somewhat removed from poverty and need, it must take second place in expenditure priorities.
- (c) The view that unnecessary income assistance under a universal benefit scheme can be regained through the tax system is wrong in New Zealand conditions. We do not accept, therefore, the view that the tax system should, or can, effectively replace selectivity in the administration of our social security system.
- (d) Despite our view that New Zealand's social security benefit system should be basically selective, we see no inconsistency in applying benefits universally to serve objectives other than the relief of need or where need can be assumed to exist without specific testing, provided however that the primary aim of relieving need is not prejudiced.

Chapter 15. MEANS AND INCOME TESTS

1. Having concluded that our system should be basically selective, we must now consider how the selective tests should be applied.

2. Most of the submissions did not distinguish between *means* and *income* tests, an important differentiation. A means test relates to *both* income and other resources such as property and household effects. In some instances in the past this was even extended to include the resources of near relatives. An income test, on the other hand, relates only to income (including, of course, income from property or other capital).

3. None of the standard categorical social security benefits is subject to a means test. All except universal superannuation, family benefit, and miners benefits are, however, subject to an income test set at the level of the benefit plus a varying amount of "allowable other income". Apart from *ad hoc* emergency payments, it is only in the area of supplementary assistance that assets as well as income are taken into account.

4. There may well be differing opinions on whether the total income limits applied in New Zealand are too high or too low; but, except for supplementary assistance, it is misleading to refer to income tests under our present system as if they were synonymous with the objectionable means tests of past eras. In fact, in many cases, they amount to little more than a declaration of income. We regret that many submissions seemed to assume that any form of means test is, *ipso facto*, degrading, stigmatising, and unnecessary.

5. If the social security system is to be basically selective for relative need, some test of the nature and extent of individual need compared with individual resources is necessary. We fully agree, therefore, with the following comment made in Submission No. 122 of the Social Security Department:

... to be effective in attaining the desired end [for example, the raising of all standards of living to a minimum prescribed level] the areas in which incomes are increased [by community financed assistance] must be those areas in which the objective has not been reached, i.e., those areas in which need exists as defined by the difference between the level of the objective and the level already attained. To make a programme effective it is then necessary to locate those categories of the population, or those persons, not attaining the level of the objective.

6. A social security programme designed to achieve the aims we refer to in chapter 3 necessarily involves testing for *individual* need and income. This cannot be done merely by selecting categories which are likely to contain people in need of help, such as the aged or the disabled. Though many within a category will in fact need help, many will not. With a universal system, some would receive too much, a state which cannot be adequately remedied by taxation.

7. The real question is not whether means or income tests are undesirable, but whether there is any practicable alternative. We do not believe that there is, but it is very important to consider the way in which income (or means) tests are applied.

8. Basically we are opposed to the use of means tests for standard categorical benefits because they encourage a previous dissipation of capital assets and savings leaving the applicant even more vulnerable economically than before. But we do consider that *income* testing is necessary and we believe that it can be carried out in such a way that it is not unduly inconsistent with individual dignity or liberty. We shall now look more closely at the main arguments put forward for removing income tests.

Right by Contribution

9. We have already rejected the proposition that rights to benefits should be based on contributions. The insurance concept is closely related. We examine this in more detail in chapters 16 and 18. We briefly mention here that experience in Britain and elsewhere shows that insurance-based systems do not eliminate the need for selective income tested assistance. Their greatest weakness lies in not meeting adequately the income needs of those who cannot contribute, or who can contribute only a little, or intermittently.

Affront to Human Dignity

10. This frequent and quite sincere argument seems based on abhorrence of old-style means tests, rather than on experience with the present New Zealand income test. Benefits have to be applied for, and an application itself constitutes a declaration of need. We cannot imagine that anyone really expects that people should be able to draw a weekly income without offering some support for this declaration. If they were allowed to do so the system would soon fall into disrepute and the plight of the really needy would be much worse. If there is reluctance, and we do not doubt that often there is, it stems from the value which the community places on independence and privacy. Those in need object to disclosing their need to some State official or perhaps

do not like to admit it to themselves. We are convinced that this attitude is much less common than it used to be. More people today are conscious of their "rights" to assistance and have little hesitation in claiming them. Their attitude is that they paid taxes when they were able and will claim assistance when they need it.

11. The abandonment of means or property tests and a more enlightened administration of the income test has contributed to this change of attitude. We commend the efforts that have been made to preserve the dignity of applicants and will have more to say on this subject later.

12. It is significant that only a few of the submissions received from, or on behalf of, beneficiaries argued that the present income test meant a loss of dignity, or advocated a more universal system. Their arguments centred in the main on the adequacy of benefit levels. On the other hand, the more searching inquiry associated with the *supplementary assistance* scheme was criticised quite strongly.

13. It was said that the tests for supplementary assistance had the result that some beneficiaries who would otherwise qualify for assistance chose not to subject themselves to such scrutiny. We think that this may have some force. Nevertheless the very nature and purpose of supplementary assistance—to help "standard" beneficiaries who have special needs—require that its criteria must be more restrictive than those for standard benefits. Chapter 25 deals with this in more detail.

Income Tests Deter Initiative

14. It is sometimes argued that income tests deter initiative by discouraging work. Our analysis shows that two inter-related aspects have to be considered—the level of allowable (or exempted) "other income", and the rate at which the benefit is abated for any income over the "allowable" level.

15. The allowable (or exempted) "other income" for which no deduction from benefit is made was, in 1939, only \$2 a week; at present recipients of "widows" benefit with dependent children are allowed to have \$17 a week in addition to benefit, and recipients of most other income-tested benefits \$13 a week. In addition, up to \$2 a week of any income a beneficiary may draw from a friendly or like society is disregarded.

16. It must be noted that these allowable-income levels are for most benefits calculated on an annual basis—namely \$884 a year for "widows" and \$676 a year for other beneficiaries. As many beneficiaries work for only part of the year (for example, on seasonal work

or while their children are at school), the actual amount of allowable income which a beneficiary may earn in any one week or for part of the year can be much higher than the \$17 or \$13 mentioned above. For example a "widows" beneficiary could earn \$25 a week for some 35 weeks of the year without having her benefit reduced. This is an important and often overlooked aspect.

17. The rate at which the benefit is abated for any income (earned or unearned) over the allowable level was from 1939 until the budget of June 1971 \$2 for every \$2 of weekly income (calculated on an annual basis). In June 1971, however, the abatement rate was changed to \$3 for every \$4 of income over the allowable level to eliminate the need for a special adjustment of benefit to compensate for taxation paid on other income, and was stated by the Minister of Finance to be without prejudice to our findings on the issue.

18. The present allowable "other income" levels are generous compared with 1939, though it is clear that no formula has been devised for fixing them. They have simply been increased periodically on an *ad hoc* basis. This (and the increases in the benefit levels and child allowances themselves) has led to a situation which was probably not intended. In the first place it is possible for beneficiaries to obtain substantially greater total incomes (that is, benefit plus other income) than many non-beneficiaries earn at work; and, second, some people with quite high incomes can still receive some benefit payments.

19. At the June 1971 benefit levels and with the present allowable other income and rate of benefit abatement, the weekly income level at which benefit stops is:

	\$
Single beneficiary with no children	34.33
Married beneficiary with no children	51.66
Married beneficiary with two children	57.66
"Widow" with two children	57.66

Under these conditions, a married man (or a "widow" beneficiary) who has two children and who is earning as much as \$50 a week can still receive a small benefit payment at the taxpayers' expense. The net income of beneficiaries would of course be less than the figures shown above. The figures would be reduced by income tax on the "other income" part of the total.

20. The position of such beneficiaries has to be compared with that of non-beneficiaries. In April 1971 the *average* weekly earnings (including overtime and bonus payments) of *all* wage and salary earners in New Zealand was estimated at \$59.73 gross a week. After payment of income tax of \$8.13 at current rates, a married man with two children earning this average income would take home \$51.60 a week.

It is clearly possible that a beneficiary may have a higher amount of take-home pay than the many workers who receive less than the average weekly earnings. Such a situation is undesirable although it must be emphasised that it would be impossible to provide adequate benefits if no beneficiary was to receive more income from benefit than the lowest paid adult male earns from work.

21. Before taking this analysis further we must note that the benefits and child allowances, the allowable income levels, and the rate of benefit abatement are not only inter-related in determining the total incomes of income-tested beneficiaries, but affect various categories of beneficiary differently. It is necessary to distinguish three different beneficiary groups:

- (a) Those with no income other than benefit. For these it is the benefit and child allowance levels themselves which are most important, and it is imperative that these be fixed to give an adequate standard of living according to our "belonging" aim.
- (b) Those with small incomes from past savings or investments or limited earnings from casual or part-time work. Most of these will be in the age benefit category, and it seems reasonable to assume that, for them, the allowable income level is more significant than is the rate of benefit abatement.
- (c) Those who are able to earn substantial income from either part- or full-time work. For them, both the allowable income level and the rate of benefit abatement will be significant as a work incentive.

22. We should make it clear that only very few social security beneficiaries fall into this last group and can, therefore, have been placed in a better position than non-beneficiaries. Only 4.8 percent of age beneficiaries at 31 March 1971 had "other" incomes of over \$13 per week, and none over \$25 per week. Only 7.8 percent of widow beneficiaries had "other" incomes over the \$17 which was "allowable", and fewer than 2 percent had more than \$25.

23. Nevertheless, if the benefit itself is set at an adequate level with overgenerous allowable-income levels and rates of benefit abatement a significant degree of inequity can arise between beneficiaries and people who depend entirely on their incomes from work. One simply cannot have an equitable selective social security system based on the elimination of need unless all three relevant income-support factors—the benefit, the allowable income level, and the rate of benefit abatement—are considered together, and unless one carefully examines the relationship between the total attainable incomes of beneficiaries and those of working non-beneficiaries who provide most of the benefit revenue. It may not have been realised in the past that this relationship could become so close.

24. It seems to us, therefore, that what we must aim at is a system which gives in this order of priority, first, adequate basic benefits and dependent-child allowances, second, a modest allowable income to ensure that beneficiaries have a reasonable incentive to save during their working lives; and third, a rate of benefit abatement which (taken together with the first two) allows beneficiaries to earn a reasonable amount but minimises the possibility of raising them significantly above people who depend entirely on earnings.

25. We are convinced, on the basis of this approach, that the present allowable income levels (\$13 and \$17 a week) are too high especially with present rates of benefit abatement. The position will be accentuated if our later recommendations about standard-benefit levels and family benefit and allowances are put into effect. The question is: What is a reasonable allowable-income level?

26. One approach would be to fix the allowable-income level at the difference between the standard married benefit and that level of take-home earnings which we propose in chapter 19 as one of the measures of adequacy of the benefit. This approach has merit, and could give some logical basis for future adjustments. If it is reasonable to fix the standard benefit at a high percentage of a selected level of earnings so as to cater for the needs of the beneficiary who has no other income, it would seem equally reasonable to allow the beneficiary to have or earn other income up to that selected earnings level. The benefit itself would approach the "belonging" aim, and with modest additional "other income" the aim could be fully attained. Thus, if for purposes of analysis the selected net earnings level after payment of tax was \$42 a week, and the standard married benefit was (say) \$33 (nearly 80 percent), the allowable income could be \$9. Having regard to present levels, and to the imprecision of the measures of wages we select in chapter 19, we consider that an allowable "other income" of \$10 a week would be reasonable.

27. This is less than the \$13 (age) and \$17 (widows) limits which now apply. But only 11 percent of age beneficiaries, and 30 percent of widow beneficiaries at 31 March 1971 had other incomes over \$10 a week so that our suggestion meets the situation of the very great majority who are, moreover, the people whose needs the system is primarily designed to help.

28. Taking a married rate of benefit of \$33 a week (see chapter 19) an allowable income level of \$10 a week, the present \$3 for \$4 rate of benefit abatement, and the family maintenance allowances we propose in chapter 21 (but excluding family benefit), a married beneficiary with no dependent children would be in the situation shown in the following table:

Table 13

ALLOWABLE OTHER INCOME \$10—
MARRIED BENEFICIARY—NO CHILDREN

Gross Other Income or Earnings	Net Other Income or Earnings After Tax	Benefit	Total Gross Income	Total Net Income
\$	\$	\$	\$	\$
Nil	..	33.00	33.00	33.00
10.00	10.00	33.00	43.00	43.00
15.00	14.66	29.25	44.25	43.91
20.00	19.27	25.50	45.50	44.77
30.00	27.57	18.00	48.00	45.57
40.00	35.47	10.50	50.50	45.97
50.00	43.11	3.00	53.00	46.11
60.00	50.32	..	60.00	50.32

29. A married beneficiary with two dependent children (or, with a slight adjustment for tax liability, a solo parent with three dependent children) would be in this situation:

Table 14*

ALLOWABLE OTHER INCOME \$10—
MARRIED BENEFICIARY—TWO CHILDREN

Gross Other Income or Earnings	Net Other Income or Earnings After Tax	Benefit and Allowances	Total Gross Income	Total Net Income
\$	\$	\$	\$	\$
Nil	..	37.50	37.50	37.50
10.00	10.00	37.50	47.50	47.50
15.00	15.00	33.75	48.75	48.75
20.00	19.67	30.00	50.00	49.67
30.00	28.66	22.50	52.50	51.16
40.00	36.56	15.00	55.00	51.56
50.00	44.41	7.50	57.50	51.91
60.00	51.78	..	60.00	51.78

*In this table and in tables 16, 17 and 19 below existing "M2" tax rates are used. Net earnings or other income would be slightly lower (assuming tax rates are unchanged) if child exemptions are removed from the tax system as proposed in chapter 21.

30. It will be seen from these tables that a married beneficiary with no dependent children would still receive a benefit of \$3 if he earned or had other income of \$50 a week. A married beneficiary with two children or a solo parent with three children would still receive \$7.50 in benefit even with earnings or other income of \$50 a week. Taking account of the average net earnings of non-beneficiaries (\$51.60 a

week), and the level of net earnings (\$42 a week) which we consider fairly represents the "belonging" aim (see chapter 3), an allowable income of \$10 a week works out quite generously in conjunction with an abatement of \$3 for \$4. (For comparative purposes we note that in Australia, where benefit levels are lower than in New Zealand, the present allowable-income level is only \$7 a week, with benefits disappearing at \$20 a week of other income in the case of single beneficiaries, and \$37.50 a week for married beneficiaries.)

31. On the other hand, the above tables show that the advantage to the beneficiary of having additional income or earnings would quickly lessen beyond some 15 to 20 dollars a week. This is not likely to affect the many age and other beneficiaries who have limited capacity for work, and these are the main concern of social security. But admittedly the rate of abatement of benefit is such that there is no financial incentive for those beneficiaries such as solo parents with dependent children to do further work after they have reached some \$20 of other income or earnings. But the desire to work is by no means determined solely by the levels of allowable income set for benefit purposes.

32. If the allowable income level were fixed at say \$15 a week or left at its present variable level, this would not significantly alter the incentive problem (if in fact it is a real problem). But it would aggravate the greater problem of ensuring equity between beneficiaries and working non-beneficiaries. This is shown by the following tables:

Table 15

ALLOWABLE OTHER INCOME \$15—
MARRIED BENEFICIARY—NO CHILDREN

Gross Other Income or Earnings	Net Other Income or Earnings After Tax	Benefit	Total Gross Income	Total Net Income
\$	\$	\$	\$	\$
Nil	..	33.00	33.00	33.00
15.00	14.66	33.00	48.00	47.66
20.00	19.27	29.25	49.25	48.52
30.00	27.57	21.75	51.75	49.32
40.00	35.47	14.25	54.25	49.72
50.00	43.11	6.75	56.75	49.86
60.00	50.32	..	60.00	50.32

Table 16*

ALLOWABLE OTHER INCOME \$15—
MARRIED BENEFICIARY—TWO CHILDREN

Gross Other Income or Earnings	Net Other Income or Earnings After Tax	Benefit and Allowances	Total Gross Income	Total Net Income
\$	\$	\$	\$	\$
Nil	..	37.50	37.50	37.50
15.00	15.00	37.50	51.50	52.50
20.00	19.67	33.75	52.75	53.42
30.00	28.66	26.25	56.25	54.91
40.00	36.56	18.75	58.75	55.31
50.00	44.41	11.25	61.25	55.66
60.00	51.78	3.75	63.75	55.53

*Footnote to table 14 also refers. Table 16 slightly adjusted for tax liability also applies to a solo parent with three children.

33. We considered whether it would be advantageous to reduce the allowable income level below \$10 a week (or, to be more precise, below the difference between the standard married benefit and the net earnings level used as a guide to determining it). This could leave room for a more generous rate of abatement, such as \$2 for every \$4 of other income above the allowable level. Unfortunately the people who would suffer most from the reduction (or, in the extreme case, elimination) of the allowable income are those beneficiaries who have very small "other" incomes or earnings. Approximately 14 percent of age beneficiaries and 16 percent of widow beneficiaries have "other" incomes of between \$5 and \$10 per week. We concluded that anything less than \$10 per week allowable income would not be acceptable.

34. On grounds of both taxation and work incentives there is justification for setting the rate of benefit abatement at less than a dollar for dollar. An abatement of a dollar for every two dollars of other income (with allowable income of \$10), would enable beneficiaries to have very high total incomes, well beyond the point at which we would think equitable as between beneficiaries and taxpayers. This is shown in the following table (the figures would of course be different for beneficiaries without or with larger numbers of children, but the overall implications would be approximately the same).

Table 17*

EFFECT OF ABATEMENT OF ONE FOR TWO DOLLARS—
MARRIED BENEFICIARY WITH TWO CHILDREN

Gross Other Income or Earnings	Net Other Income or Earnings After Tax	Benefit and Allowances	Total Gross Income	Total Net Income
\$	\$	\$	\$	\$
10.00	10.00	37.50	47.50	47.50
15.00	15.00	35.00	50.00	50.00
20.00	19.67	32.50	52.50	52.17
30.00	28.66	27.50	57.50	56.16
40.00	36.56	22.50	62.50	59.06
50.00	44.41	17.50	67.50	61.91
60.00	51.78	12.50	72.50	64.28

*Footnote to table 14 refers. Table 17 slightly adjusted for tax liability also applies to a solo parent with three children.

35. It would be possible to correct this disadvantage of a slower abatement rate by imposing an absolute ceiling on other income, beyond which ceiling no benefit at all would be payable. Although this is done in some countries it can act as a positive work disincentive and can produce inequitable marginal situations.

36. An alternative would be to have varying rates of abatement as for example:

First \$10 — no abatement.
Next \$15 — abate \$1 for \$2.
Over \$25 — abate \$1 for \$1.

There can be infinite variations on this theme but the above fits well into the income pattern of beneficiaries at 31 March 1971 when 11 percent of age beneficiaries, 30 percent of widow beneficiaries and 8 percent of invalid beneficiaries had other incomes over \$10 per week; but no age beneficiaries and only 2 percent of widows and 2 percent of invalid beneficiaries had other incomes over \$25 per week. The effect of this approach is illustrated by the following tables:

Table 18

VARIABLE ABATEMENT—MARRIED BENEFICIARY—NO
CHILDREN

Gross Other Income or Earnings	Net Other Income or Earnings After Tax	Benefit	Total Gross Income	Total Net Income
\$	\$	\$	\$	\$
Nil	..	33.00	33.00	33.00
10.00	10.00	33.00	43.00	43.00
15.00	14.66	30.50	46.50	45.16
20.00	19.27	28.00	49.00	47.27
25.00	23.62	25.50	51.50	49.12
30.00	27.57	20.50	51.50	48.07
40.00	35.47	10.50	51.50	45.97
50.00	43.11	0.50	51.50	43.61

Table 19*

VARIABLE ABATEMENT—MARRIED BENEFICIARY—TWO CHILDREN

Gross Other Income or Earnings	Net Other Income or Earnings After Tax	Benefit and Allowances	Total Gross Income	Total Net Income
\$	\$	\$	\$	\$
Nil	..	37.50	37.50	37.50
10.00	10.00	37.50	47.50	47.50
15.00	15.00	35.00	50.00	50.00
20.00	19.67	32.50	52.50	52.17
25.00	24.28	30.00	55.00	54.28
30.00	28.66	25.00	55.00	53.66
40.00	36.56	15.00	55.00	51.56
50.00	44.41	5.00	55.00	49.41
60.00	51.78	..	60.00	51.78

*Footnote to table 14 refers. Table 19 slightly adjusted for tax liability also applies to a solo parent with three children.

37. If these tables are compared with tables 13 and 14 (\$3 for \$4 abatement above \$10) it will be seen that under the graduated abatement beneficiaries with other incomes of up to \$40 are better off, but beyond this point the benefit is less, thus reducing the possibilities of beneficiaries being placed in a better position than working non-beneficiaries.

38. With the \$1 for \$1 abatement however, and because of the effect of taxation, net income would be smaller when other income rose above \$25. This would be a disincentive to additional work. But because so very few beneficiaries would be affected we think that this could be disregarded, especially as the incentive to earn up to \$25 has been increased, and this will affect the greater number.

39. The allowable income and rate of benefit abatement are especially significant for women beneficiaries (with or without dependent children) who can earn substantial incomes, and the disincentive effects of benefit abatement on such people were stressed in a number of submissions. But it is necessary to remember that social security benefits are made available because people are unable to earn adequate incomes. Those who can should. It is not the primary responsibility of social security to provide work incentives, although we agree that disincentives should be avoided as far as possible. We consider that the present arrangements may be overgenerous rather than ungenerous to some beneficiaries. With an allowable income of \$10 a week (calculated on an annual basis of \$520) and abatement thereafter either at \$3 for \$4 (as at present) or at \$1 for \$2 up to \$25 and \$1 for \$1 thereafter (as we suggest in para. 36) we think that this category of beneficiaries—like others—would be quite fairly

treated. In the case of a single beneficiary without children the weekly income level at which benefit would stop would be \$37.50.

40. We realise that if our proposals regarding benefit levels including assistance to families, and the graduated rate of abatement suggested in para. 36 are accepted, the few "widows" with one child earning or having other income over \$15 but under \$21 a week, and those whose other income is over \$25 a week would (at the benefit levels we suggest as appropriate for September 1971) receive somewhat less in total benefits and therefore in total net income. If, however, the other abatement formula (free to \$10 and \$3 for \$4 thereafter) were to be adopted, more beneficiaries would be affected and to a greater extent (up to \$5.75 a week reduction in total benefits). Should this latter method be adopted (which we do not recommend) we consider it would be desirable, if this is practicable, to make an adjustment so that *present* beneficiaries so affected do not have their total incomes reduced. Because of the very few affected the graduated system we recommend may make this protection unnecessary.

Effect on Thrift and Savings

41. We now look briefly at the view that the income testing of categorical benefits discourages thrift and individual savings. We do not believe this is so. As no test of means other than income is now applied, it is possible for potential beneficiaries to build up large assets without affecting the amount of benefit payable to them. Under present rules, an age beneficiary, for example, may have a debt free house *plus* one or more cars *plus* unlimited personal effects *plus* approximately \$10,000 worth of investments earning $6\frac{1}{2}$ percent a year, without either his eligibility for the benefit or the amount of the benefit being affected. Similarly a widow with two dependent children could under present rules have house property, cars, and personal effects *plus* nearly \$15,000 earning 6 percent a year without her benefit being affected. We fail to see how this system can possibly be regarded as constituting a disincentive to save or accumulate capital assets. Many would regard it as too generous.

42. If our proposals about the allowable-income levels and rate of abatement are adopted, the position of income from savings or investments would change somewhat. There would be no effect on the value of non-income earning capital assets a beneficiary could have, but any income from capital would start to affect the amount of benefit at an earlier stage than at present. We do not believe that this will cause any hardship or discourage savings.

43. However, the reduction of allowable income to \$10 a week will, if adopted, affect people who have entered into superannuation or

other savings arrangements which are specifically tailored to fit into social security; that is, to provide the maximum income which will not affect benefit. We do not think that this should deter us from recommending what we consider is best for the country and beneficiaries as a whole. In any case the allowable income limit has been at the present figures only since September 1970.

Special Concession for Income from Friendly Societies

44. At the present time beneficiaries who receive income from friendly or like societies receive a special concession in that up to \$2 a week of such income is disregarded in applying the allowable income test. This is a longstanding concession going back to the introduction of the present social security system in 1939 when the allowable income level was only \$2 a week. Historically the concession appears to have been based on recognition of the pre-1939 role of friendly societies in giving income support to their members, and the desire to avoid the disruption of friendly society help when the wider social security benefit system was introduced. Since then friendly societies have, in most cases, geared any weekly benefits they might pay to the allowable income levels set under the social security system.

45. During our inquiry it was proposed that the present concession should be increased and that a larger amount of friendly society income should be disregarded. We do not agree with this. Indeed, as the allowable income levels are now much higher than they were in 1939, and comprehensive income support is given by social security, we doubt whether there is still justification even for the present concession. However, we recognise the value of friendly societies and have no recommendation to make.

CONCLUSIONS

46. We conclude that:

- (a) *Income tests* are an essential part of a selective system of social security focused primarily on need and designed to meet the standard-of-living aims set down in chapter 3. We believe that income tests are liberal in New Zealand and can be administered with minimal loss of dignity to the benefit applicant.
- (b) *Means tests* do not exist in the New Zealand system except for supplementary or emergency assistance where such tests of special need are unavoidable.
- (c) There is little evidence to suggest that income-tested benefits as administered in New Zealand significantly discourage working or saving, or undermine individual initiative. On the contrary, most of the indications are that they do not.

RECOMMENDATION

We recommend that:

(1) Assuming that our other recommendations about benefit levels (see recommendations (4) to (6)) are put into effect, the present rules under which some beneficiaries are allowed to have other income of \$17 a week and others to have \$13 a week without abatement of benefit, and under which benefits are abated by \$3 for every \$4 of other income beyond these limits be changed so that (except in the case of orphans benefit) :

- (a) There be one allowable other income level instead of two, and this be \$10 a week and that benefits be abated by \$1 for every \$2 in respect of other income over \$10 a week but not exceeding \$25 a week, and by \$1 for \$1 in respect of income above \$25 a week.
- (b) In respect of annual benefits the annual equivalents namely \$520 and \$1,300 be substituted.

Chapter 16. METHODS OF FINANCING SOCIAL SECURITY

General Comments

1. The idea of protecting income through social insurance is of long standing. Such schemes, usually associated with membership of occupational guilds, were working in Europe before Sir Harry Atkinson, Colonial Treasurer, proposed the first New Zealand pensions system (to replace *ad hoc* aid for the poor) in 1882. This envisaged a system of social insurance to cover loss of income on account of accident, sickness, age, widowhood, or orphanhood, but not unemployment. It was to be an actuarial system, except for a subsidy from general taxation to give benefits to existing widows, orphans, and the aged who would not have had time to build up sufficient entitlement. As we noted in chapter 2, Parliament rejected these proposals.

2. One of the objections put forward at the time (and more forcefully in later years by trades unions and labour organisations like the Knights of Labour) was that in times of intermittent work, and where wages were low and family responsibilities heavy, it was simply impossible for a worker to contribute enough to allow him an adequate pension at 65, or to provide for a widow. These remain important objections to a contributory actuarial system.

3. The parliamentary select committee of 1894 recommended a non-contributory old age pension payable at age 65 without reference to a means test, though it made no firm suggestions about how it was to be financed. Seddon's Bill of 1896 modified these suggestions to include a means test and various special taxes to cover the cost. Parliamentarians opposing the measure argued, among other things, that the scheme should be contributory so that the workers who would benefit would meet the cost.

4. In the event however, the 1898 Act when it was finally passed retained the general characteristics of a non-contributory selective scheme financed from general revenue. Broadly speaking, these features have remained in the New Zealand social security system since that time.

5. The 1898 Act was important in laying down future guidelines. First, it accepted the community's financial responsibility for giving an income to those not able to provide for themselves. Second, it set

up flat-rate means-tested benefits based on need and not related to contribution or past earnings. Third, it accepted (more or less) the principle that the terms on which benefits were granted should be known and clearly defined. Fourth, it rejected special taxes in favour of payments from general revenues on a "pay-as-you-go" basis without any funding arrangement.

6. There have, indeed, been some modifications, one of which was the contributory approach to the problem of unemployment in the 1930s. In 1930 an Unemployment Fund was set up into which was paid the revenue from a special poll tax levied on all men over 20, and a contribution of 50 percent from general revenue. The following year the poll tax was reduced and replaced by a proportional tax of $1\frac{1}{4}$ percent on all wages and salaries. In 1932 the general revenue contribution was withdrawn and the proportional wage tax increased and it stood at $3\frac{1}{2}$ percent in 1935. At one stage it had been as high as 5 percent.

7. In 1939 the Unemployment Fund was abolished and a Social Security Fund established. The poll tax was retained, the proportional tax was raised once again to 5 percent, and a contribution from general revenue was reintroduced. The receipts from all these were credited to the Social Security Fund.

8. In 1964 the Social Security Fund was abolished and amalgamated with the Consolidated Fund into the Consolidated Revenue Account. In 1969 the social security tax was eliminated by incorporation into the general schedules of income tax. These changes were of an accounting nature, the general structure of the benefit system being unaffected.

9. The present social security system is therefore financed in the same way as most other kinds of State expenditure, that is from current taxation. Rights to benefit are determined by criteria having no relation to the method of financing them. What any individual may or may not have paid in taxation before the need for benefit is simply irrelevant to the determination of eligibility. Decisions on taxation policy are governed largely by wider economic and budgetary considerations.

10. The New Zealand system of financing social security is one of the least complicated that we know of and envious comments were made often to our members when overseas. Most other countries operate concurrently both the general taxation and social insurance systems.

The Insurance Approach

11. Social insurance draws its main inspiration from private insurance, with its concepts of risk and statistical probability. However,

social insurance schemes have in practice departed further and further from private insurance concepts, because of the social welfare need to cover more people beyond the point where premiums can be related to risks. Once non- or low-contributors are covered at adequate benefit levels the insurance analogy becomes tenuous.

12. This is not to say that private insurance is insignificant in community income maintenance. Occupational superannuation schemes, in particular, are most important. Many industries use such schemes in a variety of forms. Many are simple life insurance policies in the name of the employee giving lump-sum or annuity payments. They are contributory in the sense that the company must make the premium payments on the employee's behalf, but whether part or the whole of the premium is deducted from wages is a matter between the two parties.

13. More commonly there is a pension fund as distinct from individual policies. But again such schemes must be contributory in the sense that money is paid into a fund which is invested and from which lump sums or annuities are paid. It is usual, but not essential, for the contributions to such a fund to be formally shared between the employer and the employee. But, as with taxes, it is impossible to state in precise terms whether (and to what extent) the cost is eventually borne by either party, or by the public as consumers.

14. It was only natural to try to extend private insurance concepts to national schemes. It is quite evident however that, despite its attractions, a national scheme based on private insurance concepts cannot on its own accomplish social security aims.

15. Though many have started out by attempting to do so, no national social insurance system has ever maintained full funding in the private insurance sense or the private insurance principle of giving no more and no less than contributions would entitle the beneficiary to receive. There have been various reasons for this, both practical and conceptual, including the fact that the aims of social assistance are much wider than those which insurance is designed to serve.

16. A fully funded scheme, strictly followed, does not give full pensions until many years after its establishment. In practice, however, most national insurance schemes have been modified to help people who leave the work force before full entitlement. Such people (including the sick or disabled) may then get bigger pensions than they have paid for. The strict insurance concept is further broken down as coverage is extended to include dependent categories who are unlikely to be contributors.

17. It has also been impossible to maintain a strictly actuarial fund. In the United States it was very quickly realised that the full-funding principle gave rise to serious investment problems. Therefore full

funding has been abandoned and the level of the fund has been kept relatively constant for many years despite huge increases in benefit coverage and payments. The financial soundness of the programme is now clearly seen to rest on the government's willingness to underwrite it. It is thus related directly not only to other public expenditures, but also to general fiscal and monetary policy.

18. In private insurance and private pension schemes it is essential to establish reserve funds. This is not so in respect of a national system as the State can always redeem its promises to pay as it has the powers both of creating money and of taxing.

19. Thus in several respects State social insurance schemes stand in sharp contrast to private insurance.

20. The insurance concept has attractions for some people because benefits are paid as of right, and means tests are irrelevant. But this can only be of advantage to those who are able to pay the necessary premiums and, for retirement pensions, to pay them for a long enough period. It is inevitable that some will not be able to do so and that they will have to be assisted in some other selective way. In practice insurance-based schemes have not been able to eliminate selective income tests.

21. We consider from our inquiries that the insurance approach has a positive disadvantage—its tendency to inflexibility. The closer the insurance concept is adhered to the more strictly must benefits be kept within the terms of the "contract". To change or expand benefits as may be needed requires changes in the "contract" and in the premiums payable. This may not easily be achieved, the degree of difficulty varying with the very many different insurance structures which can be employed. We are satisfied that our present system is more readily responsive to necessary change.

Funding

22. As we have said a State system does not need a fund but some people consider that a fund is desirable. A group of American writers have spoken about the United States' situation thus:

Perhaps the only argument for continuing the trust fund as an institution is that the public might misinterpret any action to alter its apparent character. The trust fund arrangement is part of the image of social security and has had an important role in making it acceptable to the people. The public might construe any major changes in the trust fund as an indication of congressional intention to renege on its commitment to provide retirement and disability benefits as a matter of right.

23. As already noted, New Zealand has never had such a fund in the same sense. The so-called "Social Security Fund" was an accounting arrangement and its disappearance in 1964 went almost unnoticed

and had no effect whatsoever on the system. It was accepted that a "fund" was not essential to the meeting of future claims. It has been argued that, even though a fiction in terms of public finance, a "fund" or "account" which records benefit payments on the one hand and the proceeds of a special tax or contribution on the other, would remove social security benefits from politics. But fund, or no fund, we do not agree that social security can or ought to be separated from the political process. The authorisation of social security expenditures, contractual obligations apart, must finally be a political decision open to public view and to public debate.

Effect on Savings

24. Again, it is often argued that a contributory social insurance system operated by the State increases the rate of savings. It is true that, on the analogy of a private insurance funding, there is an apparent increase in savings shown by the rising monetary value of the pension-fund reserves. But it is by no means certain that the rate of savings for the economy as a whole will be any greater. The establishment of such a scheme may simply be accompanied by reductions in other private savings through pension plans, insurance policies, savings bank accounts, and so on, with little or no effect on the rate of private consumption. Moreover, it is likely to result (as it has in at least one case overseas) in a shift from the diffused ownership and control of savings in the private sector to State or semi-State lending institutions.

25. In any case whether this happens or not, any contributory State pension scheme should be judged on how effectively it can deal with the problem of giving money income to present and future dependants. If it is deficient in this (which is our view), its side effects (for instance, on savings) are irrelevant.

Earmarked Taxes

26. It is often argued that certain taxes should be set aside for social security expenditure, as is done in a number of overseas countries. While the designation of a tax for a special purpose may have certain psychological implications, it has little significance in determining what will, or will not, be spent by a Government in a particular policy direction. The existence of such a tax does not compel a government to apply all of the proceeds to the stated purpose. Nor does it prevent a government from spending more on that purpose than is received from the tax. These decisions are made by the normal political processes which must take account of very many other things, including the effects of taxation on the redistribution of income. Thus specialisation of taxes is ineffective in determining what will or

will not be spent. But if it were effective, there could be undesirable results. The tax may yield more than is needed for its purpose, so that spending all of it may well be a misallocation of resources. Or it may yield less, in which case less would be spent than a proper and complete assessment of needs, priorities, and resources would show to be desirable.

27. Earmarking tends to inhibit the kind of assessment essential for the efficient administration of public finances. The unemployment tax and Unemployment Fund established in 1930 might teach a lesson here. Lack of finance, as shown by the yield of the tax (itself reduced by depressed activity), and the 50 percent contribution from general revenues was the reason often given for the failure to provide adequate sustenance payments or work for the unemployed. The fund and the tax were a hindrance rather than a help because they tended to reinforce the restrictive contemporary concepts of public finance—in this case the idea that a Government not only *could not* but in terms of “sound finance” *ought not* spend more than came into the fund.

28. Tax earmarking has been advocated also on the grounds that if a particular tax exists, and is specifically directed to social security, then it will act as a brake on excessive public demands. People will see clearly, it is argued, that an expansion of benefits must be paid for through a rise in the tax. The 1938 National Health and Superannuation Committee in recommending the 5 percent social security tax expressed the view thus:

As public opinion requires further provision to be made for those who suffer from the contingencies of life, so it will balance the provision to be made against the necessary charge on the national income with a sense of responsibility and control that would not be present were the cost to be met from the Consolidated Fund.*

Similar views were expressed in several submissions to us.

29. There is no evidence at all that the social security tax had any effect in keeping down the demand for social security services between 1938 and 1969. We think that such a demand must in any case be satisfied to the full extent that the relief of need requires.

30. Some people believe that with a tax “earmarked” for social security, and rights to benefits acquired by paying that tax, it would be easier to raise additional revenue for social security improvements. It is true that some overseas governments regard this as one of the advantages of national insurance schemes. But we do not think that the effect hoped for would be obtained in New Zealand. Under any system considerable increases in expenditure in one direction must call for decreases in another or for increased revenue; and if increased

*Report of the National Health and Superannuation Committee, 1938, para. 119.

revenue is needed we do not think that public opposition would be lessened merely because the tax was earmarked for a particular purpose. In any case we see social security as being an integral part of the national fabric and we see no virtue in trying to separate it.

CONCLUSIONS

31. Our general conclusions are that :

- (a) We are satisfied that New Zealand has nothing to gain by changing to an insurance basis which could not eliminate the need for selective income tests for many people and would be less flexible than our present system.
- (b) To base benefit rights on contributions could not solve the social welfare problem of ensuring an adequate standard of living for those who have little or no capacity to contribute.
- (c) Because any system based on insurance or specific contributions must, therefore, be underpinned by a selective, tax-supported system expenditure cannot and should not be removed from political control.
- (d) The present practice of financing social security and health benefit expenditure from general revenue should be retained. Specifically we would be opposed to the revival of the separate social security tax or fund.

Chapter 17. THE GUARANTEED MINIMUM INCOME APPROACH

NEGATIVE INCOME TAX

1. Economists and social welfare theorists, especially in the United States, have recently given much attention to the possibilities of simplifying and consolidating social security measures under one broad income-maintenance programme. The best known example of this approach is named "Negative Income Tax".

2. In this, income transfers *from* the Treasury to the individual or family are arranged through the taxation rather than the social welfare system. The tax system is used for revenue collection, income redistribution, and income support. Some people pay income taxes, others receive income subsidies, or "negative" taxes. The minimum income levels below which subsidies would be received and above which taxes would be paid could be chosen by standard-of-living criteria, a percentage of some wage level, or any other formula and would need to take account of family size.

3. There are so many variations of negative income tax being discussed abroad that we cannot mention them all in this report. All, however, have common features.

- (a) A desirable minimum income has first to be determined for families of various sizes. Then a decision has to be made as to what proportion (being the whole or less) of the difference between actual and minimum incomes is to be provided by the community.
- (b) Eligibility for negative tax would depend solely on proof (or declaration) of income deficiency. All other criteria (age, disability, widowhood, solo parenthood, etc.) would be irrelevant (although such circumstances could be covered by supplementary systems). Rights to help would be established by need measured in terms of income deficiency.
- (c) The household would establish its need for income assistance through income tax returns. These would probably have to be filed quite often. Considerable review and adjustment would be needed to take account of variations in earnings and unexpected income.

4. The advantages claimed for negative income tax systems may be briefly summarised.

- (a) It is a logical extension of the income tax system, because if a positive capacity to pay taxes produces a flow of revenue to

the State, a negative capacity should produce a contrary flow of an amount sufficient to enable citizens to reach a reasonable standard of living.

- (b) It makes unnecessary the proliferation of benefit categories and eligibility rules, and also the variety of programmes (which in many countries form a very untidy and unwieldy social security package).
- (c) It would lead to closer co-ordination between income-maintenance and taxation policies.
- (d) It is truly comprehensive, in that all who need help are covered, and not only those who fall within "categories". This has a special attraction in countries with severe unemployment, or where there are extreme variations in earnings and sometimes no effective minimum-wage provisions.
- (e) Stigma is reduced or eliminated because both taxpayer and negative tax recipients fill in the same form, and there is no "application" for help.

5. It is important to bear in mind that negative income tax is at present only a theory not yet put into practice*. It is the subject of experiments in the United States, and of argument and debate there and elsewhere. Consequently there is no firm experience indicating advantages or disadvantages over the present (or some other) system in New Zealand.

6. If any such scheme were introduced the minimum-income level should, in theory, be linked to the level of personal income tax exemptions, and those for dependants. Much of the American literature on the subject assumes that the two levels would be the same. In New Zealand, however, the income tax exemptions are very low and are not related to need or to more general social-welfare concepts of income maintenance. If we compare them with social security benefits we find the following situation:

Table 20

TAX EXEMPTIONS AND SOCIAL SECURITY BENEFITS

	Tax Exemption	Social Security Benefit (June 1971) Per Annum
	\$	\$
Single person	275	832
Married couple	550	1,508
Married couple with 2 children	820	1,742 ¹
Widow with 2 children	680 ²	1,586 ¹

¹Excludes family benefit.

²Includes special hardship exemption.

*The recently enacted British legislation covering assistance to low-income earners with dependent children, and the Family Assistance Bill now before the United States Congress, are in many ways related to the negative tax approach.

7. Clearly in New Zealand a negative tax system based on income tax exemptions could replace the various social security benefits only if the level of income tax exemptions were substantially increased. But to raise them to a level remotely related to even a minimum subsistence level of income (and to maintain anything near present revenue) would require a large increase in the starting and subsequent income tax rates, unless there were compensating revenue variations by way of other taxes or reductions in Government spending.

8. It is perhaps not essential that the sum of income tax exemptions be used as the minimum income level for a negative tax system, or vice versa. There could be two different levels, one to govern tax collection, and one to govern negative tax or income maintenance. This would lead to anomalies and complexities, including the "put and take" situation in which those whose incomes were above the tax-exemption level, but below the minimum-income level, would at the same time qualify to pay income tax and also to receive subsidies in the form of negative tax.

9. Bearing in mind that the present social security system also gives such help as emergency benefits and supplementary assistance, it is very difficult to see how a negative tax could completely replace the whole social security structure. (This is certainly not attempted in the schemes referred to in the footnote to paragraph 5.) Even the most sophisticated negative tax structure would be far too insensitive to variations of need to perform the functions of these elements of our system. But the main weakness as we see it is that categories are assumed to be unnecessary. This can be only true if the community is prepared to give the same assistance to the man who decides to retire at 55 as it is to an older man; or the same to the "work-shy" as to the incapacitated. We do not think that this will be found to be practicable. This obstacle may not loom large in the context of very high rates of unemployment and underemployment and with negative tax levels set so low that the inducement to work and earn is strong, but the adoption of such low levels would not meet our objective of adequacy.

10. There are many complex technical problems as well. Two of these are most important—how to define "income", and how to determine what proportion of the difference between actual income and the desirable level should be paid as "negative tax". We think it unnecessary to discuss them because as we see it the negative income tax techniques could not under present conditions effectively replace the New Zealand categorical system.

11. There are however some other general points that should be made:

- (a) The adoption of a negative income tax system would involve radical changes in the whole New Zealand tax system, which in turn could have very significant and widespread effects on the economic structure.
- (b) The negative income tax theory does not overcome problems allegedly associated with the testing of income and/or means. It is of course basic to the negative income tax approach that income deficiency and benefit eligibility be properly established by investigation. The community is still divided into those "poor" enough to qualify for help, and those who, sometimes by only a narrow income margin, are classified as "not poor".
- (c) Difficulties would arise in deciding what should be the tax-paying and subsidy-receiving unit. The family would be a natural one under a negative tax approach, but this has not been generally accepted for taxation purposes, and New Zealand adheres to taxing the individual.
- (d) The question of immediacy brings with it a very strong practical difficulty. If a family's income ceases suddenly, any relevant public help is needed quickly to avoid hardship. Even if income tax returns were submitted monthly instead of annually, some supplementary, interim help would be needed. To fit this into our present PAYE income tax structure is likely to involve great administrative difficulties.

CONCLUSION

12. Whatever relevance the negative income tax approach may have in dealing with the complexities of social welfare action in other countries, we must conclude that it is too inflexible and insensitive to income-maintenance problems to be acceptable in New Zealand, where most families do (and should) receive enough money from working to maintain a reasonable standard of living. Social security cannot be a substitute for a fair-wage system.

Chapter 18. EARNINGS-RELATED SOCIAL SECURITY BENEFITS

INTRODUCTION

1. We in New Zealand are accustomed to flat-rate social security benefits. People deprived of income through any cause receive the same benefit as others in like position, irrespective of their previous incomes. We have never had any other system, so we tend to accept it without much criticism.

2. But in many other countries the predominant systems are different. Benefits are, in greater or less degree, related to a beneficiary's previous earnings. Moreover, there has been an apparent trend towards bringing benefits closer to past earnings especially in those countries which already have insurance-based schemes. Paul Fisher, reporting on 1967-69 trends to the General Assembly of the International Social Security Association in September 1970 said (p. 23) :

We previously discussed in brief the fact that shifts in the composition of the labour force, the rise in the income level, the extension of social security coverage to the self-employed and other factors substantially increased the proportion of middle and high earnings among the covered population in the affluent societies. Those higher earnings find a ready expression in income-related benefits. It would seem that the economic progress made by the great masses of insured requires more than an egalitarian payment, increasingly less related to a subsistence minimum, and seeks a pension which maintains for the pensioner a significant part of the pre-retirement income and the same status in the social hierarchy which he held when he was economically active.

3. It is not surprising, then, that interest in New Zealand should follow this trend. We received a number of submissions which discussed the concept, including those from the Federation of Labour and the Combined State Service Organisations (the two largest employee organisations), the Religious Society of Friends, the New Zealand Association of Social Workers, and a group of staff of the Department of Social Administration and Sociology of Victoria University of Wellington. Some of these submissions merely sought investigation of the principles involved, others urged their adoption.

4. Another development which would have directed our attention to the question of earnings relation was the 1967 report of the Royal

Commission on Compensation for Personal Injury which recommended that compensation for loss of earnings through injury be earnings-related. We shall deal with this more specifically later in this chapter.

5. We would in any case have found it necessary to consider relationship to earnings among other principles of social security. In chapter 3 we considered the principle of "Continuity or security of economic status" among others and doubted whether the community should be primarily responsible for this. We gave priority to need and belonging.

6. However, the concept of income-related benefits is obviously highly attractive at first sight and therefore appeals to many people. But such people rarely have the time or resources to investigate the concept in full depth. It is only when it is so investigated that the deficiencies and difficulties emerge in their real strength. We try to give it full examination in this chapter.

ARGUMENTS FOR RELATIONSHIP TO EARNINGS

7. From the submissions made to us, from the considerable literature, and from our study of overseas systems, we summarise here the main arguments for relationship to earnings. We consider them in detail later in the chapter.

Equity Principle

8. The argument from this briefly states that "equal" flat-rate benefits do not in fact provide equity when one person has lost only a low wage and another who has lost a much higher one has therefore to accept a much greater reduction in his standard of living. What the advocates seek is *compensation* for lost earnings.

9. Accept the equity principle and one accepts that *need* is not to be measured against a general standard of living, but against the individual's previous standard of living; that *belonging* is meaningless for the individual if he ceases to belong to that stratum of society in which he has made his life. Thus the "belonging" objective, it is argued, is reached only by an earnings-related system.

Abolition of Tests

10. It is also argued that income or means tests would not be needed because earnings-related schemes have traditionally been financed on an insurance basis where the right to benefits have been earned by virtue of contributions.

11. But we have already concluded (chapter 3) that New Zealand has nothing to gain from changing to an insurance basis. We have also concluded (para. 5 above) that "need and belonging" should be the primary aim.

Parity with Superannuation

12. It was argued that a compulsory, national earnings-related scheme would allow everyone to have the same advantages as those in occupational superannuation schemes. We sympathise with this, and indeed with the general aspirations of the earnings-relation concept. But whether the community as distinct from the individual can or should shoulder this responsibility is a much wider question.

OVERSEAS EARNINGS-RELATED SYSTEMS

13. It is important to remember that the classic earnings-related systems started as insurance systems based on a private insurance analogy. But two quite separate and distinct insurance principles are involved:

- (a) For retirement from the work force (either through age or permanent disability), the "fund" principle applies. What a person can draw out depends not only on what he pays in each year but on how long he has contributed. The New Zealand Government Superannuation Fund follows this principle with the result that a full pension is gained only after 40 years' contribution.
- (b) For short-term separation from the work force (such as sickness or injury), the "risk" principle applies. Each year's outgoings (in earnings-related benefits) must be paid for in general by the same year's premiums. The benefits paid to those who qualify for them are paid for, by and large, by those who pay premiums or contributions but do not have occasion to make a claim.

In most national "social insurance" systems these two principles tend to be mixed together, and they are inevitably diluted or supplemented by some form of support from the State or from taxation. Nevertheless it is important to bear them in mind.

14. We give brief details of earnings-related schemes in three of the countries which we have studied to illustrate some of the matters to be considered.

Sweden

15. The Swedish system derived from a multiplicity of insurance schemes, and absorbed them. So far as earnings relationship is concerned, we need mention only those relating to pensions for the aged, and to sickness benefits.

16. There is a basic retirement pension not related to previously earned income. This is financed from taxation, and for a single person would be about 30 percent of the average industrial wage. A national

supplementary pension scheme was introduced in 1960. It aims eventually to build up retirement income to two-thirds of the average of the best 15 years' earnings. The scheme will mature only after 30 years' contribution. The contributions are paid by *employers*, and a very large fund is being built up against maturity. Although contributions are based on the total payroll, earnings above a certain ceiling do not qualify for further pension. The ceiling is about twice the average industrial wage.

17. Health insurance is compulsory (but those with very low or no incomes are not eligible), and as well as medical and hospital benefits provides an earnings-related sick-pay benefit which, within a minimum and maximum scale, is equal to about 80 percent of previous disposable income. It is financed by a special income-related contribution or tax.

18. The costs of social services (including medical and health but excluding education) are high. We understand that 16 percent of the gross national product is absorbed compared with 10.5 percent in New Zealand. We calculated that a single person receiving the average industrial wage would pay about 43 percent of this in taxes and contributions. This does not include any contribution for his supplementary pension, which the employer pays, and which presumably finds its way into prices.

19. Although Sweden has a deservedly high reputation for its social services and social legislation generally, there is yet some questioning of the effectiveness of the social security system and of its high cost to contributors. About 4 years ago a "low-incomes commission" was set up because there still seemed to be significant groups of people in poverty and it was suspected that the poverty gap had widened.

Canada

20. The Canada Pension Plan (C.P.P.) introduced in 1965 a two-tiered retirement insurance scheme, the second or upper tier being earnings-related.

21. The first tier is a universal old-age security benefit at a very low level—about 16 percent of average wage rates. Those with very little other income may receive an income-tested supplement, and may also receive means-tested social aid from the provinces.

22. The C.P.P. is designed to provide a second tier for those with moderate earnings. They will pay 1.8 percent of earnings, supplemented by 1.8 percent from employers, but only up to a comparatively low ceiling of earnings—probably less than the average industrial worker's wage. The proposed benefits are set at a maximum of 25 percent of the earnings averaged over the whole of the contributory

period, but adjusted for inflation. The maximum will not be reached until 10 years from the introduction of the scheme, and even then, when added to the universal benefit, will not provide a satisfactory earnings-related retirement income for those with above-average earnings. It seems extremely likely that the present ceiling will be steeply increased.

23. It is also clear from the Canadian Government's 1970 White Paper "Income Security for Canadians", that it was not intended that the C.P.P. should replace occupational superannuation. Rather, these private pension arrangements and private savings were seen as a *third* tier, still necessary to "prevent retired people [including their survivors and those retiring prematurely through disability] from falling into poverty".

United Kingdom

24. The "Crossman Plan", put forward by the Labour Government in 1969, attracted widespread interest, and undoubtedly stimulated some of the submissions made to us. It was no doubt intended to remedy some of the deficiencies of the existing national insurance (which included a voluntary earnings-related supplement) and was designed eventually to absorb both national insurance and supplementary assistance, and was to be financed from earnings-related contributions with an 18 percent State subsidy. Critics asserted that while contributions would be comparatively high, the relationship between benefit and past earnings would be relatively low.

25. Although "funding" was rejected in favour of a "pay as you go" basis, there was to be a lengthy time-lag before full benefits accrued. This attracted criticism; and there was controversy over the effect on existing occupational superannuation schemes, illustrating some of the difficulties of trying to graft earnings relationships onto national systems which have developed on different lines.

26. With the change of government in the United Kingdom the "Crossman Plan" was dropped. As we noted in chapter 14, the present Government in 1971 issued a White Paper "Strategy for Pensions" on its intentions covering the future development of State and occupational provisions for retirement, incapacity and a number of other circumstances. The Government, it appears, aims at a State basic scheme which will provide flat rate benefits paid as of right in return for earnings related contributions with certain "selective advantages for categories of social need" and, in addition, a State reserve scheme which will enable employees without access to occupational provisions to supplement the basic benefits—again by right of contribution but without any subsidisation from Government. The proposals, like the Crossman Plan, had to take account of the existing national insurance

scheme started in 1948. Their form reflects this. The White Paper observes that in the United Kingdom the number of pensioners is rising faster than the number of people at work, and that there has been a remarkable growth since 1948 in the provision of occupational pensions. It says that the time has come "to welcome them [occupational pensions] into full partnership with the State scheme and to develop the scope they offer for greater independence in retirement". So far as we know, legislation to introduce the scheme, which is only outlined in the White Paper, has not yet been presented to Parliament and the aim is to introduce the main structural changes in 1975.

THE CHOICE BETWEEN FLAT-RATE AND EARNINGS-RELATED BENEFITS

27. It may now be useful to summarise the main differences between flat-rate and earnings-related schemes.

28. A flat-rate system seeks, through income support financed by the community, to ensure that no person or family fails to reach an adequate standard of living related to general community standards rather than to past earnings of individuals. An earnings-related system tries to replace an individual's earnings, or compensate him for loss of earnings.

29. The "adequacy" of benefits is defined quite differently in each. A flat-rate system should define it in terms of the "belonging" aim, with "need" being judged as the difference between a prescribed minimum and an actual level of individual income. An earnings-related system defines adequacy in terms of amount of earnings (not income) lost, with "need" being assumed by this fact alone, and benefits thus being varied to match various *individual* earning levels.

30. Before we consider the case for and against, we should make it clear what issues we have to decide. We begin by stating our belief that it is reasonable, indeed praiseworthy, for people to wish to maintain their own and their family's standard of life in the event of their becoming unable to earn. We agree with a Swedish statement that "the individual's demand for security and social care rises with his affluence. Once a high standard of living has been achieved, there is more reason to aim at greater security rather than further increases in standard. The man who has much to lose has correspondingly much to protect, and he wants to guarantee that he will not find himself in financial difficulties that may devastate his home and family life". (*Social Policy and How it Works*, Stockholm 1969).

31. The issue is not whether we adopt an insurance basis for social security for we have already concluded that we should not. But an earnings-related benefit system *could*, like the present flat-rate system, be financed by general taxation.

32. Nor is the issue necessarily one of "all or nothing". One could apply earnings relationship only to certain benefits like sickness or unemployment and not to others. But we will at first consider it in relation to the whole range.

33. The main issue, as we see it, is whether the community should be responsible for maintaining the past individual economic status of those who through age or other disability lose earning power.

34. The "equity" principle ("the greater the loss, the greater the need") must itself be approached with some reserve. There can be "equity" in preserving income differentials only if there was "equity" in the differentials themselves. But differentials in market earnings are based on ability to take advantage of the market rather than on considerations of equity.

35. Loss of earnings can be only a crude measure of need because earnings themselves are only a crude measure of the standard of living attained. They take no account of family responsibilities, which themselves vary over the life cycle. They take no account of other income or the possession of capital goods and amenities.

36. Moreover the "equity" principle, if adopted, could lead to extensions of community responsibility which have not hitherto been contemplated. For instance, is the community responsible for the economic status of a highly paid executive who, "for whatever cause", loses his position? Though still able to work, at much lower wages, he has certainly suffered a considerable loss.

37. It is very important to consider who stands to benefit from an earnings-related system as compared with a flat-rate system. In comparing the two, we must postulate that the flat-rate benefit would be enough for our "belonging" aim. It follows that the only people who could benefit from the most liberal and least restricted earnings-related system would be those whose earnings are, and have been, above the level with which the flat-rate benefit is proportionately aligned.

38. No one would benefit whose earnings have been at or below that level, or who had never been able to earn. And unless the scheme were applied at enormous cost and difficulty to those who had not contributed to it, no present beneficiaries and no short-term contributors would benefit.

39. But all these people would have to be looked after. Unless their present benefits were reduced, perhaps by replacing the

“belonging” aim with one based on subsistence, the cost of caring for them would remain the same as at present and would have to be added to the cost of providing earnings-related benefits.

40. It is, by definition, the aim of the earnings-related proposal that some should obtain greater benefits than others, and indeed that many would obtain benefits who do not now qualify because of income tests. It follows that there would be a very large increase in the cost of benefits. This must be paid for, whether by insurance premiums, other direct contributions, or by taxation. If we assume that the cost will fall on those who are going to benefit, and this is by no means certain, we are faced with the question whether the community has a right to compel individuals to provide in this particular way for their old age, or for sickness and other eventualities.

41. Some may not wish to make such provision. They may prefer to spend their extra money on a higher standard of living now, on educating their children, on buying a house. Indeed some State-employee organisations succeeded some years ago in lessening the compulsory contribution provisions which then applied to the State superannuation funds. And many who are now eligible do not choose to contribute to these funds to take advantage of the earnings-related benefits which they offer.

42. But if most people in a nation want an earnings-related scheme, then its compulsory imposition may possibly be justified on democratic principles. In the absence of clear evidence of such majority desire, it is difficult to see by what right the State can make an individual contribute towards his future to an extent beyond that of ensuring that he will not become a burden on the community. Even more difficult is it to perceive the right justifying a State decree that citizen A must lower his current standard of living in order to maintain citizen B at a standard which is better than A is able to reach. As Seldon puts it:

The community is hardly obliged to keep a retired skilled worker in a larger car than a retired semi-skilled worker, or a retired office manager in smoked salmon because he was accustomed to it.*

43. Many people of course want more in retirement or disability than a flat-rate system can give. They can already provide for this in many ways, and many do so. These include: private savings and investments, with the acquisition of capital goods; private voluntary insurance, including the purchase of annuities; occupational superannuation and sick pay schemes, which are usually subsidised by

*Arthur Seldon, *The Great Pension “Swindle”*, Tom Stacey Ltd., London, 1970, p. 88.

employers. People may well prefer to use these to suit their own personal circumstances and needs. Is the State to deprive them of their choice?

44. The introduction of a compulsory national scheme must inevitably affect present schemes. Few people could pay the extra taxation (or other contributions) and still maintain present investments in such things as insurance policies or occupational superannuation.

45. Some of those who advocated an earnings-related scheme apparently assumed that the full benefits would be immediately available, so that those separating from the work force after say only 1 year's contribution would receive benefits related to their earnings. This, of course, is extremely unlikely in respect of those retiring within a short time of having entered the scheme. As far as we know it has never been done overseas. It would mean, in insurance terms, abandoning the "fund" principle for the "risk" principle which is more appropriate to short-term separation like accidents. But in the unlikely event of such a scheme being introduced at a worth while level, those who had been contributing to superannuation funds for years to secure continuity of economic status would realise that this could now be achieved under the national scheme, and to avoid the very heavy double cost would, in many cases, wish to withdraw their contributions, with disastrous effects on the funds—an extreme example which illustrates the problem.

46. On the other hand, if the "fund" principle is retained, and people have to contribute for years before they can get an earnings-related benefit, the advantages for many present wage-earners are illusory. On leaving the work force they would find their incomes insufficient to maintain them, and would have to turn to social security. Although their inadequate earnings-related pension would not be subject to an income test, any additional social security assistance would be. Thus it can be seen that relationship to earnings does not of itself give any present relief from income or means tests unless the earnings-related scheme itself provides as of right, a minimum which is equivalent to an adequate flat-rate social security benefit. This would involve a very high cost.

47. As to the future, 10, 20, or 30 years hence, an earnings-related scheme can avoid income tests for those who in the meantime are able (and compelled) to contribute long enough and at a high enough rate to earn adequate benefits. But it cannot even then relieve from income tests those people who are unable to do so because of low or intermittent earnings, or because they are not in the work force.

48. We saw, in our study of overseas systems, that earnings relationship could exist in many different forms, and in many combinations

with other types. Most forms fixed some maximum on the benefit thus reducing, for the higher earners, relativity with past earnings. Minimum benefits were often prescribed for those with low or erratic earnings, and even for those with no earnings. These extra costs could be covered from higher specific contributions or from general taxation. The costs of an earnings-related system must be greater than the costs of a comparable flat-rate system because of two inherent factors: first, that some benefits are higher; and second that to a greater or lesser degree benefits are freed from income or means test. An earnings-related scheme will overcome the problems which it faces only to the extent that these extra costs are met, and our study of overseas systems brought home to us the fact that the cost to individuals, whether in terms of contributions or taxes, will inevitably be high relative to the advantages gained and the proportion of past earnings maintained.

49. Because of this, pressure will build up to save costs by holding down minimum benefits. To the extent that this occurs, the "belonging" aim will have been sacrificed to the "continuity of economic status" aim. We maintain that the former must have priority.

50. Conversely, if the former retains its priority, every rise in the flat-rate benefit level will automatically help a great many of the people who could get some advantage from an earnings-related scheme, but at much less cost to the community.

51. Income-related benefits fall more readily into the economic structure of some countries like Russia, where the entire production of the country is taken by the State to be allocated as it thinks fit. Pensions are there essentially an extension of wages (or State determined income) and these are in their turn part of an economic plan. Nor is the cost element so obstructive in a number of countries where a very large percentage of the married women of working ages are employed in commerce and industry with the result that most homes are two or more income homes. In such countries, high contributions (in many cases the combined tax and social security insurance contributions total 50 percent of a worker's salary) are possible. But the situation is different in New Zealand with only 20 percent of married women engaged in the work force (1966 census). The pattern of New Zealand is still one of one-income families, and the high contributions which an income-related system necessitates would prove an intolerable burden on such families unless the minimum benefits are kept very low, and the maximum fixed at a level so low that it will be unattractive to many of those called upon to supply the bulk of the funds needed. We expect that this employment pattern will change and further examination will be called for but we must deal with the present and the reasonably foreseeable future.

THE COST OF AN EARNINGS-RELATED SCHEME IN NEW ZEALAND

52. To complete our inquiries we obtained some estimate of what it would cost to introduce a general earnings-related scheme to New Zealand.

53. We asked the Social Security Department to prepare an estimate of the cost of extending earnings relationship over the whole field of social security benefits, using as a benefit formula the 80 percent of past wages (after tax) suggested by the 1967 Royal Commission in its dealing with the personal-injury scheme. The department recognised that there was a wide margin of probable error due mainly to the impossibility of gauging accurately how many people in the various categories would qualify for earnings-related benefits, and the size of the earnings on which individual benefits would be calculated.

54. Subject to these substantial reservations, the department estimated that at June 1971 the extra annual cost of giving earnings-related benefits at the 80 percent level (excluding family benefit and income-tested war pensions) would be \$320 million even allowing for tax recovery. Thus with the inclusion of family benefits (at current rates) and other social security cash benefit expenditure (but excluding medical and health benefits), the total cost of benefits would rise from the present \$298.7 million (see appendix 10) to \$618.7 million.

55. Even discounting this estimate by as much as 20 percent, the increase in social security benefit costs to be met by extra employee-employer contributions, or by increased taxation, or by curtailing other Government expenditure, makes the proposition quite impracticable on grounds of cost, even if it were favoured on all others.

56. The Social Security Commission suggested that the cost could be reduced by lowering the percentage of past earnings offered and retaining the flat-rate scheme as a base. Such a limited scheme might, it was thought, satisfy any future strong public demand to apply the earnings-related insurance concept to all or most categories of dependency.

57. The idea would be (as in the case of the Canada Pension Plan) to provide a small earnings-related benefit (say 10 percent of lost earnings for single men, and 20 percent for married men with provision for survivors) as a supplement to the flat-rate social security benefits which the individual earner might qualify for. People leaving the work force who did not qualify for a flat-rate benefit (for example, because of an income test) would however receive the small earnings-related supplement.

58. The Social Security Department tried to cost such a scheme, and prepared an estimate, again subject to a wide margin of error. If the supplement were paid to present beneficiaries as well as to other people who do not now qualify for income-tested benefits, the cash cost of benefits (excluding family benefit and income-tested war pensions) would rise by \$110 million from \$266 to \$376 million.

59. It would be a very limited scheme giving, on earnings of \$60 a week, an extra \$12 a week for a married man and \$6 a week for a single person or married woman who was earning, over and above any income-tested benefit for which they might qualify. The total benefit would thus represent a fairly high percentage of earnings (75 percent for a married man) at this level, but it would fall in comparison with higher earnings, for example, 47.5 percent where earnings were \$120 per week. It raises the inevitable question of whether, even discounting the estimate cost by as much as 50 percent, the extra revenue needed might not be better spent in areas of proven need.

60. Nevertheless we must make it clear that it would not be impossible to build an earnings-related system for the whole New Zealand social security field. But we think such a system unnecessary, and in many ways undesirable. Therefore we do not recommend the change. In these circumstances it is not our task to investigate the many different ways in which it could be done. We discharge our duty if we emphasise that no country in our situation should make the change in ignorance of the inherent problems involved.

61. Although we consider that the community is not responsible for giving earnings-related social security benefits, it may be responsible for ensuring that individuals have reasonably equal opportunities for providing for their own economic status. Excellent opportunities for occupational superannuation are at present available to the employees of the State, local authorities, banks, insurance companies, and very many other organisations. But many other employees have much inferior opportunities. We have not thought that this Commission is required or is competent to say how the matter can best be remedied.

62. We would however draw attention to the fact that, in the National Provident Fund, New Zealand has an institution which could be made to serve this broad purpose, and we have no doubt that a competent committee could quickly devise ways and means to extend its use and meet the needs of many people at very little cost to the community. We have formed the view that too little advantage has been taken in the past of the role which this institution could fill. We draw attention, as we have earlier in this chapter, to the recent proposals of the United Kingdom Government contained in its White Paper of September 1971—in particular to the suggested

state reserve scheme to enable employees without access to occupational superannuation to supplement their basic benefit entitlement and thereby to achieve greater independence in retirement—and to the similarity between what is there proposed and what we now suggest could be accomplished by an extended use of the National Provident Fund organisation with or without subsidy. We think that this is a matter which should receive early consideration by the Government.

THE SYSTEM OF COMPENSATION FOR PERSONAL INJURY AND ITS IMPLICATIONS FOR SICKNESS

63. In December 1967, the report of the Royal Commission on Compensation for Personal Injury in New Zealand was published. This was followed in 1969 by the presentation of a White Paper to Parliament, and in 1970 by the report of a parliamentary select committee. These investigations too stimulated interest in New Zealand on whether the earnings-related compensation principles they affirm could, or should, be applied to the wider field of social security.

64. There is no need in this report to spell out in any detail the recommendations of the 1967 Royal Commission or of the parliamentary select committee. It is essential however to draw attention to certain main points which must be taken into account when considering the relationship between compensation for personal injury and social security policies.

65. The 1967 Royal Commission was set up mainly because of legal dissatisfaction with the law's mechanism for determining responsibility and monetary compensation for injury suffered by an employee in the course of his employment, and by the general public in a highway accident involving the use of a motor vehicle. Initially, at least, the agitation for this inquiry was not prompted by broader sociological thinking.

66. The Warrant establishing the 1967 Royal Commission in fact restricted the inquiry to the question of compensation for injuries "arising out of accidents (including diseases) suffered by persons in employment". It did not cover injuries from highway accidents, nor those to workers outside their employment. But in the course of its inquiry the Royal Commission found it desirable to extend its examination to all accidental injury however caused and wherever sustained, and in its report it advanced a scheme for compensation which could be applied over the very much wider area. Its report was criticised on the ground that the Royal Commission had gone far beyond its order of reference and had considered matters which were not open to it. But the parliamentary select committee to which

the report was referred has recommended that with some modifications the scheme put forward in the report be adopted in so far as it would apply to all accidental injuries to wage earners, wherever sustained, and to all those sustained by the public through the use of a motor vehicle on the highway. Thus the select committee confirmed the Royal Commission's view that something wider than a compensation scheme for industrial accidents was needed, though it did not go as far as the Royal Commission implied would be possible.

67. It is essential to appreciate that what the Royal Commission, and later the select committee, propose is a system for the measurement and payment of *compensation* covering all the consequences of an accident—economic loss, pain and suffering, and loss of enjoyment of life. Economic loss will of course include loss of earnings, and one of the major proposals is that the compensation for this loss should bear a direct proportional relationship to the salary or wages which the accident interrupted.

68. The scheme is intended to replace certain long-established legal rights to compensation for industrial accidents (whether by way of damages based on fault on the part of the employer, or by way of workers compensation in other cases), and for highway injuries where negligence can be established. It is important to remember that compensation for economic loss under existing rights is itself "earnings-related" although measured in a different, less formal way.

69. Besides replacing those rights, the scheme also imposes liability without fault on employers and motor vehicle owners in areas where liability had previously not existed. For example, the employer's contribution will cover an injury to a worker in his home.

70. To finance the system, the Royal Commission proposed, and the select committee endorsed, a "user-pays" type of insurance concept, the cost of which is to fall on employers and motor vehicle owners but not (primarily at least) on the community generally.

71. Thus the proposals are essentially designed to ensure that *compensation* for accident injury will be available more widely, more simply, with greater certainty, and with greater exactitude. But that compensation in so far as it is intended to give income replacement will be available only to members of the work force. As an earnings-related scheme, it can work only in favour of those who have earnings to which compensation can be related. It can bring no income support to non-earners. There will thus be large sections of the community, whose income needs even when their disability arises from accident, must be met by social security.

72. It will be seen, then, that the function of social security is very different from that of accident compensation. Its job is not to maintain the economic situation, before accidents, of a particular section

of the community. Instead, it is to ensure that all members of the community have income sufficient to reach an adequate living standard. It discharges a community obligation to meet need wherever need exists.

73. Given this basic difference in aim there appears to be no *a priori* reason why adoption of an earnings-related system for accident compensation should make it imperative to extend such a system to social security benefits.

74. Nevertheless both the 1967 Royal Commission and the parliamentary select committee considered that there might be a case for extending the system to loss of earnings through sickness. Having recommended its coverage of accidents to wage-earners wherever occurring they considered that the similarity in the effects of accident and sickness could justify like treatment.

75. We recognise that when an injury-compensation insurance scheme based on the 1967 Royal Commission's and select committee's conclusions is put into effect, a present anomaly will be accentuated. A worker who suffers injury from accident at work now (1971) receives compensatory payments related to his earnings and irrespective of his other income or that of his family. But if he suffers an accident at home, or becomes ill (whether at work or not) he must look to his terms of employment for sick pay or allowances, or to social security for a sickness or invalidity benefit. Thus, if the coverage of accidents on an earnings-related basis is extended, as the Royal Commission proposes, the anomaly between the economic consequences of sickness and accident will be even more striking.

76. There is an observable trend overseas to remove this distinction especially in countries which already have insurance-based systems of income support. Fisher reports (see para. 2 above) "The Netherlands replaced three formerly independent branches of social security for wage-earners, that is sickness, invalidity, and industrial accident (occupational) disease insurance, by one all-encompassing 'Incapacity for Work' insurance. This simplification grants uniform benefits in the case of prolonged illness to all persons unable to perform work for health reasons regardless of the cause of incapacitation. . . . A similar solution had been adopted by the Spanish 1963 Integration and Unification Law which came into force in 1967, and the 1967 Venezuelan Code."

77. The same trend is noted by T. Higuchi in a paper "The Special Treatment of Employment Injury in Social Security" published in 1970 in the *International Labour Review*. He cites the ILO Convention 130 (1969) which provides for the same proportion (60 percent) of standard wages for temporary incapacity for sickness as is provided

by Convention 121 (1964) for temporary incapacity from occupational injury. After noting developments in various countries, he concludes "When new schemes are being planned it may well be wondered whether it is really necessary to introduce discriminations that are difficult to justify once it is recognised that the basic aim, after all, is to cover loss of income and to prevent and cure sickness and injury".

78. We readily concede that the concept of earnings-relation has special attractions in the sickness field. It would obviate the anomaly between the case of a man who falls out of an apple tree and that of the man who becomes ill from eating the fruit. It would obviate the need for trying to make what are frequently difficult decisions, between occupational and non-occupational sickness, or whether a disability arose from an accident or from disease. It would also, if placed on an insurance basis, answer the complaint of the working wife who may not receive a social security sickness benefit because of her husband's income, although such income would not prevent her getting accident compensation. It would most probably make it easier to have an effective, integrated rehabilitation programme.

79. But our responsibility does not consist merely in deciding whether or not these things are desirable. We are required to decide whether the social security system is the proper vehicle for obtaining them.

80. We must first make it quite clear that we do not accept that the community's responsibility is to *compensate*, nor do we agree with Mr Higuchi that the "basic aim" of social security "is to cover loss of income". The responsibility and the basic aim is to give an adequate income, where it is needed, and this must cover very many cases where the individual has never had an income to lose.

81. We bear in mind that the aim which we consider to be the proper one for our social security system—the "belonging" aim—is not easy to attain or to maintain. To introduce extraneous or supplementary aims could well impede our reaching the primary one, especially if the community is put to considerable extra cost.

82. We sought therefore to ascertain the cost of extending the earnings-related concept to sickness. This proved very hard to do because of the many uncertainties and variables. It is not possible to estimate accurately the incidence of sickness (as distinct from absenteeism) within the work force, the average duration of sickness, or the likely distribution of sickness among earners at various levels of wages. Moreover, calculations vary according to the time-lag between the onset of sickness and the start of benefit payments (the 1970 parliamentary select committee suggested 7 days for the injury compensation scheme), the duration of the payments at earnings-related levels, and the extent to which present occupational sick-pay arrangements would be replaced.

83. Bearing in mind the costing difficulties of this kind, the Treasury estimated that the lowest probable total cost would be \$15.6 million. This calculation was based on April 1971 average wages and assumed an average annual sick absence per worker of 2 weeks with payment of benefit for 1 week only. It also assumed that the number of recipients of the benefit would be limited to the present number of social security sickness beneficiaries plus working wives now excluded on account of a husband's income, and men now excluded on account of other family income. Deducting the present sickness benefit cost of \$7.1 million, the *additional* minimum cost of an earnings-related sickness benefit would then be \$8.5 million. This benefit would however be taxed, so that the net cost (assuming the scheme was financed through the general tax system) would be \$5.4 million based on an estimated tax recovery of \$3.1 million.

84. To give us some idea of the wide range of possible costs, Treasury also estimated a probable maximum-cost figure. This was based on the same average wage level as the minimum figure but assumed the complete disappearance of occupational sick-pay provisions in industrial awards and agreements, and therefore that the earnings-related benefit payments would start for *everyone* in the work force from the eighth day of sickness. While we are inclined to question the assumption that trades unions would work for or countenance the disappearance of occupational sick pay, we note the Treasury estimates that the maximum total cost might be about \$52 million a year. From this the 1970-71 sickness benefit expenditure of about \$7 million plus an estimated tax recovery of about \$5 million were deducted, giving a net maximum additional cost of about \$40 million.

85. At our request the Social Security Department also made estimates, approaching the problem in a different way. However when these were related as nearly as possible to the assumptions made in the Treasury calculations the department's estimate of the additional cost was about \$36 million.

86. Thus, while we are not able to say with any degree of certainty what the additional costs (to employers, employees, or general taxpayers) might be of extending the earnings-related injury compensation approach into sickness in the work force, we can say with certainty that the cost is bound to be significantly greater than the present sickness benefit system. This must be so because no one would get less than under social security while many beneficiaries would get more, and many now excluded from social security sickness benefit by other income would receive earnings-related benefits.

87. We have already emphasised that the social security system is needed to correct defects in, but not to replace, the general market

system. This is already dealing to some extent with the problem of sickness, and could do so more completely.

88. In the first place the earnings-related concept relates by definition only to wage-earners, and many of these are already partly covered by the terms of their employment. Sick-leave provisions are very common in awards and industrial agreements, and are becoming more common. True there is a great variation in the provisions made, and because of the nature of their employment (casual or intermittent) many workers receive little protection. But it is also most unlikely that these and other low-wage earners would have anything to gain from an earnings-related scheme as compared with adequate flat-rate social security benefits.

89. In the second place, insurance in various forms is already available to cover loss of earnings through sickness. It is true that most people with high earnings have good sick-pay protection, and therefore do not usually need insurance, while those with low earnings usually have the poorest protection and are least likely or able to insure. Again, it is true that the latter can be adequately protected by a good flat-rate social security scheme.

90. Doubtless some employers would be reluctant to grant sick pay which takes the place of a social security benefit, but sick-pay provisions could obviously be concentrated first on covering the first few days of absence, and second, on supplementing for a further period the social security benefits within allowable income limits. In this way a degree of earnings relationship might be reached more easily and at much less cost. It is obvious too, that individual employers could insure against any such liability they accepted.

CONCLUSIONS

91. We give first our firm conclusions on whether the earnings-related concept should be applied to the general range of social security cash benefits, followed by some suggestions as to the possible application of the concept to sickness.

92. The community's first responsibility for income maintenance is to give benefits which will enable its dependent sections to reach an adequate standard of living. This can best be done by a system of selective flat-rate benefits and allowances.

93. Adopting an earnings-related benefit system would not help those sections of the community to whom it owes its first responsibility. On the contrary their interests would most probably be prejudiced.

94. However desirable it may be for individuals to maintain their customary earnings and status, the community is not, and should not

become, responsible for securing this status, particularly by imposing a compulsory scheme, because:

- (a) The interest evinced in earnings-related schemes falls far short of indicating a strong public demand for them.
- (b) The cost of providing a worth while proportion of past earnings would we think be far too high to be acceptable to the New Zealand public.
- (c) Those who would stand to benefit most from an earnings-related system are precisely those who are best able to provide for themselves through existing avenues.
- (d) Those already making use of these avenues should not be compelled to use a different or additional way.
- (e) Those who do not make use of these ways, but prefer or feel obliged to spend their available income in other directions should not be made to divert part of that income to something not essential in the national interest, however beneficial it may be thought to be for them as individuals.
- (f) There is scope for greater use of the National Provident Fund to give employees who do not have access to occupational superannuation better opportunities to provide a higher retirement income.

95. Our conclusions regarding earnings-related benefits for sickness are more tentative. We favour some such income support being introduced on a compulsory and community-wide basis as part of our social development for these reasons—

- (a) Because sickness is usually of short duration, private provision is not customarily made for consequent loss of earnings to the same extent as New Zealanders have come to provide for the inevitable, and usually lengthy, period of retirement.
- (b) Sickness strikes often during periods of high earnings and heavy responsibilities. Children have to be maintained and commitments in respect of house, car, and the like met.
- (c) The relative shortness of the disability does not justify expecting the earner to change his way of life and consequent expenditure to the extent that might be justifiable in the case of an earner suffering a permanent disability.
- (d) The introduction of earnings-related compensation for accidents as recommended in the report of the Royal Commission on Compensation for Personal Injury will make this already strong case very much stronger—indeed, many people consider it will then be a compelling case.
- (e) The provision of earnings-related sickness benefits as of right would remove the dissatisfaction which arises from the denial of sickness benefit where the earnings of a spouse make the applicant ineligible.

96. But we must emphasise that for social security the priority is the provision of adequate benefit levels for those in need, and if the introduction of earnings-related sickness benefits for earners were seen as an impediment to that, then the step should not be taken.

97. We understand that it is proposed that the administration of the accident compensation scheme is to be put on an insurance basis and placed outside the social security administration. That being so any earnings-related scheme for sickness payments should be separated from social security and be made part of the accident compensation administration because:

- (a) Income-related payments are not fundamentally a requirement of a social security system designed to meet need.
- (b) If the payments are confined to earners, the category is closer to the accident compensation category, than to a true social security category.
- (c) As the benefits would be paid to earners only, the collection of contributions could best be achieved by calling on the employer to pay them along with his payments for accident compensation and this would be so however the contributions are divided between employer and employee.
- (d) The machinery to be set in motion to administer claims for accidents sustained by workers could quite easily administer sickness payments for the same body of claimants. One advantage would be that the employer would already have an association with an insurer and there would be no necessity to call on him to deal with yet another organisation.

98. Providing social security benefit levels are raised to the extent we suggest in this report, the institution of earnings-related sickness payments is not urgent. That could be postponed until the accident compensation scheme is operating and has been tested, and until sufficient time has elapsed to enable better material to be gathered from employers on sickness absences and other relevant matters. It should not be too difficult to set up machinery to gather sufficient information to enable a better estimate of cost than we have been able to make.

99. The addition of earnings-related sickness payments to the proposed accident compensation scheme was not specifically raised by our Warrant. Probably for that reason few if any submissions to us dealt with the proposition. In particular we had no submissions from many of the organisations which must be affected (employers, employees, the insurance industry, consumers), touching the level at which earnings-related sickness benefits should be set and the way in which they should be financed, and various associated problems.

The following matters—and no doubt a number of others—will require consideration by the Government and others affected:

- (a) Whether, and to what extent employees should contribute to the cost.
- (b) Whether, to what extent, and how the cost should be subsidised by the State, having regard to the probability that—
 - (i) the earnings-related insurance scheme will partly replace social security benefits and will partly replace present provisions for sick pay;
 - (ii) contributions from employers will qualify as costs, reducing income for tax purposes.
- (c) The effect on existing sick-pay provisions in awards and industrial agreements.
- (d) The duration of earnings-related payments.
- (e) Whether there should be any “survivorship” provisions as are proposed for accident victims.
- (f) How payments should be determined in respect of such categories as the self-employed, casual, and seasonal workers.

RECOMMENDATIONS

We recommend that:

- (2) Early consideration be given by the Government to the extended use of the National Provident Fund to ensure that employees without access to occupational superannuation have better opportunities to provide a higher retirement income.
- (3) Favourable consideration be given by the Government to the future introduction of earnings-related “compensation” for limited periods during incapacity caused by illness, to be administered separately from the social security system as an addition to the scheme for accident compensation proposed as a consequence of the 1967 Royal Commission on Compensation for Personal Injury, and that discussions with this end in view be held between the Government and organisations likely to be affected.

Chapter 19. THE DETERMINATION OF FLAT-RATE BENEFIT LEVELS UNDER A SELECTIVE SYSTEM

1. In chapter 12 we concluded that no single technique can be relied upon to determine the level of monetary benefits. We considered that the most useful single indicator of whether our "belonging" aim is being met is the relationship between standard benefits and some level of wages.

2. There are difficulties in deciding which level of wages would give the most reliable indicator of benefit adequacy, to be considered along with such other indicators as changes in consumption patterns, living costs, productivity, and national income. The wage levels which can be considered include:

- (a) The statutory minimum wage;
- (b) Award rates, including rates determined by various tribunals;
- (c) The Nominal Wage Rates Index, which in effect reflects movements in average award rates;
- (d) The Department of Labour's half-yearly survey of average earnings;
- (e) The modal earnings of adult males;
- (f) The median earnings of adult males; and
- (g) Ruling rates of certain wages as ascertained by the Department of Labour.

3. The first three possibilities can be dismissed very quickly. As to (a), the statutory minimum has not had any real significance in the wage structure for a long time, and cannot be claimed to bear any close relationship to community living standards. Next (b), award rates, as determined by industrial agreements or the Court of Arbitration, have not in recent times borne a sufficiently close or constant relationship to actual wages paid, and therefore to living standards in the community. Although this is not the case for rates determined by tribunals for state and local body employees, there are obvious objections to using these because the tribunals would acquire a role in determining social security benefits which would hinder them in their proper or primary work. Possibility (c), the nominal wage rates index, although it reflects averages of award rates and is thus free from the disadvantages of selecting a particular rate, is nevertheless subject to the same criticisms which disqualify the specific award rates from which it is compiled.

(d) *Half-yearly Survey*

4. Possibility (d), the average of weekly earnings disclosed in the half-yearly surveys, has the advantage of reflecting actual, rather than award wages, and is thus much closer to indicating the incomes on which wage-earners live. The disadvantages of using average earnings as a guide are, first, that the calculation includes overtime, bonuses, and the earnings of juveniles and women, and this distorts the picture from our point of view and, second, that by definition a substantial number of people earn and live on less than the average. It follows that if we were to seek to establish a close relationship between any "average" wage rate and the benefit level, we would run the risk of fixing the benefit level higher than the earnings of a significant part of the work force. But if too much allowance is made for this, we may find the benefit level fixed at such a low proportion of the average level that we would appear to be negating the idea that benefits should enable beneficiaries to "belong" in the community.

5. For these reasons the half-yearly survey is less useful for us than the remaining possibilities.

6. Nevertheless, this half-yearly survey of earnings can be a valuable indicator of the movement of earned incomes once a benefit level has been determined. It can also give a valuable check on the continued reliability of whatever other indicators may be selected to determine benefit levels or to determine periodic adjustments of them.

(e) and (f) *Median and Modal Earnings*

7. Estimates of the distribution of earnings of adult males between the ages of 20 and 64 give some useful theoretical information. For example, they enable modal and median levels of earnings to be calculated, and are also useful in determining how many male adults earn more or less than any given level of benefit. The main difficulties are, first, that the income-distribution data from either census or taxation sources are out of date by the time they are available (and have to be up-dated from wage and price indexes); second, that the data from both sources relate to total *incomes* and thus have to be discounted to give *earnings* figures; and third, that the income (and derived earnings) points on the income distribution curve cover a fairly wide range of individual incomes. We considered, nevertheless, that an attempt should be made to estimate modal and median earnings figures for 1970-71. At our request, the Government Statistician provided such estimates.

8. The *modal* level of earnings is the level received by a larger number of earners than receive any other level of earnings. While the modal earnings level is a useful enough indicator of the standard of living of many earners, it is not in itself sufficient for appropriate

benefit levels for our "belonging" aim. The Government Statistician stressed that "the mode is an unsuitable (and unstable) measure of central tendency when the peak in the [earnings] distribution is flat topped or even tending to bi-modality. Under such conditions calculation of the mode is too sensitive to the grouping methods used". Nevertheless, using the 1966 census data on *income* distribution and the 1965-66 income tax statistics separately (and updating them to March year 1970-71) the Government Statistician has calculated the modal earnings of *males aged 20-64 years* as follows:

Table 21

MODAL ANNUAL EARNINGS

Source	1965-66 \$	Updated to 1970-71 \$
Census 1966	1,754-2,143	2,479-3,029
Income tax statistics 1965-66 ..	1,949-2,338	2,755-3,304

These annual gross modal earnings figures for 1970-71 give *weekly* gross earnings ranges of \$47.67 to \$58.25, and \$53 to \$63.54 respectively. For our purposes such a range is too wide to be of value.

9. The *median* earnings level is that point below which half the earners receive less, and above which half receive more. Using the same methods as for modal earnings, the Government Statistician has calculated median earnings for men aged 20 to 64 thus:

Table 22

MEDIAN ANNUAL EARNINGS

Source	1965-66 \$	Updated to 1970-71 \$
Census 1966	2,212	3,126
Income tax statistics 1965-66 ..	2,332	3,296

These figures indicate that median gross weekly earnings in 1970-71 were about \$60.10 if based on the 1966 census data and \$63.40 if based on the more precise 1965-66 income-tax data. It must be remembered however that whereas earnings are taxed, we concluded in an earlier chapter that selective benefits should not be taxed. For comparative purposes it is therefore necessary to calculate net earnings. After payment of tax at "M" rates, the above figures reduce to \$50.42 and \$52.80 respectively.

10. The main difficulty in using median earnings (after tax) as one of the indicators of an appropriate married rate of social security benefit is that, by definition, half the adult male earners are earning (and presumably living and in many cases keeping families on) less than this amount. There is a considerable risk of giving beneficiaries higher incomes than a significant number of full-time wage earners unless the benefit level is fixed at a very low proportion of the median wage level. Because of this difficulty we asked the Government Statistician to calculate the lowest quartiles and quintiles of earnings from his income-distribution data. These are the earnings levels below which one-quarter and one-fifth respectively of the total number of earners fall.

Table 23 (a)

ANNUAL LOWEST QUARTILE AND QUINTILE EARNINGS
(estimated for 1970-71)

Source	Lower Quartile (25 percent)	Lower Quintile (20 percent)
	\$	\$
Census 1966	2,568	2,469
Income tax statistics 1965-66 ..	2,504	2,174

11. Converting these figures to gross and net weekly earnings, we get the following results for 1970-71:

Table 23 (b)

WEEKLY LOWEST QUARTILE AND QUINTILE EARNINGS

Lower Quartile (25 percent)		Lower Quintile (20 percent)	
Gross	Net ("M" tax rate)	Gross	Net ("M" tax rate)
\$49.38*	\$42.68	\$47.48*	\$41.26
\$48.15†	\$41.75	\$41.80†	\$36.89

* Source: Census 1966. † Source: Income tax statistics 1965-66.

12. For the purpose of determining appropriate rates of benefit for 1970-71 according to our "belonging" aim, it would not be unreasonable, we feel, to regard the net lower quartile figure of roughly \$42 net earnings a week as offering one fairly useful yardstick. In 1970-71 it represented the level at which three-quarters of all males 20 to 64 earned more, and one-quarter earned less.

(g) *Ruling Rates of Wages*

13. After much consideration we have decided that, of all the ruling rates available as a result of regular surveys by the Department of Labour, the rate of building and engineering labourers appears to offer a useful yardstick for our purposes. Its primary advantage lies in the fact that it is an actual rate of pay for 40 hours of work. While it is by no means the highest rate in the work force, it is not the lowest. It represents, moreover, an amount of money on which (after payment of tax) a significant number of families depend for their standard of living and, as such, is an indicator of the "belonging" aim we have set for beneficiaries. At April 1971, this ruling rate of wages for 40 hours of work a week amounted to \$48.56 gross. After deducting income tax at "M" rates, the net take-home pay would be \$42.06 (say \$42).

14. It has been suggested that if such a specific ruling rate of wages were used, undue pressure might develop to increase this rate as a means of raising benefit levels. Conversely various devices might be used to depress the wage rate to hold the benefit level down. These are possibilities, but if they did eventuate there would be a distortion in wage rate relativities which would be apparent from comparisons with other data such as the half-yearly survey of average earnings, and other wage distribution calculations. In any case, what we are suggesting is that the present ruling rate be used as one of the indicators of an appropriate benefit level, and not that the benefit be tied in any formal way to this particular wage rate.

RELATING BENEFIT LEVELS TO EARNINGS LEVELS

15. Our analysis so far suggests that, in determining benefit levels according to our "belonging" aim, and in the absence of other useful measures such as a scale of living standards, the various levels of earnings in the community are the most useful guide. Of these various levels, only two seem to have sufficient advantages to outweigh the disadvantages—first, the quartile-earnings level calculated from the distribution of income statistics and, second, the ruling rate of wages for building and engineering labourers. As set out above, both these levels amount to approximately \$42 a week after payment of tax at "M" rates. We recognise that the quartile-earnings level figure is derived from estimated 1970-71 incomes, while the ruling rate figure is an actual rate being paid at April 1971. The April 1971 quartile figure is therefore likely to be higher. The important point for our purposes is that the two levels are very close and each may reasonably be used as a check against the other. That being so, we consider that

at April 1971 a take-home earnings level of \$42 a week within the work force may be taken as an appropriate measure of "belonging" for benefit fixing.

16. As both these earnings levels have been selected because they represent the living standard reached by a significant number of married wage-earners, it is obvious that the benefit rate must be fixed somewhat lower. There are four main reasons: first, to give an incentive margin, so that people are positively encouraged to work if they can; second, because it costs some part of a wage to travel to and equip oneself for work; third, to ensure that the number of beneficiaries who, with other allowable income, will have larger total incomes than many full-time wage-earners, does not become too great; and fourth, to take account of the fact that in many cases beneficiaries will have accumulated substantial assets. The fact that some earners who are receiving wages at selected levels will have other family income is not significant in this context because some also will not, and it is the group who have to depend solely on this wage level alone who must be compared with beneficiaries.

17. We have no precise measure of the margin which should be established between the selected earnings level and the married rate of benefit. However, because the two earnings levels we have suggested as the major indicators are themselves well below the median, modal, or average level, a fairly high percentage can be considered. In this connection we are well aware that the wage rates which we have selected as indicators will seem to many people to be extremely low—and even unrealistically so—in the light of press and other information and comment about wages being currently received by different sections of the labour force. There is no doubt that a great many people especially in the main centres are earning a great deal more than the rates we have selected, and that our inquiry has covered a period when rates have been changing more rapidly than at any time in New Zealand's history. But we can only relate our findings to the best and most representative information that is available to us, and it is clear that many workers are maintaining families on those rates.

18. The 1967 Royal Commission on Compensation for Personal Injury (and the 1970 Parliamentary Select Committee on the same question) suggested that 80 percent of past earnings would be an appropriate standard for the benefits proposed under its scheme. There is of course no *a priori* reason why this percentage should apply under the benefit-fixing procedure we are suggesting. Nevertheless, a discount of about 20 percent (that is, a married benefit of about 80 percent of the selected earnings level) does not seem unreasonable when allowing for the four factors referred to in para. 16 above. Indeed our

view is that if this discount was as much as 30 percent it would be very difficult to assert that the married benefit came close to providing an adequate standard of living according to our "belonging" aim. The choice then seems to lie between 75 percent and 80 percent. Applying these percentages to our selected net-earnings level of about \$42 a week (at April 1971), we get \$31.50 and \$33.60 a week respectively, a difference of just over \$2 a week in standard married benefit terms. This is a difference of some magnitude to beneficiaries and to taxpayers, and both groups must be taken into account in making a judgment about the level of benefit.

19. There are other factors to be considered. *First*, while the wage-level indicators we have chosen have been selected because they are the best available at present, they are by no means perfect and should not be regarded as the sole determinants of appropriate benefit levels. *Second*, although we have said that these wage indicators "represent the living standard reached by a significant number of wage-earners", we have no means of knowing, for instance, what proportion of labourers in the building and engineering trades on this level are single men, and what proportion have wives and families. As for the quartile-earnings, while 25 percent of adult males are estimated to have earned less than \$48.15 (\$41.75 net) a week, we are aware that in that 25 percent there will be some men (such as students, social security beneficiaries, and those in the country for only part of the year) who did not wholly support themselves—much less a wife or family—for a full year on these earnings. *Third*, the earnings levels we have selected as our yardstick were those applying at 1 April 1971, the latest date at which relevant data are available. Since then, earnings levels have risen and benefits were increased in June 1971. Later figures from the Department of Labour surveys will not be available in time to enable us to take them into account in reaching a conclusion on appropriate benefit levels at the time of writing—September 1971. We have therefore had no choice but to make a value judgment about the allowance we should make for the time-lag.

20. In these circumstances, and bearing in mind that the earnings indicators we have chosen are necessarily rather low, we have come to the view that the percentage of the selected earnings level which should be taken as a guide to the standard married benefit level at September 1971 should be nearer 80 percent than 75 percent. We therefore conclude that a married rate of benefit (that is, for a beneficiary couple with no dependent children) of \$33 a week (that is, 78.6 percent of the selected net earnings level of \$42 a week) at September 1971, would have come reasonably close to reaching the "belonging" aim we set as the test of benefit adequacy. The actual married rate of benefit at that date was \$29 a week.

21. In chapter 12 we gave reasons why we considered it necessary in comparing benefits with wages or earnings to take the married rate of benefit as the standard and to derive an appropriate *single rate* of benefit from it. We also noted that at present the ratio of single to married benefit rates in New Zealand (55.2 percent) is one of the lowest in the world, where 60 percent is closer to the norm. While the fixing of this ratio can only be a matter of judgment, we consider that, for the reasons set out in the earlier chapter, 60 percent would also be appropriate for New Zealand. If this ratio was accepted the appropriate single benefit as at September 1971 would have been 60 percent of \$33—\$19.80 (say \$20). The actual single rate of benefit at that date was \$16.

22. From the preceding analysis, we conclude that in the absence of any other better indicators, the quartile level of earnings and the designated ruling rate of wages taken together are a reasonable guide to the adequacy of benefit levels. We consider that the “belonging” aim we have set would be reasonably met if somewhere between 75 and 80 percent of this earnings level was taken as the standard married rate of benefit, and if 60 percent of the latter figure was taken as the standard single rate of benefit. On our analysis (and leaving aside additional allowances for children, which are dealt with in chapter 21), these levels should have been \$33 and \$20 a week respectively at September 1971.

23. We again wish to make it clear that we are not suggesting that benefit levels should be irrevocably tied to the formulae alone. What we are suggesting for the future is that if (after considering all the information which is or may later become available about consumption patterns, living costs and prices, wages, productivity, and taxation) the benefit levels decided upon approximated those suggested by the above method of analysis, the test of adequacy according to the “belonging” aim is likely to have been met reasonably well.

24. We recognise of course that if standard benefits are set at or about the levels indicated above, some beneficiaries (especially those with children and some other earnings or income) will receive more than some lower paid members of the work force who earn no overtime and have no other source of family income. It is clear, however, that this is also the case under present benefit levels and criteria. It is indeed an inevitable situation if the adequacy of benefits is to be determined primarily by the “belonging” aim which in itself makes it essential to relate the standard of living of beneficiaries to that enjoyed more generally by the whole community. It would be inappropriate to hold benefit levels down simply because some lower paid workers may have somewhat lower incomes than some beneficiaries. It has to be remembered too that most beneficiaries have

little other income. Many have to live and bring up children on social security benefits alone, and it is these people for whom the benefit on its own must provide a fair living standard.

Procedure for Reviewing Benefit Levels

25. Having considered the factors we think should be taken into account in fixing standard benefit levels and the tests of adequacy which could be applied to them, little needs to be added about reviewing benefits and keeping them at appropriate levels. We consider that such reviews should be made at least once every 12 months, and more often when this is necessary.

26. It would be neither realistic nor desirable to set a formula by which benefits might be *automatically* reviewed. We do not agree with those who advocated that the determination and review of benefit levels should be removed from the political arena. Such decisions are clearly the responsibility of the Government, and this fundamental aspect of social welfare should remain under the scrutiny and control of Parliament.

27. We consider that there is merit in the idea that the Government should each year lay before Parliament in one document statistical data about consumption expenditures and patterns, cost-of-living and price changes, wage rates, public-expenditure and gross-national-production trends, and other relevant material on which judgments about social security benefit levels should be made. This would ensure that parliamentary and public debate is suitably informed.

Cost Considerations

28. It is not sufficient merely to arrive at a decision as to what the benefit levels should be to conform to our belonging objective. We need to know what the cost is likely to be, for this has to be met by the taxpayer assuming other public expenditure is not reduced. The best estimate we can make with the help of the Social Security Department is set out in table 24.

29. It will be seen that the additional cost of raising the standard married benefit to \$33 and the unmarried benefit to \$20 (at September 1971) with consequential adjustments to appropriate war pensions and allowances is estimated at about \$50 million a year. In our opinion this is neither a high price to pay for more adequate benefits according to the "belonging" aim, nor one that is a heavy burden in terms of the percentage of gross national product spent on cash benefits. When it is considered that there would be an increase in tax revenue from superannuation benefit especially if our recommendation as to the rebate is adopted, the actual net additional cost would be closer to \$40 million a year.

Table 24

ADDITIONAL ANNUAL COST OF INCREASING BENEFITS TO \$33 P.W. (\$1,716 A YEAR) FOR MARRIED COUPLES AND TO \$20 P.W. (\$1,040 A YEAR) FOR UNMARRIED PEOPLE WITH BASIC INCOME EXEMPTION OF \$10 P.W. (\$520 A YEAR) AND DEDUCTION OF \$1 FOR EACH \$2 OF THE NEXT \$15 AND A FURTHER DEDUCTION OF \$1 FOR EACH \$1 OF INCOME OVER \$25

Type of Benefit	Numbers*		Comparative Annual Costs (\$ millions)				Total costs		Additional Costs
	Married Couples	Unmarried Persons	Married Couples		Unmarried Persons		Present†	Proposed	
			Present Costs†	Proposed Costs	Present Costs†	Proposed Costs			
Superannuation	40,000	66,000	60.3	68.6	54.9	68.6	115.2	137.2	22.0
Age	27,500	56,000	40.9	46.5	46.4	57.9	87.3	104.4	17.1
Widows .. .. .	..	15,900	..	..	12.6	15.8	12.6	15.8	3.2
Invalids	1,400	7,200	2.1	2.4	6.0	7.5	8.1	9.9	1.8
Miners	40	40	..	..	..	..	..	..	..
Sickness	2,200	4,100	3.3	3.8	3.4	4.3	6.7	8.1	1.4
Unemployment	300	500	0.5	0.5	0.4	0.5	0.9	1.0	0.1
Emergency	300	6,000	0.5	0.5	5.0	6.2	5.5	6.7	1.2
Total .. .. .	..	..	107.6	122.3	128.7	160.8	236.3	283.1	46.8
Plus adjustment to war pensions, etc.									3.7
Total additional costs									\$50.5

*Figures based on number of benefits in force at 31 March 1971.

†Present costs are based on benefit rates and conditions applying in September 1971.

RECOMMENDATIONS

We recommend that:

- (4) For purposes of establishing the level of adequacy of benefits at this time the ruling rate of wages paid to building and engineering labourers, and the lower quartile level of adult male earnings, be regarded as the major reference points.
- (5) (a) The married benefit rate be set close to 80 percent of the designated earnings levels after payment of income tax (say at \$33 a week at September 1971);
(b) The unmarried benefit rate be set at 60 percent of the married rate (say at \$20 a week at September 1971).
- (6) Benefit levels continue to be reviewed from time to time and adjusted as necessary.
- (7) Consideration be given to laying statistical data relevant to the level of social security in one document before Parliament each year.

RECOMMENDATIONS

The proposed text:

- (7) For purposes of establishing the level of supplementary benefits at this time the ruling rate of wages paid to building and engineering labourers, and the lower quartile level of adult male earnings be regarded as the major reference points.
- (8) The unparitised benefit rate be set close to 80 percent of the designated earnings levels after payment of income tax (i.e. at \$33 a week as September 1971).
- (9) The unparitised benefit rate be set at 60 percent of the married rate (i.e. at \$20 a week as September 1971).
- (10) Benefit levels continue to be reviewed from time to time and adjusted as necessary.
- (11) Consideration be given to having statistical data relevant to the level of social security in one document before Parliament each year.

PART VI

THE COVERAGE OF THE SOCIAL SECURITY SYSTEM

We have considered the concepts of poverty and need and the basic structures to deal with them. We thought the present social security system sound, and saw no need for radical change. We shall now examine the various categories of people and the various kinds of disability which the system is required to cover. In doing so we have an opportunity of considering the different circumstances which have to be taken account of in making provision to cover need as it affects the different dependent categories, such as the aged, solo parents, families with dependent children, orphans, the sick and disabled, and the unemployed. We consider also the relevant topics of supplementary and emergency assistance.

Chapter 20. THE AGED—AGE AND SUPERANNUATION BENEFITS

INTRODUCTION

1. The aged, however classified, are not a homogenous group in terms of incomes, capital resources and amenities, health, or family circumstances. This makes it hard to devise an adequate and equitable system of income maintenance and welfare services for them—a difficulty which is in part met, and perhaps in part compounded in New Zealand, by having two benefits payable at different age levels, and subject to different criteria of eligibility. These are the income-tested (selective) age benefit payable at 60 (55 in the case of some women) and the universal superannuation benefit payable to those aged 65 who have lived here for 20 years.

Dimensions of the Problem

2. The cost of these provisions for the aged is considerable. For the year ended 31 March 1971 age benefits cost \$76.2 million, and superannuation benefits cost \$101 million (before tax). Table 25 gives the numbers of the beneficiaries (actual rates of benefit are set out in appendix 6A). As we have noted earlier (chapter 4) the ratio of aged to total population in New Zealand had been fairly constant for 10 years and is expected to remain so for the next 20 years. Thus, the so-called "burden" of the aged on the work force is not likely to grow in the foreseeable future.

Table 25
NUMBERS OF AGED
(at 31 December 1969)

Population			Age Beneficiaries			Superannuation Beneficiaries		
Age Group	Number	Percentage of Total Population	Age Group	Number of Beneficiaries	Percentage of Population in Age Group	Age Group	Number of Beneficiaries	Percentage of Population in Age Group
60-64	110,940	3.95	60-64	25,820	23.27	..	..	..
65+	236,650	8.43	65+	74,489	31.48	65+	142,291	60.13

3. It can be deduced from table 25 that some 8.5 percent of people 65 years of age or over received neither superannuation nor age benefit, probably because some are not residentially qualified for benefit, others will be receiving war pensions or allowances or analogous benefits from overseas, and some will be in prisons or will be long-term mental hospital patients.

4. The table also shows that 31.5 percent of people over 65 otherwise qualified for the universal superannuation benefit remain on the selective age benefit, because, though the two benefits are commonly regarded as analogous, there are financial advantages in remaining on age benefit. First, the age benefit is not taxable income whereas the superannuation benefit is; second, a lump sum equivalent to one-quarter of the annual rate of benefit is paid on the death of an age beneficiary to the surviving spouse, whereas superannuation benefit ceases on death; third, an additional benefit of \$52 a year is paid to age beneficiaries who lost a son through war service; and, fourth, married superannuitants receive no allowance for an under-age wife, and in fact receive a lower rate of benefit (half the married rate) than a single beneficiary receives.

The Nature of the Problem

5. Our social security benefit system offers two options to those who are ageing. To those who are 60 (and to some women of 55) it offers the opportunity to retire, even though the individual may be fully able to continue working. To those who are 65 it offers a sort of national dividend in return for the contributions they have made in their working lives. But these are perhaps more readily distinguished in theory than in practice.

—6. With age, for most people, comes retirement, a time of disappearing earnings and reduced income. But needs and aspirations also change and other things affect aged people's standard of living and need for income support.

7. Many old people own their own homes and will have finished paying off their mortgages. Many will have built up some other assets over their lifetime, and some will have more than one source of income. Those receiving benefit may have, in addition, some part-time earnings (although these will decrease with age), or some occupational superannuation, or other private retirement income. Most will have passed the expensive times of bringing up children and buying durable assets.

8. On the other hand, age tends to bring psychological, health, and accommodation problems, with failing ability to care for oneself and lessening of social contacts.

RETIREMENT

9. Income problems associated with retirement emerge statistically at the age of 55 years, at which age the 1966 census showed about 5 percent of men aged 55 were retired. At age 60 the percentage for men reached almost 20, at 65 it was 49, and at 70 it was 75.

10. There is at present some uncertainty about the role of retirement in modern society. This is illustrated by the following outline of attitudes of individuals, enterprises, and governments which emerge from surveys and research done over the last 20 years in New Zealand and overseas.

11. Retired people tend to give poor health as the most important reason for not working. A multi-national survey* in Britain, Denmark, and the United States in 1962 showed that over half the respondents gave this as the main reason. In addition, limited studies in New Zealand in 1954 and 1956, and more elaborate studies in Britain, Japan, and the United States, for example, have all found that about half of all retired men gave ill health or the strain of work as the main reasons for retirement.

12. But the attitude of employers, including the State, is also an important factor. There is insufficient information on this in New Zealand although the State and other large employers operate compulsory retirement policies. Although trends overseas may apply less in our conditions of full employment, the results of overseas studies are worth recording.

13. A number of surveys in the United States and elsewhere have shown that many firms have hiring policies which, in one way or another, discriminate against older people. Surveys in the United States have shown that for workers 60 and over there are difficulties in retaining employment. Indeed, there is a recent development of encouraging earlier retirement. Such trends could mean that people are deprived of work when they are fully fit and have led to the role of retirement being questioned. There is increasing pressure towards finding ways of using the still active years productively. In New Zealand conditions of full employment, this is important both for the individual and for the national economy.

14. Discussion and research about retirement in terms of governmental policy seems to have centred on two main aspects. First, there has been a good deal of research on whether retirement benefits have increased the numbers of those retiring from the labour force while still fit to work. This research tends to show that the provision of benefits does not induce people to retire but enables them to do so more easily if that is their preference.

*Shanas *et al.*, *Old People in Three Industrial Societies*, 1968

15. Second, increasing automation (and in some countries, high unemployment) has directed attention towards using compulsory early retirement to make vacancies for the young unemployed. This in turn highlights the need for the retired to be active and it has been suggested that in voluntary community work greater use could be made of the services of older people. We agree that voluntary organisations could well consider how best to use this pool of labour.

THE PROBLEMS OF AGE

Financial

16. The standard of living of the aged depends on: first, whether or not the person goes on working; second, the availability of retirement income (for example, superannuation); third, what capital assets and amenities have been built up; and fourth, family commitments.

17. The likelihood of an aged person being poor is greatest among certain identifiable groups—the very old, the sick, those who were poor before retirement, those with high rents or accommodation costs, and those living alone. The main group of those on low incomes would appear to be elderly women, in particular elderly widows, because they are less likely to have been working than men or to have worked regularly and full time, and thus to have income from superannuation and other savings.

18. Those at the bottom of the income distribution are likely to be the very old as physical decline coincides with the using up of savings, the lessening value of money, and the greater dependence on the services of others.

Health

19. The ageing are often most concerned about failing health, which threatens a loss of earnings and independence, increased expense in certain directions, and brings the fear of being forced into an institution because disabilities, though comparatively minor, may be crippling if there is no help at home. Though physical health varies greatly among elderly people, capacity naturally declines with age. Those 80 and over are often seriously incapacitated.

Accommodation

20. The elderly need a safe, efficient, and comfortable environment suited to their varying degrees of frailty and disability. Houses, cottages, or flats will suit those who can live reasonably independently even if they require some supervision and supporting help. Homes are needed for frail ambulators who though reasonably well physically are socially isolated and need daily care. Geriatric accommodation is needed for those requiring the sort of care and attention which only a hospital can give.

21. At the time of the 1961 census in New Zealand, it was found that 93 percent of people over 65 years were living under ordinary community conditions either in homes owned or rented by them, or as members of a household in a private dwelling. Seventy-one percent of men and 63 percent of women were living in their own houses, but with increasing age there was a decreasing proportion so accommodated.

22. Recently there has been more understanding of the value of having old people remain for as long as possible in ordinary community life. But to stay in one's own home may not be the most satisfactory solution. Many old people living in their own homes may well be said to be over-housed and under-serviced. They live in houses too large for their needs and unsuitable for their condition and incomes. A greater availability of suitable retirement housing could well encourage older people to move to "purpose built" accommodation and help them to remain outside institutions.

23. Some interesting suggestions for housing the aged were put to us, but as these lie outside our terms of reference we can only suggest that they be considered by the responsible authorities, to whom they are available.

ANCILLARY SERVICES FOR THE AGED

24. Community assistance to the aged is by no means confined to monetary benefits. Various health and welfare services help them to continue to live independently or tide them over short times of greater need which otherwise would necessitate expensive hospital care. They also enable patients to return home from hospital earlier than would otherwise be possible.

25. Hospital boards run home-nursing services for the aged and also provide domestic help within limits imposed by lack of suitable staff. Since 1944, subsidies under the Social Security (Domestic Assistance) Regulations have been available for approved organisations (such as the Nurse Maude District Nursing Association) giving help in the home. Since 1952 the Social Security Department has also run a home-help scheme for social security beneficiaries and others. These home helps are drawn from a panel of women who have made themselves available for part-time work.

26. Since the mid 1950s, old people have been given "meals-on-wheels" under the aegis of hospital boards. Meals prepared in hospital kitchens are delivered by members of many voluntary organisations. Since 1957 some hospital boards have run on similar lines a laundry service for old people.

27. Since the early 1950s, the State has subsidised religious and welfare organisations to provide (and, since 1966, to upgrade) residential homes and hospitals for the elderly. Inmates may be helped to meet the fees of such homes by the age benefit and supplementary assistance. In Auckland, Christchurch, Rotorua, and Hamilton, the hospital boards or the Social Security Department give assistance in certain circumstances to meet the fees of private rest homes. This matter is dealt with in chapter 25 in the context of supplementary assistance.

28. Subsidies are also given to local authorities to provide housing accommodation at reduced rentals.

29. We have already made reference to the health problems of the aged, and to the desirability of having old people remain for as long as possible out of institutions. It is the health problem which prevents a greater degree of achievement in respect of the latter. We have made two suggestions in this connection in other parts of our report. In chapter 22 we propose an extension of the present provisions which enable benefits to be granted to women who care for aged and infirm people; and in chapter 24 we propose that a disability allowance be made available in certain cases where disability involves expenses over and above normal living expenses.

PRIVATE PROVISION FOR RETIREMENT

30. Many people provide for their own retirement privately (see chapters 4 and 18) through occupational superannuation, savings and investments, insurance, and the building up of capital assets. In doing so they frequently take into account what community help will be available. Indeed, many occupational superannuation schemes specifically assume community help in retirement. In such cases these voluntary forms are not so much substitutes for, as supplements to, community-financed protection.

31. Saving habits and the place of voluntary insurance protection have not been studied in depth in New Zealand. Until they are it would seem reasonable to assume that:

- (a) most of those with below-average incomes depend on social security retirement benefits; and
 - (b) most of those with above-average incomes have some savings or other forms of protection, but that the level of future income given by these will in many cases be insufficient for an adequate standard of living in retirement without social security benefit.
- This tendency will be accentuated by inflation.

32. Thus it is likely that voluntary provision could meet the complete income-maintenance needs of only a minority of the community.

33. Furthermore, as we have noted in chapter 18, equal facilities for voluntary provision are not available to all who would be willing and financially able to use them. We have recommended in that chapter that the possibilities of making greater use of the National Provident Fund to remedy this situation be investigated.

STATE PROVISION FOR RETIREMENT

34. In chapter 2 we outlined the history of old age and superannuation benefits in New Zealand, while details of the benefits paid and the conditions applying to them are set out in appendices 2 and 6A.

35. The views expressed in the 1930s (particularly those of the 1938 Parliamentary Select Committee) make it reasonably clear that the Government envisaged that the superannuation benefit would eventually be given at age 60 without a means test. In effect, it would replace the selective age benefit. There seem to have been two main arguments. Probably the most important was that at a certain age people should gain rights to benefit by virtue of their past contributions to tax revenue and production irrespective of their means. But in addition, the strong opposition to traditional forms of means tests led to the view that need for financial help could be assumed from the fact of age.

36. While the select committee considered it desirable in principle to pay universal superannuation benefit without a means test, it realised that money was limited and that the needs of the poor would absorb the available funds. To give a full benefit to all people over 60 (or even older) regardless of property or income was for this reason not feasible then.

37. Nevertheless, the select committee as a whole was still in favour of universal superannuation at age 60 without a means test and recommended that, as soon as a social security procedure had been put into practice, the Government should consider extending the scheme by gradually increasing allowable income until universal superannuation was reached.

38. Thus, the root idea that people should contribute according to their ability to pay and receive benefits according to their needs, was overlaid by the additional concept of a State superannuation scheme, untested for other income or property, advanced by the select committee. The Government introduced an age benefit payable at age 60, tested on other income *and* property; and a superannuation benefit at age 65 free of a means test introduced at a level well below that of the age benefit, but to be increased annually by \$5 until the rate equivalent to age benefit was reached.

39. The means test on property has since been removed so that the age benefit is now payable subject to a test on income only at age 60 and to some women at age 55. The rate of superannuation benefit for those aged 65 was brought to parity with the age benefit in 1960 (but with some differences in respect of married couples). It is free of any income test, but is taxable. The age benefit is not taxed.

AIMS OF RETIREMENT INCOME

40. We have stated that the main goal of social security benefits is to give everyone in need an "adequate" income. For retirement income we have rejected an earnings-related in favour of a flat-rate benefit system (see chapter 18).

41. The main questions here then are first, whether it is necessary and desirable to have two different forms of income maintenance (one income tested and one universal) for the same form of disability; second, whether the level of the two benefits should be identical if both are maintained; and, third, whether the existing age differential should be maintained.

42. The first question is directly related to the aim of the social security programme. As this is primarily to relieve need, it seems quite clear that priority must be given to ensuring that the selective age benefit is adequate. The payment of the superannuation benefit on a universal basis may be justified on other grounds, that need can be assumed to exist among people of a given age, and that at some stage of their lives people have earned the right to benefit by their past contributions to tax revenue and production irrespective of need.

43. Thus the universal superannuation benefit is not directed primarily to the relief of need, even though it does act in this way for those superannuation beneficiaries with little or no other resources who choose not to accept the advantages of transfer to age benefit (para. 4 above). From this point of view, therefore, there is no compelling reason why the level of the superannuation benefit should always equal that of the selective age benefit, at least while both are available. The level of the age benefit must meet the criterion of "adequacy" because recipients have proved that they need it to maintain an acceptable living standard. This is not necessarily so with the superannuation benefit, which is paid at all income levels to those who qualify by age and residence alone. The situation would be different if the age benefit ceased at 65 years of age when all retirement beneficiaries become eligible for superannuation. In that event, the two benefits would have to be at the same level, superannuation could hardly then be taxed, and superannuitants would have to be eligible for dependent wives' allowances. The benefit in effect would then have to be more directly related to need.

44. The main justifications for the universal payment of superannuation benefit are, we consider, that universality does offer a way of rewarding those who have worked and served in the community for a long time, and that it removes any indignity which rightly or wrongly may be associated with selective benefits. It may well, in addition, positively encourage other forms of savings which might otherwise appear to be pointless. Against this, a benefit universal in a given category must be more expensive than a selective one, if both are at the same level, and will thus tend to act as a brake on that level.

45. This lends force to the view that the two benefits which have somewhat different aims should be considered separately. The superannuation benefit could be retained, but at a different level from the age benefit. But despite the theoretical differences the age and superannuation benefits are generally regarded as analogous in purpose. Whatever weight one puts on the three considerations involved—tested or assumed need, reward for citizenship and past contributions to tax revenue and productivity, and the removal of income testing at a prescribed age—the public clearly sees the two benefits as fulfilling the same purpose, and is very likely to regard any differentiation in the level with suspicion. And, further, the expectation of parity has been maintained for over 30 years, and people have come to take this into account in making their choices about the disposal of current incomes and protection for the future. The consequences of change at this stage could be significant for the whole area of occupational insurance and other forms of income protection through the market system.

46. We must on the other hand look at the costs of maintaining the parity of the age and superannuation benefits. As we noted earlier the superannuation benefit cost the taxpayers \$101 million for the year ended 31 March 1971. A proportion of this cost, which cannot be accurately determined but which is much lower than the maximum income tax rate of 50 percent, is regained because the benefit is taxable. The age benefit which is not taxable cost \$76.2 million in the same year.

47. The amount to be saved, however, by not maintaining parity between the age and superannuation benefits is not so great as might be imagined. It is estimated by the Social Security Department that something over 40 percent of superannuation beneficiaries would be eligible on income grounds for *full* age benefit. They would surely switch if the superannuation benefit level was lower, as would many others with somewhat higher incomes if there was a substantial difference in the levels.

48. A number of submissions proposed that the superannuation benefit should be paid at 60 thus eliminating the income-tested age benefit. We cannot support this proposal. In the first place the large proportion of 60–64-year-old men still working suggests that 60 years may now be too young an age to be regarded as the normal or desirable age of retirement. Second, the additional cost of eliminating any income test at 60 years of age would be substantial (estimated at \$65 million on September 1970 benefit rates). It has been argued also that 65 is too young an age at which to pay the universal benefit. Certainly some other countries adopt a higher level—67 or even 70. This is essentially a matter for political decision. For our part however, we consider that there is no strong evidence supporting a change from 65.

49. There were several other proposals on this matter. One was that the age benefit *per se* might be abolished because many of the 18 percent of men aged 60–64 years at present receiving age benefit would qualify for sickness or invalidity benefit. Similarly women who now switch from, say, widows benefit to age benefit at age 60 might simply remain on widows benefit until they qualify for superannuation benefit at 65.

50. While the idea has some attractions (at least in present conditions of full employment) we do not favour it because some workers while still fit have little choice but to retire from their regular jobs before age 65. They also would have to receive some sort of benefit subject to income test so that nothing would be gained except a change in the name of the benefit.

51. In the circumstances, we *conclude*, first, that both the income-tested age benefit and the universal superannuation benefit should be continued with present age qualifications; and, second, that while it is not essential that levels of the two benefits be the same, there is no compelling reasons at present to depart from the present degree of parity in benefit levels. (This parity does not, however, need to extend to the residential qualifications for the two benefits.)

SERVICES IN KIND

52. It has been suggested to us also that some services which concern the elderly more than others should be given free or at concessional rates. The question of medical and related services is dealt with in Part VIII of this report. Two other specific suggestions are considered here.

Telephones for the Aged

53. The first is that telephones should be provided free for people on income-tested age benefits, because elderly people need a telephone

more than others, and are less able to afford one. A telephone may well help the ill or disabled elderly to continue to live alone outside an institution.

54. It can be argued that the benefit itself should be high enough to allow a person to have a telephone if he wants one. We favour this view because a telephone is now a normal amenity in New Zealand households. We note, however, that at present, the cost of telephone rental is taken into account in granting supplementary assistance (see chapter 25). A lump sum may also be granted for the cost of installation under certain circumstances.

55. The provision of free telephones to certain categories as of right could also give rise to anomalies. We consider that the present conditions are not only adequate but preferable, and we do not recommend any changes.

Deferment of Rates

56. The second was the deferment of rates for the aged. We note that under section 145 of the Rating Act 1967, local bodies already have substantial discretion to help any householder for whom payment of rates may mean financial difficulty. In addition, beneficiaries who receive supplementary assistance on account of accommodation costs may elect to have that assistance (or part of it) set aside and accumulated by the Social Security Department for the express purpose of meeting rates. We consider that these two provisions adequately meet the situation. We have no recommendation to make.

The Provision of Free Goods and Services

57. Clearly there are many services that can properly be given by the State, local authorities, and/or voluntary agencies where they are necessary for the aged and other kinds of beneficiary. The supply of goods and amenities free of charge or at concessional rates as of right and as an alternative to adequate cash income for special categories is, however, another matter. It is our opinion that if such goods and amenities are needed to reach a standard of living not significantly different from that enjoyed by the rest of the community in which the beneficiary lives, then their costs should be included in any assessment of the adequacy of benefit levels. Such expenses should also continue to be taken into account in assessing supplementary assistance.

AGE BENEFIT DEFERMENT CONCESSION

58. The legislation covering the above concession became effective on 1 October 1950. It gave the Social Security Commission discretion

to diminish the amount by which the basic rate of benefit or benefits is to be reduced on account of other income by an amount or amounts not exceeding in the aggregate \$13 for every year that application for age benefit is deferred between ages 60 and 65.

59. The legislation was introduced to induce people to continue working. Statistics showed that before this concession was made in 1950 the average age of male applicants for age benefit was 64, and that 40 percent of applicants were over the age of 65 at the time of application. Unfortunately we do not have full statistical data to show whether this situation has been maintained; indeed there are indications that the age of application has fluctuated and has at times fallen below the pre-1950 level. It is, however, impossible to say with any assurance whether or not this could be attributed even in part to this legislation, or, indeed, just what effect the legislation has had on the decision of older New Zealand workers to remain in employment. We think it probable, however, that the present position in New Zealand is consistent with that in Britain where an even greater concession (giving a cash addition to retirement pension for beneficiaries who deferred retirement) has not in fact influenced retirement decisions significantly.

60. Apart from the uncertainty about the effects of the legislation on decisions to remain in or leave the work force, it must be remembered that since the legislation was introduced the levels of the age benefit payable at 60 and the superannuation benefit payable at 65 have become equal. A qualified person who defers application for age benefit now knows that at 65 the same amount of superannuation benefit will be payable irrespective of his other income. The concession for deferment is therefore of value only to those who for other reasons choose to take or remain on age benefit after age 65.

61. There is another factor to be taken into account. When the legislation was first introduced, the maximum value of the concession (\$65 a year for 5 years of deferment) represented 23.8 percent of the benefit and 41.6 percent of allowable income. At June 1971 these percentages (for married beneficiaries) had fallen to 8.6 and 9.6 respectively. The incentive effect (if any) of the legislation must therefore be very much less now than it was.

62. In all these circumstances we consider that the concession should either be restored in value to its 1950 level or abolished altogether. We favour the latter action. We feel, however, that if this course is followed it would be necessary to protect those eligible for age benefit who may have deferred retirement to obtain the concession. We recommend therefore that it should be continued for people 60 years of age or over at the date the legislation is repealed.

PAYMENT OF SUPERANNUATION BENEFIT OUTSIDE NEW ZEALAND

63. Under the national insurance systems in many countries, benefits earned "by right of contributions" are paid irrespective of the beneficiary's country of residence. At present the New Zealand superannuation benefit is paid only to eligible persons resident in this country, although provision exists (see chapter 31) whereby beneficiaries who travel overseas may have the benefit retrospectively reinstated on their return subject to certain conditions about the length and place of their residence abroad.

64. It was submitted that because superannuation benefit is in part a reward for citizenship earned by past contributions to tax revenue and production, it should be paid irrespective of place of residence to all who qualify under the age and residence tests. The counter view put to us was that as in practice the superannuation benefit is not related specifically to past contributions and is analogous to the age benefit, it should be paid only to people actually resident in New Zealand.

65. In our opinion there is more force in the former view than in the latter. As the benefit is not subject to any test of means or needs of the recipient, it is closely related to some form of contributory insurance payment. Place of residence of otherwise qualified beneficiaries is, in such insurances, usually regarded as irrelevant.

66. Amongst the aged there are two categories of overseas travellers—those who wish to visit or live with their children or other relatives or friends for fairly long times, and those who travel on shorter tourist trips. Some will be able to afford either kind of overseas travel whether or not their superannuation benefit is paid for the time of absence. For others, however, the cessation of the benefit (even if they would qualify to have it wholly or partially reinstated on return) is sufficient in itself to prevent travel. It is true that age beneficiaries are similarly affected. However, as their benefit is specifically related to need and their inability to live in New Zealand at an adequate level without it, the question of paying this benefit to or for people not resident in New Zealand does not arise. Such people over 65 have the option to switch to superannuation benefit if they wish; while under reciprocal agreements with Britain and Australia they could, in any case, receive retirement or age benefits in those two countries.

67. It was also submitted to us that payment of superannuation benefit to people living permanently or temporarily outside New Zealand should not be countenanced because it would need foreign exchange. The Treasury estimated that extra foreign exchange costs

of about \$4 million a year could be incurred. But it has to be remembered that a number of people otherwise qualified for superannuation benefit already travel or live overseas and receive allocations of foreign exchange in the normal manner provided they have the resources to buy it.

68. In any event we have even stronger doubts about the equity of applying the foreign exchange argument in the social security context. Foreign exchange control applies to all members of the community and can be justified on economic grounds. But it should not be the determinant of social security policy.

69. In these circumstances we consider that the superannuation benefit should continue to be paid in New Zealand in respect of people qualified on age and residence grounds irrespective of place of residence provided the recipient was ordinarily resident in New Zealand at the time he or she qualified for the benefit. We also consider that the foreign exchange aspect is an entirely separate matter. The question of whether all or part of the superannuation benefit may be remitted overseas or used for overseas travel is one to be determined in exactly the same way as any other application to convert New Zealand currency into foreign currency.

70. If this approach is adopted the question arises whether the superannuation benefit should continue to be included under our reciprocal social security agreement with the United Kingdom. The agreement is designed, *inter alia*, to enable New Zealand superannuitants to receive the British national insurance benefit while they reside in the United Kingdom. If our proposal is adopted and superannuation benefit is paid irrespective of actual residence it is questionable whether this protection is necessary. They could not in any case draw both benefits while in the United Kingdom.

71. The justification for regarding residence in the United Kingdom as residence in New Zealand for the purposes of the universal superannuation benefit lies in the need to ensure reciprocal benefits for New Zealanders living in the United Kingdom. But if this need disappears the justification for the reciprocal arrangement in the superannuation benefit area is open to doubt. In our view the major justification for payment of the universal superannuation benefit at 65 years of age is the contribution beneficiaries can be assumed to have made to revenue and production during their lifetimes. Physical residence in New Zealand for the minimum qualifying period is a logical prerequisite. We realise, however, that there may be other, mainly political, considerations involved. It is plain that this issue will require review by Government if our proposals regarding the payment of the superannuation benefit in respect of beneficiaries overseas are accepted.

TAXATION OF RETIREMENT BENEFITS

72. It will be recalled that in chapter 7 we concluded that as superannuation benefit is paid irrespective of the other income resources of the recipient, it should continue to be taxed. This raises questions regarding its net taxed value (which of course varies according to the other taxable income of the recipient) compared with the value of the income-tested age benefit which is not taxed, and the consequences of this to a person previously receiving full age benefit who wishes to change to superannuation benefit at age 65.

73. Under present income tax policy, the personal exemption of \$275 a year (and the total exemption of \$550 in the case of a married couple) is not only very low compared with earlier exemptions but it is now much lower than the amount of both single and married rates of social security benefit. Thus an age beneficiary on full benefit who changes to the superannuation benefit at 65 years of age suffers a reduction in income on account of tax. The amount of reduction of course depends on the amount of other income the beneficiary has. Even if this is below the allowable other income level for age beneficiaries (at present \$13 per week), some reduction of income results.

74. The problem is at present alleviated by all superannuation beneficiaries receiving a special rebate of \$58 (introduced so that their income would not suddenly drop with the abolition of social security tax which was not payable on superannuation benefit). The earlier freedom from social security tax was presumably allowed on the ground that the benefit had been earned, and in a sense paid for, by taxation on pre-retirement income. Income tax did not then affect those on low incomes because of the high personal exemptions, but social security tax did, for it applied at very low income levels. In the light of what we have said in chapter 16 about the method of financing social security, we find it difficult now to justify the rebate, and thus to differentiate between a universal benefit which is not based on need, and the recipient's other income.

75. It is our opinion that the rebate should be abolished. If our recommendations are accepted, the removal of the rebate will be largely offset by the increase in the benefit itself.

76. The removal of the rebate will nevertheless increase the advantages of remaining on age benefit after 65, and will probably mean that some of those now on superannuation will change to age benefit. We have no doubt that some formula could be devised to enable such people to change to or remain on the superannuation benefit without financial sacrifice, while still subjecting those with higher incomes to full taxation. Indeed we examined several possible ways of doing this.

77. But the real issue appears to be not which method might be used, but whether the significance of the problem warrants any special arrangements at all. It is true that a number of old people have a decided preference for universal superannuation over the income-tested age benefit, and we should not raise unnecessary difficulties against the exercise of this preference. But to make special arrangements to enable the superannuation benefit to be used in the area for which the age benefit is designed—the relief of need—is an entirely different matter.

78. In the first place, there is no necessity to do this. Anyone who is qualified for the superannuation benefit can transfer to the age benefit if he would be financially better off by doing so.

79. In the second place, the age benefit is already more attractive than the superannuation benefit for some people—for example, the three months lump-sum payment to survivors, the benefit for a dependent but under-age wife. These conditions probably explain why 31.5 percent of people over 65 remain on the age benefit. It is difficult to see a sufficient reason for removing or moderating the taxation differential while leaving the others unchanged.

80. In the third place (and most important in our opinion), although practice, and the public, regard age and superannuation benefits as similar, they are essentially different in concept and purpose, and it is therefore right and proper that the conditions under which they are received should reflect these differences.

81. In the circumstances we can see no reason for modifying our earlier conclusion that, for so long as the superannuation benefit is paid irrespective of other income, it should be taxed in the same way as other income is taxed.

GENERAL CONCLUSIONS ON RETIREMENT BENEFITS

82. We briefly restate here the conclusions we have reached in this chapter. The ageing and the aged face a diversity of problems in respect of income, health, isolation, accommodation, and adjustment to retirement, but are affected by them in widely varying degrees so that their need for assistance is also varied. Our principal concern is to ensure adequate levels of income, but the community has much wider responsibilities to the aged.

83. Emphasis has in the past been placed on the similarities between the superannuation and the age benefits, as though one were merely an extension of the other. We have focused attention on the significant differences between them—the age benefit aimed at relieving

need, superannuation at rewarding or returning contributions to the national economy. We consider that there are good and sufficient reasons for maintaining the two benefits and their different conditions and criteria of eligibility.

84. While two different benefits are justified, the first priority must be to maintain the income-tested age benefit at an adequate level. This aim must not be prejudiced by costly attempts to preserve the universal superannuation benefit at the same level.

85. Because one is measured by need, and the other by assumed contribution, quite different levels could be justified for the age and superannuation benefits. To insist on parity between them could not only prejudice the maintenance of an adequate level for the age benefit but could lead to abandonment of the different justification of the superannuation benefit and its modification into an income-tested needs benefit. Nevertheless we see no compelling reasons at this time to disturb the parity which has been achieved between the levels of the two benefits.

86. Because of the essential differences between the benefits and the high cost involved we see no good case for reducing the qualifying age for superannuation to or towards that which applies to age benefit. Nor do we support the abolition of age benefit at age 65.

87. As, in principle, the age benefit should be maintained at a level which will enable the recipient to have access to amenities, such as telephones, which are normal in the community, and as supplementary assistance is available to meet special needs, we do not support proposals for the delivery of benefits in kind to the aged or providing services free or at reduced rates. But we are very conscious that the aged do need special services of many different kinds and of the great value of the services which are provided for them by voluntary organisations and local authorities with and without State assistance.

88. In this connection we recognise the very great importance of suitable housing as it affects not only the financial position of the aged but their ability to live in the community. We consider that monetary benefits can help best in this direction through the various forms of supplementary assistance available.

89. We see little justification for the present concession in allowable income for beneficiaries who defer application for age benefit, especially as the relative value of the concession has been greatly reduced since 1950 and the parity of superannuation benefit has greatly reduced any effectiveness which it may have had. If the concession is to be retained its original value should be restored, but we would prefer it to be discontinued provided that the rights of those already over age 60 are preserved.

90. We consider that the right to have superannuation benefit continued while the beneficiary is out of New Zealand should be separated from the question of remitting funds overseas. We see no reason why those who have fulfilled the qualifications for this benefit should cease to receive it because they have gone, permanently or temporarily, abroad. Whether the proceeds of the benefit may be remitted overseas should be determined in exactly the same manner as may apply to any other funds. If this is adopted the terms of the reciprocal Social Security Agreement with the United Kingdom will need to be reviewed.

91. Having regard to the fact that the superannuation benefit is paid without income test and is therefore distinguished from income-tested benefits and not essentially different from other forms of income, we see no reason why it should not be taxed as is other income. From this we must conclude that the continuation of the present \$58 income tax rebate is not justified. Those who can obtain an advantage by switching to untaxed age benefit should do so. We do not think it is necessary or even desirable to make any special arrangement to enable beneficiaries to get the same advantage while remaining on superannuation.

RECOMMENDATIONS

We recommend that:

- (8) The age and superannuation benefits be retained as separate benefits with the present different age qualifications and other conditions (and, as we recommend in recommendation (59), different residential qualifications).
- (9) The level of the superannuation benefit remain at parity with the age benefit to the extent that it now does, and for so long as the maintenance of an adequate level for age and other income-tested benefits is not thereby prejudiced.
- (10) The concession as to allowable income for those who defer application for age benefit beyond age 60 be abolished, provided, however, that the rights of those who have earned the concession or who are over 60 at the time of the repeal should be preserved.
- (11) The present suspension of payment of universal superannuation when beneficiaries leave the country be abolished, allowing the appropriate authorities to determine whether such funds, as any others, should be remitted overseas.
- (12) Superannuation benefit remain subject to income tax, and the existing rebate of \$58 be abolished.

Chapter 21. ASSISTANCE TO FAMILIES

INTRODUCTION

1. In New Zealand there has been little study of the needs of or poverty among families with dependent children. We have had to work from the simple but basic proposition that, at any given level of income, the family with dependent children will have higher costs and a lower material standard of living than the family without children.

Investment in Human Resources

2. In many submissions, the point was made that people (and particularly children) are the community's most valuable resource. We agree. There seems little room for doubt that in all aspects of State policy, high priority should be given to enriching our human resources and ensuring the economic well-being, education, and physical and mental health of our children and the families in which they grow up.

3. Investment in people is an old idea relatively new in social security thinking, and in marked contrast to ideas of subsistence, or attainment of the elementary "life and health" aim. We consider it a warrantable addition to the traditional stock of humanitarian and social justice motives, making us look beyond poverty and subsistence towards a balanced programme which recognises the community advantages of developing, preserving, and at times rehabilitating human resources. The concept also applies beyond the particular problems of families and children, and the words of British sociologist, Margaret Wynn have a wider truth:

Family policy must therefore embrace both the future and the present. The family is not only the cradle of our future society but it is also the centre of social life for most people in the present. . . . Children are a stake in the future for their parents, *and for others who are not their parents* [our emphasis].

The family environment is recognised by psychologists as virtually the only environment in which it is safe to bring up children, and they consider that where the natural family does not exist, a substitute family must be found or the family must be substituted by small children's homes reproducing as far as possible the environment of the stable, happy family. . . .

Family policy can only be built upon knowledge and understanding of family problems. Studies of the time, trouble, and expense of rearing children are one kind of necessary knowledge.*

**Family Policy* by Margaret Wynn, Michael Joseph, London 1970, p. 32.

Sharing the Cost of Child Rearing

4. The questions we must ask, then, are not only whether families are adequately fed, clothed, housed, and cared for medically, but whether the investment we are making in our children is adequate. Equally, we must also consider whether the burden of this investment is equitably shared among the whole community. In New Zealand as elsewhere the parents carry much of the cost of rearing children notwithstanding community educational, medical, and other services, and the payment of a family benefit. We do not suggest that parents should not bear a major share of this expenditure, or that there are any criteria to cover the division of these costs between parents and non-parents. We do suggest that the level of family incomes concerns the whole community to the extent that family environment is determined by family income. New Zealand already recognises this through children's educational and health services, through the income tax exemptions, and through the universal family benefit. Education is outside our terms of reference. We deal with medical benefits for children in Part VIII of this report. We consider here only social security help to families.

5. We have heard evidence which suggests that although the State bears the major share of education and health services for children the total cost to parents of bringing them up is greater than is generally recognised. New Zealand families with dependent children are not destitute—indeed, most could probably not be classified as “poor”. But, as a group, and, at any given income level, they are clearly at a financial disadvantage and have relatively lower material standards of living compared with individuals or families without dependent children on the same level of income. This is true despite the family concessions built into the income-tax structure and despite the family benefit. It also follows that the lower the family income, the more likely it is that the family will be poor by reason of its dependent children. Recent studies in Australia and elsewhere overseas certainly show that this is the case whatever level of income is taken as the poverty line.

6. The burden of rearing children is not evenly spread throughout the community. The latest New Zealand statistics available (1966 census) indicate that 83 percent of dependent children under 16 years of age are in 43 percent of “households” (as defined in the census) while, if one-child families are excluded, 75 percent of the children are in 32 percent of the “households”. Table 8 in chapter 6 shows that in 1966, 73 percent of family benefits were being paid to families with incomes below \$3,200, which suggests that the greater part of the burden is falling on households on which it must have a very significant impact.

7. On these grounds there is a strong case for income transfers from non-parents to parents at all income levels. We consider later the different question of whether the greater amount of help should go to lower-income families whose relative burden is greatest.

8. On the basis of the above, we have to consider both the universal and selective approaches—the former, because all families rearing children give a community service irrespective of income, and suffer relative standard-of-living disadvantages in doing so; the latter, because child-rearing becomes more onerous as family incomes fall. A reasonable balance here between universality and selectivity requires that social security benefits and taxation policies should be co-ordinated.

Evolution of Family Assistance in New Zealand

9. A sketch of the way the system of family assistance has evolved in this country may at this point help to clarify later detail.

10. A family allowance was first introduced in New Zealand by the Family Allowances Act 1926, under which an allowance of 20 cents a week for each child in excess of two under 15 years was paid to the fathers of families with incomes below \$8 a week. Alien, asiatic, and illegitimate children were excluded, and "income" included 5 percent of the value of property owned. For reasons of financial stringency, the weekly income limit was reduced to \$7.20 in 1931 and to \$6.50 in 1932. In 1936 the income limit was restored to \$8 a week but, more importantly, either parent was then allowed to apply for the benefit, not merely the father.

11. The Social Security Act of 1938 changed the name of the 1926 family allowance to "family benefit" and increased the rate to 40 cents a week, raised the age limit to 16, and made the family income limit \$10 a week. Alien, asiatic, and illegitimate children were admitted and the benefit could be paid beyond the age of 16 years if the child was incapacitated, or (with a 2-year limit) remained at school.

12. In 1940 family benefit became payable for the second as well as subsequent children of eligible families and in 1941 all children were made eligible. From 1942 to 1945 the benefit and income-exemption levels were both raised slightly. However, the benefit remained selective and payable to low-income families only until 1 April 1946, when, under legislation adopted the preceding year, a family benefit of \$1 a week was paid for every child born in New Zealand or resident here for 1 year irrespective of the income or means of its parents or guardian.

13. The only significant changes since 1946 were the increase in the benefit to \$1.50 a child from 1 October 1958—at which level the benefit has remained ever since—and the 1958 provisions for advance payments for 1 year on the birth of the first child, and on beginning first year of post-primary education, extended in 1970 to include first year of intermediate schooling, and for capitalisation contained in the Family Benefits (Home Ownership) Act 1958 which came into force on 1 April 1959.

14. Family benefits in force at 31 March 1971 totalled 414,195 covering 1,000,451 children, compared with 408,397 benefits covering 990,030 children at 31 March 1970. Expenditure under this heading for the financial year 1970-71 however totalled \$70,401,504 compared with \$72,318,228 in 1969-70.*

THE FAMILY BENEFIT

15. As we have noted above, the family benefit (like its 1926 predecessor, the family allowance) was initially paid on an income-tested (selective) basis and was aimed strictly at reducing poverty among low-income earners with large families. The amount of the benefit was small and, as far as we can establish, was not based on any estimate of actual child-maintenance costs or related in any precise way to wage rates or price-index data. There does appear to have been a fairly constant relationship between changes in the income-test level for family benefit, and changes in nominal wage rates between 1930 and 1945.

16. When the family benefit became universal on 1 April 1946, the benefit level of \$1 for each eligible child does not seem to have been closely related to any assessment of actual child-rearing costs.

17. It is clear that the present family benefit of \$1.50 covers only a small part of present costs of child-rearing. In chapter 12 we noted that the cost of food alone for a 9-month-old child had been estimated in 1970 at \$1.90 a week, and that our own estimate of family food costs was about \$5 a head a week. However, it also has to be remembered that the annual value of the benefits at 31 March 1971 for about one million children was \$78 million and that every 10-cent increase in the weekly benefit would cost some \$5.2 million a year. This fact may explain, in part, why the family benefit level has remained unchanged since 1 October 1958; it illustrates the point we made in chapter 14 that universal benefits tend to be lower than selective benefits. It is worth noting (see appendix 11A) that whereas

*In both cases expenditure on capitalisation is excluded. The apparent discrepancy between the figures is caused by the eight-weekly credits to Post Office Savings Bank—in the 1969-70 year there were seven such credits while in 1970-71 there were only six.

the family benefit expenditure (including capitalisation costs) was 2.88 percent of national income in 1962 and 1.93 percent in 1967, it had dropped to 1.68 percent in 1970.

18. If, for purposes of analysis, we were to assume that the universal-benefit level fixed in 1946 was a fair public contribution to the cost to parents of raising children, it is interesting to note the implications of subsequent changes in the consumers' price index figures. During the period 1946 to 1958 the consumers' price index (long-term linked series) rose from 473 to 839 (base year 1965 = 1000)—an increase of 77 percent. In the same period the family benefit rose by 50 percent from \$1 to \$1.50. Since 1 October 1958 the benefit has remained at \$1.50 while the all groups consumers' price index has risen from 859 (September quarter 1958) to 1416 (September 1971)—that is by almost 65 percent. The \$1.50 figure in 1958 would translate to \$2.47 as at September 1971. If a direct comparison is made between the March quarter 1946, when the \$1 benefit became universal and September quarter 1971 the increase in prices has been in the ratio of 3 to 1 (that is from 471 to 1416) thus justifying a \$3 benefit.

The Costs of Children

19. In attempting to determine how much assistance the community should give towards the costs of raising children, we had wide-ranging estimates of these costs but little firm evidence as to what they actually are. What we do know with certainty is that family costs must rise absolutely as the size of the family increases, whatever economies are brought about by bulk purchasing or the common use of facilities. Recent studies in Australia* show that large families (those with four or more children) are quite likely to be "poor", and more likely to be "poor" than families with three or fewer children.

20. We have, on the other hand, been impressed by the results of overseas studies on the relationship of child costs to the age of the child. In New Zealand (where research into family problems is deficient) the family benefit is paid at a flat rate for each child irrespective of age. Virtually without exception the many studies made overseas show that the cost of maintaining a child increases steadily and continuously from a minimum in early childhood to full adult

**People in Poverty—a Melbourne Survey* by Ronald F. Henderson, Alison Harcourt and R. H. A. Harper, Institute of Applied Economic Research, University of Melbourne 1970.

cost at about the age of 14 years. Many studies show, moreover, that after this age costs rise *above* adult costs in the late teens varying according to sex, whether the "child" is studying or at work, and, if working, according to the nature of the work.

21. From the point of view of family income and living standards, there are other countervailing factors which should be taken into account.

- (a) At a certain age, say 15 years, a child can reasonably be expected to earn some money in his spare time, at least in times of full employment.
- (b) The arrival of the first child (when the parents are young and the family is not long established) has a significant effect on family income and living standards, partly because of layette and possibly housing costs, and partly because the mother stops working.
- (c) The father's earnings are usually higher when the children are older.
- (d) There is a greater probability of the mother earning wages when the children are older.

22. It is relevant to point (b) above that one submission to us urged that a higher family benefit be paid in respect of children below the age of 7 years. The point is also relevant to the possibility of paying a "mother's allowance" where there are young children, a question which is discussed later in this chapter.

TAXATION ASPECTS

23. Special income tax exemptions for dependent children were first introduced in New Zealand in 1913 for parents whose income did not exceed \$850 a year. The system of special exemptions for dependent children has continued with many modifications to the present day.

24. The current exemption is \$135 of income for each of the first three dependent children (up to 16, and beyond this age under certain circumstances) and \$140 of income for the fourth and each additional dependent child. Table 26 shows the value of the exemption in tax reduction for one child (at 1970-71 tax rates) and illustrates how much more valuable this type of concession is to those with high incomes than to those with low incomes.

Table 26

VALUE OF TAX EXEMPTION TO A MARRIED MAN WITH ONE CHILD

Income \$	Marginal Tax Rate Applicable to Last \$ of Taxable Income for Taxpayer Code M	Tax Reduction for the First Child (Exemption \$135)
	Percent (1)	\$ (2)
1,000	7.85	10.60
1,500	21.00	28.35
2,000	21.00	28.35
2,500	24.50	33.08
3,000	27.50	37.13
3,500	30.50	41.18
4,000	34.00	45.90
5,000	39.00	52.65
6,000	43.00	58.05
7,000	45.00	60.75
8,000	46.00	62.10
9,000	47.00	63.45
10,000	48.00	64.80
12,000	49.00	66.15
14,000	50.00	67.50

Source: The Treasury

25. For anyone on a given level of income, the value of tax concession varies for each child in the family. Table 27 illustrates this.

Table 27

REDUCTIONS IN INCOME TAX FROM EXEMPTING FIRST, THIRD, AND FIFTH CHILD

Income \$	Reduction of Tax (\$)		
	First Child (Exemption \$135) (1)	Third Child (Exemption \$135) (2)	Fifth Child (Exemption \$140) (3)
1,000	10.60	6.28	..
1,500	28.35	10.60	10.99
2,000	28.35	28.35	29.40
2,500	33.08	28.35	29.40
3,000	37.13	35.48	33.25
3,500	41.18	39.53	38.50
4,000	45.90	43.98	42.70
5,000	52.65	49.95	50.90
6,000	58.05	55.35	56.80
7,000	60.75	60.75	60.20
8,000	62.10	62.10	64.40
9,000	63.45	63.45	65.80
10,000	64.80	64.80	67.20
12,000	66.15	66.15	68.60
14,000	67.50	67.50	70.00

Source: The Treasury

The tax saved by exempting the fifth child is, for many income groups, lower than the saving from the exemption for the first child, although the exemption is itself slightly higher.

26. Although this tax reduction is greater in money terms to those on higher incomes, it may still be more significant to those on lower incomes. It will represent, for instance, a much higher proportion of total tax payable. It will also represent a bigger proportion of total income. The concession for the first child represents a little more than 1 percent of an income of \$5,000, but less than half a percent of an income of \$14,000.

27. After allowing for all this we must still note that the taxation concession can do very little for those whose taxable incomes are very low, and can do nothing at all for those who are completely dependent on income-tested social security benefits. We consider that a concession which is inoperative in this income area but is worth \$67.50 per year to those with very high incomes runs counter to the emphasis which social security must place on greater help for those in greatest need. For this reason we discarded a suggestion that the tax exemption be retained and the family benefit increased to say \$2.30 at a comparable cost to that of raising the benefit to \$3 but removing the child exemption (see para. 32) and concluded that the tax exemption for children should no longer be in force.

28. With an exemption for children in the tax system, the tax of those at any given income who have children is less than the tax of those without children. In examining the possibilities of replacing the taxation exemption with some other form of help we looked first at that which might preserve this feature. This would be to have a flat rebate of income tax for each child. A rebate of about \$37 per child would be equivalent in cost to the State of the present tax exemption. It would give less help than the exemption to those whose incomes are above the median—about \$3,200—and it would give more to all of those below who pay sufficient income tax to obtain the full rebate. It would therefore be preferable to the exemption in this respect. Its chief deficiency is its inability to help those who have very low incomes and have little income tax liability that can be rebated. As with the exemption it can do nothing at all for those, such as many solo parents and some other social security beneficiaries, who have no taxable incomes at all.

29. If we seek not only to replace the child exemption, but to give increased assistance to families the flat rate rebate is not an attractive technique. The higher the rebate, the more those on higher incomes would benefit, but the greater would be the number of low-income families unable to derive full benefit from it.

INCREASE IN BENEFIT

30. The tax exemption could be replaced by an increase in the family benefit. It has been estimated that an increase from \$1.50 to \$2.25 would approximate the increase in taxation revenue (about \$38 million) obtained from abolishing the exemption. This would benefit those on low incomes (including social security beneficiaries) at the expense of those to whom the exemption was worth more than \$39 per year per child—that is those whose incomes were above the median and who had dependent children.

31. It must be noted however that the higher benefit would in general go to the mother, while the father would pay any higher taxation caused by removal of the exemption. It has been suggested that this could cause some marital problems, but the general advantages of removing the regressive child exemption from the tax system are such that we believe the change should be made. In any case we believe that paying family benefit to the mother has on the whole been beneficial, has improved domestic relations rather than harmed them, and has been accepted by the New Zealand public. We assume however, that if our proposal to eliminate the child exemption from the tax system is adopted the “dependent relative exemption” for eligible children over 18 years of age who do not qualify for family benefit would continue.

32. However we do not consider that a family benefit of \$2.25 would be sufficient having regard to the increased costs since 1946, and having regard to the fact that the additional 75 cents would in many cases merely replace the tax exemption. The assistance given should bear a significant relationship to the cost of bringing up children and we think that anything less than \$3 per week would fall short of what is needed. This figure would represent a substantial increase for those with very low or no taxable incomes, decreasing at higher incomes where the last tax exemption was more valuable.

33. At present taxation rates and with present exemptions (apart from that for dependent children), the effect on individuals is shown by tables 26 and 27. No one with dependent children would be worse off in money terms because the biggest tax concession that can be lost is 50 percent of \$140 (= \$70) for any child, whereas the additional benefit will be \$78. On the other hand, those on lower incomes would benefit quite considerably for each dependent child, as table 28 shows.

Table 28

EXEMPTION LOSS AND BENEFIT GAIN AT VARIOUS INCOMES

Income		Biggest Exemption Lost	Additional Benefit	Minimum Gain
\$		\$	\$	\$
2,000	..	29.40	78.00	48.60
4,000	..	45.90	78.00	32.10
6,000	..	58.05	78.00	19.95
8,000	..	64.40	78.00	13.60
10,000	..	67.20	78.00	10.80

34. We stress that the above figures are based on August 1970 taxation and make no provision for any additional tax which may be needed. The cost of increasing family benefit to \$3 (on present conditions) would be about \$78 million per year—about \$40 million more than would be gained by removal of the exemption. The first \$38 million is not *additional* assistance. Families with incomes about the median will neither gain nor lose by it. Those with the lowest incomes will gain, not at the expense of the general taxpayer, but at the expense of taxpayers who have higher incomes and who also have dependent children.

35. But the additional \$40 million may require additional taxation. To the extent that it does it must be presumed that some part will be borne by those with children thus reducing the value to them of the higher benefit. But we are unable to estimate what the eventual result will be for families on particular income levels. Consideration of other methods of maintaining the present differential between those with and without children such as a tax on those without children is outside our terms of reference. In any case the present taxation pattern may change in many ways—in personal and wife's exemptions, in minimum and maximum rates, in the progression between them, and indeed in the weight given to different kinds of taxation.

36. We are convinced that the best way of ensuring that families receive assistance from the State is by family benefit. We are satisfied that \$3 per week per child is the least amount which will give significant assistance. We are aware that taxation could be levied in such a way as to place undue burdens on families with dependent children, to this extent defeating the objective of the benefit, but it is not within our province or competence to do more than point this out and trust that it will be borne in mind in the formulation of taxation policy.

A Selective Family Benefit

37. A possible variation would be to apply an income test to eligibility for the family benefit. We noted in chapter 14 that the Canadian Government proposes to do this. In Canada the present level of family benefit is regarded as much too low but the cost of increasing it on a universal basis is thought to be much too high. There is also a tax exemption at present.

38. We consider that this would be a backward step for New Zealand especially if the child exemption is removed from the tax structure. We have already noted that, in considering the case for paying family benefit, the relief of poverty or need is only one of the factors to be considered, and that in this respect the family benefit differs from selective benefits. We therefore consider that reintroducing income tests of eligibility for family benefit would be directly contrary to our view that, at all levels of income, those responsible for rearing the next generation have higher costs and lower living standards than those without such responsibilities, and that this burden should be widely shared in the community.

39. Nevertheless a degree of selectivity could be achieved by treating a universal family benefit as taxable income as we have recommended in respect of the universal superannuation benefit. The analogy is not perfect, because family benefit may be regarded, not as extra income, but as a part refund of money spent to benefit the community. Furthermore, the New Zealand taxation system is related to individual rather than to family income. The benefit is income in the hands of the mother who, in most cases, would have little or no other income and would therefore pay little if any tax on the benefit while the father could scarcely be taxed on her income without changing the taxation structure. In any case we feel that about the right balance will be achieved by abolishing the tax exemption and increasing the benefit to \$3 per week, and that the balance would be upset by taxing the benefit.

Payment of Family Benefit Beyond School-leaving Age

40. At present the minimum school-leaving age is 15 years whereas family benefit is paid for *all* children up to the end of the pay period in which the child turns 16, or to the end of the year in which age 18 is reached if the child remains at school. This means that family benefit is still payable for a child who has left school at 15 until he reaches the age of 16 even though most of these children will be earning wages. It also means that if as we recommend in chapters 24 and 26 a child in the work force between 15 and 16 years of age qualifies for sickness or unemployment benefit, the family benefit continues to be paid.

41. The situation appears illogical and it could be argued that the school-leaving and family-benefit age qualifications should be brought into line so that family benefit was payable beyond the school leaving age (whatever it might be) only if the child remained at school, especially if the benefit is raised to the level we suggest. On the other hand, we are not convinced that the size of the problem would warrant such a change, the purpose of which might be misunderstood. Moreover in some cases (for example, children between 15 and 16 years starting apprenticeships at relatively low wages) continuation of the family benefit can be justified. In any case the present position of working children under 16 is that while, in general, no action is taken to terminate the family benefit, this may be done if it comes to the notice of the Social Security Department that the child is living away from home and is fully self-supporting.

42. We were informed by the Department of Education that, at 1 July 1970, 85 percent of children aged 15 were attending school, and that the percentage has been rising over the years (in the early 1960s it was only 65 percent). Thus at present it is estimated that out of a total population of some 55,000 between the ages of 15 and 16 years, only some 8,250 will not be at school. Some of these (exact numbers unknown but, say, 1,000) will be incapacitated from attending school in any case. Of the remaining 7,250, a substantial number will be apprentices or otherwise earning low wages.

43. In these circumstances we conclude that the present age qualifications for family benefit should remain unchanged. However, we consider that in the event of an employed child between the ages of 15 and 16 years becoming eligible for "work force benefits" (sickness or unemployment) the amount of benefit payable should be reduced by the amount of family benefit being paid on his behalf.

FAMILY MAINTENANCE AND MOTHERS ALLOWANCES

44. The family maintenance allowance has a very short history, from 7 August 1968. It is an allowance for dependent children paid, in addition to the universal family benefit, to income-tested beneficiaries in the categories of age, invalids, sickness, unemployment, and emergency benefits. At June 1971, family maintenance allowance was paid thus (amounts per week): To *solo parents* (excluding widowhood beneficiaries—see below), for the first child \$13, and for subsequent children \$1.50. To *married couples*, for the first child \$3, and for subsequent children \$1.50.

45. The family maintenance allowance compares with the longer standing "mothers allowance" paid to recipients of widows benefit

with dependent children. In money terms, the mothers allowance paid to widows is identical with the family maintenance allowance paid to other solo parents.

46. The amount for the first dependent child of a widow or other solo parent is greater than that paid for the first child of a married couple, or for additional children in either case, because it is the responsibility for this child which makes it necessary for the solo parent to provide a home. This does not necessarily mean that an entirely separate household has to be set up. The department exercises a wide discretion here.

47. The amount of the allowance for the first child has in recent years been related to the basic benefit for a married couple. Families are regarded as a group: a solo parent with one child as the equivalent of a married couple, and a solo parent with three children as the equivalent of a married couple with two children. It is true that this can be only an approximate equivalence which will be affected by the ages of the children and a variety of other circumstances.

48. Nevertheless we find the relationship a sensible one. We consider therefore that the allowance for the first child of a solo parent beneficiary (if it remains an allowance and is not part of the solo parent benefit as we recommend later) should be such as will increase her benefit to the same rate as for a married couple after taking account of the family benefit paid for her first child, i.e., \$10, provided the department is satisfied that in one way or another the solo parent is providing a home for the child. Accordingly a solo parent beneficiary with one child would receive in total benefit, *including family benefit*, exactly the same amount as a married couple without children whereas at present she gets more.

49. The rate for each additional child of a solo parent beneficiary is at present \$1.50, the same as the family benefit, but we are told that this is coincidental. The family benefit is not and never was intended to cover the whole cost of maintaining a child. It is the State's contribution to that cost. It follows that the parents are expected to carry the balance. The justification for the family maintenance allowance for subsequent children in the case of solo parent beneficiaries, and any child in the case of married couple beneficiaries, is that the parents who are solely dependent on the benefit have no income which can be diverted to carry this balance. Unless they receive further help they can only maintain the children at the expense of reducing their standard of living below that which the basic benefits are intended to sustain.

50. Theoretically, then, the allowance, together with the family benefit, should be capable of covering the full cost of maintaining

the children. Although we do not know what this cost is, we can say with reasonable certainty that it is greater than the \$3 (\$1.50 family benefit plus \$1.50 family maintenance allowance) or the \$4.50 (\$1.50 plus \$3) at present given.

51. If the family benefit is increased to \$3 a child as we have recommended above, the gap between this amount and the full costs of rearing a child will be reduced. Account must also be taken of the economies of scale which should accrue in larger families, and the fact that we consider the family benefit should remain constant for each child. In these circumstances we consider that it is not necessary to preserve the present relationship between family benefit and family maintenance allowance, and indeed that a limitation should be set on the total amount of family maintenance allowance.

52. Taking married couple beneficiaries first, we consider that the family maintenance allowances should remain as at present, that is at \$3 for the first child and \$1.50 for later children, but with this difference, that they should not be paid for the fourth and later children. Thus for three children such a couple would receive family benefit of \$9, plus family maintenance allowance of \$6—a total of \$15. For six children the total would be \$24 because family benefit only would be paid for the extra three children.

53. To preserve the equivalence with married couples, a solo parent should receive \$3 family maintenance allowance for the second child (the same as the married couple receive for the first child), \$1.50 for the next two, and no family maintenance allowance for additional children.

54. We readily concede that this is only a rule of thumb formula, but from the information we have, we believe that it is an adequate and reasonable arrangement, and that it should be adopted.

55. If our proposals are accepted, the situation would be thus:

A. Solo Parent with One Child		Married Couple with no Children	
	\$		\$
Basic benefit	20	Basic benefit	33
Family benefit	3		
Family maintenance allowance	10		
	<hr/>		<hr/>
	\$33		\$33
	<hr/> <hr/>		<hr/> <hr/>

B. Solo Parent with Four Children		Married Couple with Three Children	
Basic benefit	20	Basic benefit	33
Family maintenance allowance (first child) as in A above	10	Family maintenance (first child)	3
Family maintenance allowance for second child .. .	3	Family maintenance second and third children at \$1.50 each	3
Family maintenance allowance for third and fourth children at \$1.50 per child .. .	3		
Family benefit for four children at \$3 each .. .	12	Family benefit for three children at \$3 each .. .	9
	<hr/>		<hr/>
	\$48		\$48
	<hr/>		<hr/>

It should be emphasised that the above benefits are tax free, and the \$48 will be over 82 percent of the total net income (including family benefit) of a married man with three children earning \$3,000 per year if the child tax exemption is removed as we recommend.

56. The limitation on total family maintenance is designed to maintain a reasonable balance in net incomes between those paying taxes and those receiving benefit and to be a corollary to the proposed increase in family benefit.

57. We have discussed this matter in terms of the present system—that is, that the amounts of family maintenance assistance are payable as allowances in addition to the basic benefits received by the parents. We think it would be preferable if the extra amounts were incorporated as varied rates of benefit where there are dependent children, just as the benefit rates vary now between beneficiaries of different ages or marital status.

58. Thus the benefit rate for a solo parent would be \$30 with one dependent child, with \$3 added for the second child, and \$1.50 each for the third and fourth child. No further increments for additional children would be granted.

59. Similarly the age or invalidity benefit rates would be \$33 for a married couple, with \$3 added for the first child and \$1.50 each for the second and third child.

60. We do not propose the removal of the present discretions. It would still be necessary to decide on such matters as income, marital status, dependency, and whether a home is being maintained, but this could be done equally well in deciding on a benefit rate as in determining an allowance. But family maintenance allowances and mothers allowances would no longer be needed.

SUBMISSIONS

61. We now deal with certain submissions made to us about the present mothers and family maintenance allowances.

Submission—No Variation With Number of Children

62. The drop in the amount of allowance paid for the second and later children of solo parents was opposed because it meant that the income received by a woman with six children was not greatly different from that received by a woman with one child. It will be evident from our approach above that we do not support the idea of constant rates of allowance. From a social security point of view it is the total benefit income of solo parents with children, and the equivalence between these and other parents, which are important.

63. As shown in para. 55 a solo parent with four children will have benefits totalling \$48 per week—all free of tax. A worker earning \$48 (which is the wage level we have used to determine the benefit level), will pay about \$4 in tax (at present rates) if he has four children and will receive \$12 in family benefit, making a tax-paid total of \$56. The solo parent's income will thus be about 86 percent of his, and she will have one fewer to feed and clothe. We think that this substantially achieves our belonging aim.

Submission—Continuation on Remarriage

64. It was suggested that if the mother remarries, the allowance should continue, either briefly for, say, 2 years, or until the children are adopted by their stepfather, or until the children reach 16 years. A continuing allowance could possibly improve the prospects of remarriage by lessening the cost for the prospective husband.

65. The purpose of the allowance is to enable the mother to provide a home for and maintain her children. We could not justify continuing to pay it when she has been relieved of these responsibilities.

Submission—Extension of Allowance

66. At present the family maintenance allowance (or "mothers allowance" for widows) continues only to the end of the school year for children over 16 continuing their education. If the headmaster confirms the child's return to school the following year, then the allowance is reinstated from the end of the previous year and retrospective payment made. If a child continues in full-time education, the allowance can continue until the end of the year in which the child reaches 18 years.

67. Some submissions argued that withdrawing the allowance when a child completes the school year causes hardship to the parents. Although the allowance can be reinstated in February when the child returns to school (or in March, for students attending university), it was stated that the money is often needed before this time.

68. If payment were continued automatically beyond the end of the school year, there would be a problem of repayment if the child did not in fact return to school after the beneficiary had earlier declared that continued schooling was intended. While we do not favour an automatic extension, we agree that the department in appropriate cases should continue to exercise its discretion to pay until the time that it becomes apparent that the child is not returning to school.

69. For solo parents receiving a social security benefit, there is a sudden drop in income when the family maintenance or mothers allowance for the last child ceases. Those receiving "widows" benefit also have their income exemption reduced.

70. The Social Security Department proposed that the allowance for the last or only child should be continued for a period after entitlement to the allowance has ceased. This it said would enable the solo parent to readjust her circumstances according to her reduced income, and would also help the solo parent to establish the child in a job, as most children beginning work do need some help from their parents. We do not support these suggestions. In our view there is no justification for postponing the adjustment that has to be made. The department now notifies beneficiaries 6 months before the impending reduction, and we think this service should continue.

PAYMENT TO MOTHERS IN THE HOME

71. The allowance paid to a widow with dependent children in New Zealand called a mothers allowance but this term is often used overseas as meaning a flat-rate allowance paid without regard to family income or the number of children to *all* mothers (not just to recipients of categorical benefits) with one or more dependent children below a certain age in recognition of their services to the community in rearing the next generation within the family. In effect, it is a mother's wage paid by the community as a whole.

72. The introduction of a universal mothers allowance into the New Zealand social security system was proposed to us during the course of our inquiry. It was noted—and with this we agree—that the community service given by a mother is, in terms of human investment, at least as valuable socially and economically and at least as onerous as the service she would give in paid employment.

The major issue is not need or poverty, but whether mothers should be recompensed for valuable services given traditionally without charge to the community, and at the expense of the family.

73. Some proponents would have the allowance paid only while the mother remains at home as compensation not only for her service to the community but for depriving herself and her family of income she could earn in the work force. Others saw the allowance being paid for so long as one child in the family remains below a specified age whether or not the mother is working. The assumption here is that if the mother goes out to work she will have extra costs for child care.

74. In considering the desirability of such an allowance it has to be borne in mind that (at least in conditions of full employment) there are quite strong economic and psychological reasons why mothers (whether married, unmarried, widowed, divorced, or separated) should not be discouraged from re-entering the work force, and should in fact be encouraged to do so when their family responsibilities permit. Given the conflicting evidence and expert views available, we are ourselves unable to reach any conclusion about the age at which the value of service to the community from participation in the labour force outweighs the value of full- or part-time child rearing.

75. But in the absence of a mothers allowance women are often under strong economic pressure to go out to work. Many families suffer a substantial loss of income and fall in living standards when the arrival of children forces wives to give up work. Until the mothers can go back to work these families will continue to be at a marked disadvantage compared with the growing number of families in which there are two adult wage-earners. The situation is bound to become more acute as New Zealand comes more into line with comparable countries in the proportion of married women in the labour force, and with the advent of equal pay for women.

76. Granted that this problem exists, it may yet be asked whether social security should properly be concerned with it. We think it should. We have said earlier that one of the purposes of social security is to remedy the inherent defects of the market system—to do what the market system cannot do. The market system does not and cannot distribute wages or other incomes on the basis of family responsibilities. With the acceptance of women's right to equality in wages, the market system finally drops any pretensions of concern with this aim. And again we have already said that the community has a stake in investing in human resources. It cannot be doubted that social security is one of the agencies—along with the health and education services—which can serve this purpose.

77. Although the views of sociologists, psychologists, and economists conflict on this question, it seems reasonable to assume that it is in the community's interests that mothers of children (at the very least, of those up to 3 years of age) should be full-time mothers. There seems to be a measure of agreement that during the kindergarten and primary school stage, part-time employment may help the mother and the family as well as the economy. We consider this matter must remain entirely within the judgment and discretion of the family. But for the purposes of analysis we assume that if a mothers allowance scheme were introduced, it would be paid without regard to means or numbers of children for so long as there is one child under 3 years of age in the family.

78. It is obvious that the cost of such a scheme would be substantial even if it were taxed. While its fate should certainly not be determined solely on grounds of cost, it is obviously impossible to ignore the financial aspects. And it is necessary to consider a mothers allowance proposal not in isolation but in relation to other family assistance measures—especially the family benefit.

79. As in so many other instances during our inquiry, gaps in the statistical information available makes cost estimating difficult. We do not know how many New Zealand mothers would qualify under the conditions outlined above because the 1966 census data did not give a breakdown of families according to children in various age groups. Neither do the family benefit data give this information. All we do know is that at 31 December 1969 there were 239,680 children under three years of age. We do not know precisely how many mothers this represents, but if for purposes of analysis only, we assume that there is one mother for every two children under 3 years, and we calculate the mothers allowance at \$10 a week, the annual gross cost would be \$62,316,800 for 119,840 mothers. If such an allowance were taxable, some of this cost would be recouped, but very much less than 50 percent, which is the maximum tax rate.

80. If we were to assume that there is only one mother to every three children under 3 years we would get a lower cost limit of \$41,544,360 for 79,893 mothers.

81. Our guess, and it can be no more, is that the gross annual cost before tax would fall between these two estimates and would be about \$50 million if the allowance was paid universally on the above terms.

82. It would be possible to reduce the cost with various limitations. For example, the age limit for the child could be reduced below 3 years—although many would think that even this would be too low. The amount of allowance could be lowered to something less than \$10 a week. The allowance could be made selective, as for example

by applying an income-eligibility test—but this is scarcely appropriate to a payment based on services rendered rather than on financial need. Payment could be restricted to mothers who actually remain at home and care for their children. Only the last of these possible limitations would appear to be consistent with the arguments on which the case for a mothers allowance is usually based.

83. Apart from the aspect of cost, we found the concept of a mothers allowance attractive. Whatever view one may take of the mother's traditional role, the market system does not put a price on it. We have observed quite strong indications that this is being increasingly questioned, not on any sentimental basis, but because of a conviction that children who have a mother's care in infancy are more likely to be healthy, and well-adjusted to society. In other words, they are more likely to be assets to society than liabilities.

84. But each country must find the solution which fits best into its economic and social structure. We are by no means convinced that a mothers allowance would be the best, or an acceptable solution in New Zealand. It is difficult to estimate the social and economic effects. It is not possible to ignore the fact that in this country many women welcome the chance of leaving work to make a home. It is doubtful whether public opinion would accept the proposition that such women should receive a contribution from taxation for doing so, or that women who prefer to work should be offered an inducement to stay at home. At the very least we consider that there should be more research, more knowledge, and more public debate on this issue before decisions are made. We hope that our references to it may lead in this direction.

85. We are also conscious that our recommendations on the family benefit move generally in the same way as would a mothers allowance. We think it quite possible that the acceptable solution in New Zealand may be found within the family benefit system.

86. We should also mention that there is a reverse side to this problem. A mothers allowance was proposed to enable women to choose to stay in the home. But their choice in the other direction—to re-enter employment—is also restricted. We think that more attention needs to be paid to the removal of these restrictions by providing retraining facilities, opportunities for part-time or staggered-hour employment, and child-care centres and like facilities.

CAPITALISATION OF THE FAMILY BENEFIT

87. Capitalisation of the family benefit for housing was first introduced in New Zealand under the Family Benefits (Home Ownership) Act 1958 which came into effect on 1 April 1959. As it now stands the

Act permits the capitalisation of future family benefit within prescribed limits and to people qualifying under an income limitation, to buy a new house, a previously occupied house, or a State house. It also provides for adding extra rooms for the family and, in some circumstances, for repaying an existing encumbrance on a house.

88. Subject to the financial and income limits, the Social Security Commission has discretionary authority to decide eligibility. However, section 10 of the Act provides that a certificate of eligibility shall not be issued unless:

(a) The child for whom the family benefit is payable has attained the age of 1 year;

(b) The Commission after considering the income and assets of the applicant, and of the spouse of the applicant, is satisfied that:

(i) Capitalising future payments of family benefit will not cause hardship to the applicant;

(ii) The applicant or spouse could not reasonably be expected to arrange finance from any other source.

(c) The applicant or the spouse of the applicant has lived in New Zealand for periods adding up to not less than three years during the 10 years immediately preceding the date of application.

89. In deciding eligibility the Commission considers all relevant circumstances including the income, assets, and liabilities of the applicant and spouse; the need for such finance to obtain a home; the ability of the family to meet the responsibilities of home ownership, and at the same time absorb the loss of regular family benefit payments for the children concerned.

90. The maximum and minimum amount of capitalisation is set out in the legislation. The income limit for eligibility under the scheme is fixed by the Government from time to time. It may be noted that both limits are at present low relative to housing costs and average incomes respectively.

91. During our inquiry a number of individuals and organisations expressed opposition to the benefit capitalisation scheme. Such criticism was based largely on two grounds:

(a) that capitalisation was contrary to the best interests of the family in that it deprived the mother and the children of regular benefit income designed primarily to lessen the costs of rearing a child;

- (b) that hardship can and does arise (despite the administrative safeguards) when a wife and children are separated from the family home. In such cases both the home and the family benefit income are lost.

92. It was put to us that cheap finance for housing for low-income families should be made available through more traditional channels such as the State Advances Corporation, and that the family benefit should be preserved purely as a family-income maintenance and child-cost sharing arrangement. In this context we note the view expressed to us by the representative of the State Advances Corporation that, while the amount of capitalised family benefit has been invaluable as a deposit, it has had a very limited effect in reducing outgoings on a house. But it does give the initial deposit which in many cases would not otherwise be available, and without which the home could probably not be bought.

93. While we consider there is some force in the criticisms of the capitalisation scheme referred to above, it is evident that the number of specific cases of difficulty may not be as great as some critics assumed. The Chairman of the Social Security Commission said about this aspect:

Difficulties do arise in a few cases where a mother and children leave a family home which continues to be occupied by the father. Unless the father is prepared to provide finance to repay the capitalised family benefit advance or makes regular payments in lieu of family benefit, the use of the family benefit is lost to the mother and, while she may be building up an equity in the property, she has lost the benefit at a time when it may be most required. In these cases it is possible to call up the advance, but the husband or wife are usually not in a position to finance repayment to enable family benefit to be resumed. If the advance is called up in this type of case the legislation requires future family benefit instalments for the children concerned to be applied in reduction of the outstanding debt. Until such time as the debt is repaid by this or some other means, there is no authority to resume regular family benefits to the wife.

Difficulties can also arise in some cases if a child leaves the family home and there is no further entitlement to family benefit. (For example, on departure of a child for overseas or adoption of a child.) In this event the outstanding balance of the capitalised advance is established as a debt due to the Crown and as there is no continuing family benefit for the child, the debt must be repaid by other means. This could mean in some cases, repayment may be outstanding for many years, but there is provision in section 3 (h) of the Act to capitalise the family benefit of another child to repay the outstanding balance in respect of the child no longer eligible. However, not all families are able to take advantage of this provision.

In the majority of cases where repayment of an advance is required, no difficulty is experienced in obtaining repayment of the outstanding balance, and beneficiaries are able to have family benefit payments resumed without delay. In general it is only in isolated cases where problems are encountered and these are few in relation to those who are able to make arrangements for repayment which are satisfactory to the beneficiary and the department.

94. On the basis of his long experience of the operation of the scheme, the Chairman of the Social Security Commission expressed the opinion that, despite these difficulties, "there can be no doubt that the availability of such a provision has been of prime importance to young couples in the upbringing of children. The capitalisation scheme has also assisted many problem families where marital discord was apparently due to unsuitable living conditions . . . In effect the scheme has been a worthwhile social welfare measure".

95. We accept the Chairman's view that the capitalisation scheme fills a need in the present circumstances of the availability of finance for housing lower-income families. We do not consider it within our purview to discuss the income limitations applied under the present scheme. This is essentially a matter to be examined in the context of general policy on housing and housing finance. However, we consider that in formulating this general policy the Social Security Commission should be closely consulted, and the effect of the higher family benefit which we recommend be taken into account.

GENERAL CONCLUSIONS

96. From all the preceding discussions we came to the following general conclusions—

- (a) The question of community assistance to families has to be weighed as an investment in people as well as a means of alleviating poverty or meeting needs. A major consideration is to ensure that the costs of rearing children at *all* levels of income are equitably spread throughout the community.
- (b) The family benefit should remain payable for every child up to the age of 16 (18 if still at school) without regard to the incomes of the parents.
- (c) The rate of family benefit per child should not vary according to the ages or numbers of children in the family.
- (d) A family benefit of \$3 a child would be reasonable in present conditions.

- (e) The family benefit should remain untaxed.
- (f) Any increase in family benefit should be accompanied by action to eliminate the child exemption from the income tax system as the effect of this exemption runs counter to the aim of giving greatest social security assistance to those whose needs are greatest. (The exemption for children over 18 should however continue as a dependent-relative exemption.)
- (g) The alternative of a flat tax rebate, while modifying some of the defects of the tax exemption, nevertheless fails to give greatest assistance where it is most needed and is therefore unacceptable.
- (h) While there is merit in the idea of paying an allowance to every mother who elects to remain at home to look after children up to a specified age, we believe the time is not opportune to introduce such an allowance, and that priority should go to adjusting the family benefit itself.
- (i) The mothers allowance for dependent children at present paid to solo parents qualifying for widows benefit, and the family maintenance allowance payable to other solo parents and to married beneficiaries with dependent children, should not have different names. We prefer, in any case, that these allowances should be incorporated into the standard benefit schedules, and should be payable only if the parent has accepted responsibility, in one way or another, for providing a home for the child or children.
- (j) If family benefit is increased as we suggest, there is no need to maintain the present relationship between this benefit and the allowances paid for children dependent on social security beneficiaries so long as an adequate family income is assured by the sum of all benefits and allowances having regard to the economies of scale which operate in larger families.
- (k) The amounts of family maintenance allowances should be such that the solo parent beneficiary with one child receives the same benefit income as a married couple without dependent children; and that thereafter similar equivalence is maintained for the additional dependent children of the solo parent and the dependent children of a married couple.
- (l) The scheme for the capitalisation of family benefit for lower-income family housing should continue at least until alternative housing finance facilities for such families are available through more orthodox arrangements.

97. It may seem strange to some that at a time when the "population explosion" is regarded as a threat to mankind's very survival, and when we are being told that New Zealand's birthrate is too high, we have yet chosen to lay even greater emphasis on social security provision for children and for those who care for them. We have not done this in ignorance of or in despite of the need for world population control. But the responsibility of social security, as we see it, is to care for those who are in the community. This must not be subordinated to other aims. However desirable these may be they must be pursued by other means.

RECOMMENDATIONS

We recommend that:

- (13) The family benefit be increased from \$1.50 to \$3 a week.
- (14) The existing mothers allowance and family maintenance allowance be eliminated and the standard benefit rates which we propose in recommendations (4) and (5) be increased where a beneficiary is providing a home for a dependent child or children to the following weekly amounts (with appropriate family benefit to be paid additionally in each case):
- | | |
|---|-------|
| (a) For a married couple: | \$ |
| (i) with one dependent child | 36.00 |
| (ii) with two dependent children | 37.50 |
| (iii) with three or more dependent children | 39.00 |
| (b) For a solo parent: | |
| (i) with one dependent child | 30.00 |
| (ii) with two dependent children | 33.00 |
| (iii) with three dependent children | 34.50 |
| (iv) with four or more dependent children | 36.00 |
- (15) If the family benefit is increased as we propose, the present child exemption in the income-tax system be eliminated.
- (16) In the event of a child for whom family benefit is payable becoming eligible for a sickness, invalids, or unemployment benefit, the amount of such benefit be reduced by the amount of family benefit being paid on the child's behalf.

Chapter 22. A PROPOSED DOMESTIC PURPOSES BENEFIT

1. The important unit in our New Zealand society—and indeed almost everywhere—is the family, and we have already recognised this in various ways. But we have also recognised—as for instance in respect of the family benefit—that families do not always conform to what is for us the traditional pattern of the male wage earner with the wife as mother and housekeeper, supporting and caring for their children. There can now be no question—as there once was—of excluding children who did not fall within this traditional pattern.

2. Our endeavour must be to ensure that social security fits the changing pattern of society. There have been many changes since the present system was introduced and the pace of change seems to be accelerating especially as affecting the place of women in society. The majority of women now have been employed before marriage; increasing numbers are employed while married; equal rates of pay for women are becoming more common. At the same time the formalities of marriage are less regarded and a higher proportion of children are born out of wedlock. New laws affecting women, families, and children were enacted in 1970, and must inevitably affect our society. All of these matters are relevant to the groups, mainly of women, whose problems are considered in this chapter and must be taken into account in laying down guidelines for the future.

3. We now consider three separate groups of people who are linked because their dependency on social security arises from domestic circumstances. They are:

- (a) Solo parents who have children to look after.
- (b) Women who have to care for infirm or disabled relatives.
- (c) Women who, because of previous domestic involvement, are unfitted for employment.

The social security system makes provision for most of these groups at present, but in a variety of unco-ordinated ways, and not always adequately. We have come to the conclusion that it would be better administratively, and would lead to more equitable treatment, if their requirements were met by one domestic purposes benefit.

SOLO PARENTS

4. Surveys carried out in other countries reveal that solo-parent families, particularly fatherless families, face a high risk of poverty. Those solo-parent families in or near poverty not only experience the deprivations of being poor, but have other problems due to the lack of a partner, and being one parent short. While no large-scale surveys have been made in New Zealand, the evidence we heard suggests that low incomes among solo female parents is one of this country's major welfare problems.

5. This does not mean that all solo-parent families live at or near the poverty level. Moreover, those which are in or near poverty have varying educational and social backgrounds and varying abilities to cope with their situations. The marital status of the solo parents, too, is most various. The class includes widows, widowers, deserted, separated, and divorced wives and husbands, and parents whose partner is absent in prison or in a mental hospital for a long time. There are also unmarried mothers who are trying to raise their children themselves. All these families face similar problems arising from their need to provide singlehandedly both financial and parental support for dependent children.

Outline of Present Provisions

6. Although solo parents are faced with like problems, different social security provisions apply to them, as the following summary illustrates.

7. *Widows Benefit*: This is a statutory income-tested benefit. Mothers allowance is paid as well as the basic benefit where there are dependent children, at a higher rate for the first child than for later children. Widows with dependent children are also permitted a higher allowable-income limit (\$17 a week) than most other beneficiaries (\$13 a week). Full details of the conditions under which a widows benefit may be granted are set out in appendix 2.

8. *Miners Widows Benefit*: Section 53 of the Act allows a miners widows benefit, free of any income or means test, to the widow of a man who dies while receiving a miners benefit. This is paid at a lesser rate than the standard basic rate for a widow.

9. *Special Benefit*: A woman may be granted a special benefit, under the same conditions as for widows benefit, if her husband has been a patient in an institution under the Mental Health Act 1969 continuously for at least 6 months immediately before the date of application for the benefit.

10. *Deserted Wives Benefit*: A married woman who has been deserted by her husband may be granted a benefit as if she were a

widow. As a condition of the grant of a benefit, an applicant is usually required to proceed against her husband to obtain a maintenance order. Any maintenance paid under the order has then to be paid direct to the department. The department receives the maintenance and assumes responsibility for enforcing the order. This procedure is intended to assure the wife of a steady income, rather than having her rely on spasmodic maintenance payments. A divorced woman is not eligible for a deserted wives benefit (although she can qualify for the emergency benefit, see paragraph 11), but if a woman receiving a deserted wives benefit does become divorced, the Commission may, in its discretion and subject to such conditions as it thinks fit, continue the benefit as if the marriage had not been dissolved.

11. *Domestic Purposes Benefit*: To overcome certain inconsistencies, it was decided in 1968 to group emergency benefits payable to women who have lost the regular support of their husbands and who qualify for an emergency benefit, under one generic term of "domestic purposes benefit". The classes covered are: (a) Women with dependent children who have lost the regular support of their husbands (including *de facto* husbands), and those women with dependent children whose husbands are in prison; (b) women (including *de facto* wives) without dependent children who have lost the support of their husbands and are unfit or unable to work; (c) unmarried mothers with dependent children who have no other adequate means of support. As this assistance is granted under the emergency provisions of the Act, it can be allowed only on grounds of hardship and individual circumstances, and applications are more closely examined than those for statutory benefits.

12. In this way then assistance is given to separated and divorced women, wives of prisoners, and single mothers. The benefit is normally paid at the same basic rate as other benefits and may be increased by a family maintenance allowance (equivalent to the mothers allowance for widows) where there are dependent children.

13. When determining eligibility for a domestic purposes benefit, including family maintenance allowance, the Social Security Commission needs to be satisfied that the applicant has taken adequate proceedings against her husband or the father of her children. When these proceedings are taken, the department normally arranges for maintenance to be paid direct to the department, as in the case of deserted wives. We describe the department's role in maintenance enforcement in greater detail in chapter 35.

14. Where maintenance given under a consent order or by an agreement is lower than the aggregate of the domestic purposes benefit and family maintenance allowance, the total benefit is usually

limited to the amount of the maintenance. However, if this produces apparent hardship, the limit may be exceeded, and the Commission may in those circumstances apply to the Magistrate's Court for a variation of the terms of the agreement or order.

15. A domestic purposes benefit is not given a wife who has left her husband unless the Commission is satisfied that she has sufficient cause for living apart from him.

16. The normal allowable income of \$13 a week (rather than the higher widows amount) applies for domestic purposes benefits even where there are dependent children. This permits many women to work part-time. However, entitlement is not usually conceded if a woman is in regular full-time work, even though her income may be such that some benefit could still be paid.

Sickness Benefit for Solo Parents

17. Under section 54 of the Act a person over 16 who has to stop work because of a temporary incapacity, and who has suffered a loss of earnings because of the incapacity, is entitled to a sickness benefit (in appropriate cases supplemented by a family maintenance allowance) if the income and residential eligibility tests are met.

18. Advanced pregnancy is regarded as an incapacity which precludes employment. Thus a pregnant single woman is entitled to a sickness benefit just as any other person temporarily incapacitated for employment. For pregnancy the sickness benefit is not usually paid earlier than 3 months before the expected date of confinement, but on medical grounds payment may be approved from an earlier date. The benefit may be continued for a time after confinement subject to medical evidence that the beneficiary is breastfeeding the child, or there is some other cause of incapacity for work. Unlike the case of domestic purposes benefit, there is no insistence on the taking of maintenance proceedings before a sickness benefit is granted.

19. Under section 55 (2) the Commission may, where no payment is made for the wife of the beneficiary, increase the rate of sickness benefit payable to the beneficiary for any person who for the time being has the care of the home of the beneficiary. This provision in effect subsidises the employment of the housekeeper of a male solo parent while he is ill.

A Common Benefit?

20. A recurring theme in the submissions was that a common benefit should be paid to solo parents. In discussing this we think that it is important to distinguish female from male solo parents, and we deal with the former first.

Female Solo Parents

21. One must note that present benefits which are available to female solo parents are not restricted to them. For instance, the widows benefit may be received by women who have no dependent children. But here we are discussing the specific problem of women who have sole responsibility for dependent children.

22. As will have been seen from the outline of present provisions, considerable progress has been made towards a uniform treatment, particularly with new benefits such as the domestic purposes benefit.

23. The main differences now remaining are:

- (a) That some of the benefits (for example widows) are *mandatory*. This means that the criteria are laid down by statute and if they are satisfied the benefits must be paid. Others, under the emergency provisions of the Act, are *discretionary* and are granted only if the Social Security Commission is satisfied that they should be.
- (b) Although the amounts of the benefits are in most cases the same, the allowable other income is greater in some cases than it is in others.
- (c) The status of the department in enforcing contributions to family maintenance by the man concerned differs from one category to another, and this can lead to other differences in the treatment of the beneficiary family.

24. The Social Security Department recognises that the position is still not satisfactory, and in its Paper 10 (Submission No. 181) it proposed a new "statutory" benefit which would lead to more uniform treatment of women who do not have the support of a man. These suggestions, though of great help to us, are not set out here, and we do not adopt them in the form presented because the proposal would leave widows in a separate category.

25. Social security provision for solo parents began with widows, whose situation was clearly perceived by the community and traditionally attracted sympathy. Later developments have recognised that other female solo parents are in very much the same position, and the door has been opened first to one category and then to another, but with reservations and safeguards raised because the community was not whole-hearted in accepting the responsibility. Attention has tended to be focused on the reasons why women found themselves in the position of solo parents. We think that the time has come to focus attention on the needs of these solo-parent families, and to deal with other considerations separately.

26. The common pattern of life in our society is that family responsibilities are shared by two parents, with the man being the main breadwinner, and the woman principally responsible for the care of the children. The female solo parent is not only deprived of the help a man might be expected to give in the care of the children; she is deprived (in whole or in part) of his financial contribution and her responsibilities in the home limit her ability to earn an adequate family income.

27. Thus all female solo parents, whether they be widows, unmarried mothers, or otherwise, are likely to suffer from a lack of income. It is the fact of this lack of income, and not the reason for it, that concerns social security.

28. The criterion of need must, of course, be applied. Some will have adequate private income; or the man concerned may be making adequate payments for the family's maintenance; or because someone else is looking after the home the mother may be earning enough money. In most of such cases no application for assistance will be made. If it is, it will be screened out by the income test.

29. What we want to emphasise is that assistance should not be withheld because the man concerned *should* be supporting the family. If the need exists, the community's responsibility is established, and the matter of the man's contribution becomes a separate issue. It is nevertheless important, and we deal with it in chapter 35.

30. We therefore favour a benefit which is designed to meet the needs of female solo parents (that is, those with dependent children), and which can cater for the needs of all those who fall within this broad category. They would include: widows, deserted wives, women divorced or legally separated from their husbands, women living apart from their husbands (or *de facto* husbands) though not legally separated, unmarried mothers, and women whose husbands are long-term patients in a mental hospital, or are in prison, or are otherwise unable to act as the head of the household, and other women who, in the opinion of the department, have similar family responsibilities and should be treated in a like manner.

31. The criteria for such a benefit would be (a) that the woman has children dependent on her; and (b) that her income is below the prescribed levels.

32. It is clear that if such a wide variety of circumstances are to be covered, then there must be a wide discretion in deciding whether the criteria apply. The fact of widowhood is usually

established without difficulty. It may be much less simple to arrive at a decision that a woman, living apart from her husband, is doing so in such circumstances that the children are dependent on her.

33. The circumstances may require much closer investigation in some cases than in others to determine dependence. For instance the mother may simply have left her husband under such circumstances that the husband has not relinquished his primary responsibility for the family's maintenance. Or a woman may have assumed responsibility for a child who is not in fact dependent on her.

34. Nevertheless, if it is accepted that it is the fact of dependence that determines a solo parent's entitlement to the benefit then we are satisfied that the discretion is well within the competence of the department or of the appeal authorities which we recommend elsewhere.

35. The Social Security Department also proposed that the new statutory benefit should be granted on a temporary basis for the first 6 months as is the present case for wives of mental patients. The grounds for this proposal were that marriage breaks are often mended after a short period of separation. Appropriate cases could be granted emergency assistance during the first 6-monthly period, but it would be desirable to have discretionary authority to allow a permanent grant from an earlier date in appropriate cases. We agree broadly with this approach.

36. Our suggestion for the uniform treatment of solo parents means certain changes from present practice. These need special mention.

Divorced Women

37. Divorced women are included, and we intend that this term should cover women who have obtained a divorce, or who have been divorced by their husbands. At the present time such women unless they were receiving a deserted wives benefit prior to the divorce may qualify only under the emergency provisions.

Unmarried Mothers

38. Unmarried mothers are included. They may also qualify at present under the emergency provisions, but this fact is not well known. As a result, a woman and particularly a young girl, may make the important decision about whether she will keep her child without knowledge of what assistance will be available if she does so. We can understand that there may have been

reluctance to encourage young girls to undertake this responsibility, and we fully accept that the reason for this was not to save State money but the knowledge that in many cases it is better for the mother and for the child to allow the child to be adopted. Nevertheless, we have no doubt that such an important decision should be made only in the light of all the facts, and we would expect that the categories of women who can qualify for our proposed domestic purposes benefit will be clearly stated in the statute, and will include unmarried mothers. Anything less would, we think, be contrary to the intention of the Status of Children Act 1970 which provides "that the law shall not discriminate against any child or impose disabilities on him by reason of the accident of his birth".

39. Some submissions dealt with the assistance which may be needed by unmarried women during pregnancy. These are discussed in chapter 24 when we consider benefits relating to incapacity.

De Facto Relationships

40. One of the difficulties which will face the department in determining the fact of dependency will be that women who claim this benefit may be living with a man under circumstances which suggest that he, and not she, is responsible for her support. Under the present legislation the department has had the benefit of section 74—the so-called "morals" clause—in making this determination. This section allows the Social Security Commission to refuse, reduce, or terminate a benefit if it is satisfied that the applicant "is living on a domestic basis as husband or wife with a person to whom he or she is not married".

41. We refer in chapter 36 to this section, but we should make it clear that even if the section is repealed the department will be bound to take such circumstances into consideration. We agree that the absence of a legal marriage, or of an "accident of birth", should not be a cause of discrimination. But we reject the idea that the partners in a *de facto* relationship should obtain financial advantages from the State which are denied to the partners in a legal marriage. Where a family relationship exists in fact, the man must be assumed to have the primary responsibility of supporting it.

Male Solo Parents

42. The Social Security Act does not specifically provide assistance for male solo parents as such. It was suggested to us that such provision was as necessary for men as for women.

43. The cases are not the same, however. Before the loss of his wife (by death, divorce, or whatever cause) a father would usually have been working, and he would in most cases find it easier to get a well-paid job than would a woman. Moreover, most men are less trained to care for the home and children than are most women, and are less prepared to undertake these responsibilities. Consequently, men usually meet these circumstances in different ways, for example, by employing a housekeeper, or boarding the children at school. It is possible that the State can and should assist by such means as providing adequate day care centres, but we cannot see that social security monetary benefits are appropriate in these circumstances.

44. If, however, the interests of all concerned may best be met by the father staying at home and caring for the children, at least until suitable alternative arrangements can be made, he will then be in exactly the same position as a female solo parent, and we consider that he should be eligible for the same benefit and allowances.

Widows Benefit Without a Means Test

45. It was submitted that a widows benefit should be granted automatically to widows who are unable to work because of age, health, or dependent children; and that the benefit should be available irrespective of the financial resources of the applicant.

46. We consider that some form of income test needs to be retained in terms of the primary social security aims we have laid down. The fact of widowhood alone is not an adequate criterion for public assistance. Nor are there sufficient grounds to assume need. Such an assumption may serve as one of the grounds for the superannuation benefit payable to those over 65, but age is of itself an earning disability. Widowhood is not. Nevertheless, the separation from the work force which preceded widowhood may justify assistance, and we deal with this in a later part of this chapter (para. 91-94).

Immediate Assistance for Widows

47. It was suggested that a widow should be granted immediate short-term assistance in the event of widowhood, regardless of her means. The Social Security Department can and does give an emergency benefit to any widow who is considered to be in need of cash immediately after the death of her husband. We think this sufficient.

48. While we think that it would be going too far to disregard means entirely, we consider that a liberal approach is suitable in these circumstances. The emotional and other consequences of a husband's

death, and the widow's possible unfamiliarity with his financial affairs, make it inappropriate to press inquiries too far, and prompt aid may have a value far beyond its worth in dollars. We think, too, that this policy should be extended to other women whose family lives are suddenly disrupted.

49. What we say here is not inconsistent with what we have said in para. 46. It should be made clear in all cases that benefits are granted subject to review.

Maintenance

50. We said earlier that although the man concerned *should* be supporting the family, once the community's responsibility for support was established by the fact of need the matter of the enforcing of the man's obligation became a separate issue. Moreover, this issue does not relate exclusively to solo parents. It is equally relevant to some cases where women without children receive a benefit. Therefore we deal with it in chapter 35.

Amount and Conditions of Benefit for Solo Parents

51. We have already said that the criteria for our proposed domestic purposes benefit should be that the solo parent has dependent children, and that income is below the prescribed limits.

52. The benefit requirements include the maintenance of the parent, the children, and the home, and these are best met by the division which now exists in the widows and related benefits, namely, a specific benefit for the parent, and a variable benefit for the children and home.

53. The parent's portion should be the basic social security benefit rate for an unmarried person. The dependent children's portion will vary according to their number, and we have dealt with this under "Assistance to Families" in chapter 21.

54. A solo parent may have only limited opportunities to earn money, but should have the same freedom to do so as other beneficiaries—and may in any case have some other income. The amount of this and the degree of abatement is a matter which was emphasised in submissions. Widows, whom we have included in this category of solo parents, have hitherto had some advantage in this respect over other beneficiaries. We considered the matter in chapter 15 and decided that this should not be continued. The benefit for solo parents should therefore be abated for other income in accordance with the same rules as apply to other benefits.

55. As we have already said, we will consider later the question of the contribution which the father of the child or children, or a *de facto*

partner, may be expected to make to the support of the solo-parent family, and the role of the Social Security Department in enforcing this contribution. We should make it clear at once, however, that the community has a right to expect that those who claim its support will fulfil their own obligations to the community, and will not help the man concerned to evade his obligations.

56. The duration of a benefit for a solo parent must depend on the continuation of responsibility for dependent children. This could most conveniently be related to payment of family benefit. But while a family benefit may be justified because of the parent's responsibility for the maintenance of the child, it does not necessarily follow that the existence of that child prevents the parent from earning a living. We are prepared to *assume* that it does while the child is young and the parent is providing a home. But the assumption becomes fairly weak when the child is older, and particularly when he is over 16 but still being educated.

57. Under present conditions a family benefit can be paid in respect of a boy (or girl) who is approaching 19, and who is still undergoing full-time education. We do not cavil at this. The parent or parents are still substantially supporting him. But we find it difficult to justify the assumption that a solo parent is in these circumstances *required* to stay at home—and especially difficult if the solo parent is the father.

58. It is not easy to find an acceptable alternative. If the benefit were to cease when the child reaches 16—or at the end of that year—a female solo parent could in some circumstances qualify for a benefit as a “woman alone” but this would be at the single rate, quite insufficient for the child's maintenance. Or she could find a job, but in many cases the wage she could earn would still be insufficient. The result could well be that the children of solo parents would be denied higher education. On the other hand we think that this would be too difficult an area in which to give the department a discretion as to whether the benefit should be continued or not.

59. Under these circumstances we feel that the existing arrangements should not be disturbed, and the benefit should continue to be available while a family benefit is being paid for a dependent child and the solo parent is providing a home for him.

THE DOMICILIARY CARE OF INFIRM OR SICK PEOPLE

60. We have identified solo parents as a category for whom social security provision has to be made because (and to the extent that) caring for their children prevents them from earning an adequate living.

61. The problem of women who cannot work because they are needed at home to care for infirm or sick relatives is closely analogous. They may be single women who have had to leave their employment, or have never been employed. They may be solo parents with handicapped adult children. The Social Security Act has never made specific provision for such people, and applications for assistance have had to be dealt with under the emergency provisions. We received submissions dealing with the matter and the department suggested that the grant of a sickness benefit under standard (as opposed to emergency) conditions would be appropriate as the circumstances were closely related to those of the sickness benefit.

62. We have no doubt that women who are in this position should have access to standard rather than to the more restrictive emergency benefits. They are deprived of access to a market income by an obligation which is no less real and compelling because it is not a legal one. They are giving a service not only to the relative, but to the community which in many cases would otherwise have to support the relative in an institution at much greater cost.

63. There is, however, a major difficulty. Under standard benefit conditions the applicant's own income would be taken into account, but not that of the person for whom she was caring. Under the emergency provisions the financial position of the person cared for (his ability to pay for the service) is taken into account.

64. There can be no doubt that if the person being cared for pays an adequate wage for the service neither standard nor emergency benefit can be paid at present. This will be so even if the woman who has undertaken the obligation of care suffers thereby a reduction in income compared with what she could earn in some other work.

65. If this position is regarded as being equitable it would seem to be wrong to pay a benefit when the person is financially able to pay an adequate wage but does not do so. In such a case it would seem proper to ascertain the financial position of the person who is being cared for, and if he can pay a wage, to treat the application as though the wage was being paid.

66. The matter can, however, be looked at in another way. If it is assumed that applications for a benefit would be entertained only if the person was unable to care for himself at home, and would otherwise need to be admitted to an institution, then any applicant could be regarded as saving the State the much higher cost of full maintenance in the institution. It could be strongly argued that on these grounds a benefit should be paid irrespective of the person's financial position.

67. A difficulty is that many of the cases of this kind relate to the care of persons who are infirm and, while needing attendance, do not need constant medical or nursing care. They would not therefore qualify for admission to a public hospital. If they entered a private hospital or a private home for the aged, they would normally be expected to pay. Moreover, the question of the responsibility which the State, through hospital boards, takes for the care for such people seems to be confused, as we mention in chapter 25, and needs clarification.

68. We are therefore unable to adopt the view that the financial circumstances of the relative are not relevant. It must be left to the department to decide in what cases those financial circumstances should be taken into account.

69. We have mentioned that the department suggested that the situation could be met by extending the sickness benefit to cover it. We feel that the circumstances are more nearly related to the domestic purposes benefit. Moreover, the sickness benefit is essentially related to a loss of wages or salary. We do not think that this should apply here. The benefit should be available to women who undertake this obligation even if they have not previously been working.

70. We have discussed this particular problem on the basis that the women concerned would be caring for relatives to whom they had some moral responsibility which might be said to *require* them to give this service. But the term relative is imprecise and in fact there may be little or no moral obligation involved. Furthermore, we are sure that cases will arise where someone other than a relative will be prepared to look after someone who needs this service. For these reasons, and remembering that under such an arrangement the community may be relieved of expensive institutional care, and that an income test will be applied, we think that the benefit should not be restricted to relatives.

71. If the benefit may be granted to any woman undertaking the care of someone sick or infirm, the necessity for ensuring that medical evidence establishes that it is in the best interests of the patient that he remain outside an institution but that he will be unable to do so without such care is obvious. Only in these cases should a benefit be granted.

72. We should also make it clear that a woman who undertakes the care of a non-relative, whether she is paid by the patient or whether she receives a benefit for so doing, will not thereby qualify for a future benefit as having been "separated from the work force" (see para. 91-93) because she will not have been "required" in any way to render this service.

73. We do not purport to cover here the case of a man who has to leave work temporarily to look after a sick wife, or a solo parent who has to look after a sick child. He is now granted an emergency unemployment benefit. We consider that the analogy here is to sickness rather than to domestic purposes, and also that the emergency provisions are appropriate.

CHILDLESS WIDOWS AND WOMEN ALONE

74. We have considered two groups of women, who, by domestic circumstances, may not be able to maintain themselves by market activities—those caring for children, and those caring for infirm or sick people. A further group to be considered is that containing women who have been prevented by domestic circumstances from fitting themselves for market activities and who are not eligible for benefits on the usual categorical grounds. This group includes widows, and those who by legislation are now treated as widows.

75. The present legislation for both solo parents and “women alone” reflects attitudes current when widows usually had little or no training or work experience and when there were few suitable jobs available for them.

76. Conditions are different now, and may change even more in the future. Today most women have some work experience and training before they marry or otherwise leave off working, with the result that when children grow up, or a husband's support is lost, many women can go back to work (if they are not already working) more easily than in the past. This is a growing trend.

77. In considering the problems of women alone we must, as in the case of solo parents, seek a system which will treat them all equitably irrespective of marital status. We must also look for a system which is in tune not only with the present, but also with future trends in the position of working women. We recognise that in basing our approach to the problems faced by such women on their capacity to take employment, some widows who have never had children will, in some circumstances, be less advantageously treated than they would have been in the past. But this is an inevitable consequence of the contemporary need to stress the fact of separation from the work force more than actual marital status, and to have regard to the changes going on in the whole field of women's employment.

78. As we see it, the community's first responsibility is for those who are unable to earn in the market because of physical disability, unemployment, or unpaid duties like the care of a home and children. In theory at least, other men and women should support themselves.

79. A disability, however, is *assumed* to exist beyond a certain level of age. Then people are free to retire if they wish even though they

are still able to work. We have similarly assumed disability in the case of solo parents with dependent children. Further, the different qualifying ages for age benefit for men (60 years) and women (some qualify at 55) recognise that the situation of men and women in respect of employment may differ.

80. We have to consider, then, whether women who have had to stop working to care for a home have been so disadvantaged thereby that they should, when their domestic responsibilities cease, be free to choose community support earlier than even the present 55 years. It seems clear enough that the present provisions for widows (or equivalent) benefits have never been consciously directed to this question and are both outmoded and in some degree overgenerous.

81. We now briefly set out the present provisions for women without dependent children.

Widows, Deserted Wives, and Wives of Long-term Mental Patients

82. At the present time women in these groups may, even when there are no dependent children, qualify for a widows benefit. Eligibility varies according to whether the widow has never had a child, or whether she has had a child who is no longer dependent.

A Widow Who Has Never Had a Child

83. Subject to income and residence tests a benefit may be paid if the woman concerned (a) had been married at least 5 years and became a widow after she had reached the age of 50, or (b) fulfils all the following four conditions: (i) she is not less than 50 years of age, (ii) she became a widow after 40 years of age, (iii) her marriage had lasted at least 10 years, and (iv) it is at least 15 years since she was married.

84. The benefit can never be paid where the widow concerned is under the age of 50, the implication being, of course, that if she is under that age she should normally be able to support herself by working. Under these provisions a woman who has never had a child and who becomes a widow between the ages of 40 and 50 is expected to support herself until she reaches 50, at which stage she may apply for the benefit. But if she is successful in finding paid work before she is 50 we think she should not be encouraged to stop working merely because she has reached that age. On the contrary, we consider she should be encouraged to remain working for as long as possible, at least until she is eligible to apply for age benefit.

A Widow Whose Child Is No Longer Dependent

85. Such a woman may at present qualify for a widows benefit subject to income and residence tests, if (a) she has been married at

least 15 years; or (b) the years of her marriage and later care and control of at least one child under 16 total not less than 15 years; or (c) she fulfils the conditions required of a widow who has never had a child.

86. The effect of these somewhat complex provisions seems to be overgenerous and rather out of tune with the times in that a relatively young woman without dependent children may be granted a benefit. For example, a woman married at, say, 20 years, who had a child a year later and who becomes a widow shortly after the child ceased to be dependent at, say, 16, could be granted the benefit at age 37. We feel that where there are no dependent children, there is little reason why such young women should be maintained at the taxpayer's expense or, indeed, why they should be treated any differently from their single sisters.

87. There is a further aspect of this question. Under the present provisions a widow, a deserted wife, or the wife of a long-term mental patient, already receiving a benefit on account of responsibility for a dependent child or children, will continue to be eligible for the benefit irrespective of her age after the youngest child ceases to be dependent, if she had been married for 15 years. Again, she could be in her early thirties, and we consider that the present provisions need revising.

Separated and Divorced Wives, Wives of Prisoners, De Facto Wives

88. "Women alone" in the above categories may at present qualify on grounds of hardship for assistance under the discretionary emergency provisions. Such a benefit would normally be paid at a rate equivalent to the standard single benefit, but an effort would be made to ensure that the prospective beneficiary found work. Thus the conditions for payment of benefit for these categories are different from those included in the previous section.

89. We aimed in our earlier proposals for solo parents to make *all* female solo parents similarly entitled to a benefit irrespective of marital status. We see no reason to depart from this principle when the beneficiary has no dependent children provided that the women concerned share equally some other factor such as age, or length of absence from work, which hinders their earning an adequate living.

Single Women Including Those Who Have Cared for Incapacitated Parents or Relatives

90. Single women who have earned their livings have the chance of providing against retirement or incapacity through occupational insurance schemes and savings; or, subject to income tests, could qualify for some category of social security benefit. Such women have no need of special protection. However, as we have seen, there are

single women who need assistance while they care for infirm or sick relatives. When this responsibility is ended they may be in much the same position as women who have spent a significant part of their lives in caring for children. No specific provision is at present made for them, but the qualification for age benefit at age 55 is relevant.

The Effect of Separation From the Work Force

91. There is no doubt that women who have previously devoted their lives to homes or children or incapacitated relatives, may have difficulty in returning to or finding work when they are free to do so. Some will be untrained, some will have outmoded skills and experience, and some will simply lack confidence or opportunity. As we noted earlier this problem may be diminishing. Fewer women now marry without ever having worked. More and more continue working after marriage, and stop only for relatively short times while their children are very young. Clearly the old concepts and assumptions on which widows and related benefits were based are now less valid.

92. The main contemporary factor, and one of growing importance, is that leaving off working for part of one's life can affect one's ability to find suitable employment again. The length of the separation from work, and the age of the person concerned are the significant points, rather than marital or family circumstances.

93. We are convinced, however, that it would be administratively difficult (and might also be unacceptable) to determine eligibility for benefit solely on the basis of the length of separation from work, and to make it obligatory that the fact of separation had to be established by investigation. Such a criterion could also create a disincentive to work in that it might be advantageous to stop working, and so qualify for future support from the community.

94. If the qualification for a benefit is made to rest, as we recommend, on assumed separation from the work force combined with age, some women, particularly some widows, who now qualify for a benefit will no longer do so. For example, no one under 40 will qualify, whereas at present some widows can qualify in the early thirties. Again a woman who was married at 31 and widowed at 41 now qualifies at age 50 but will not do so under our recommendations. It would be wrong to take away a benefit already in existence because of such a change in qualifications, and we think that the entitlement of widows and domestic purposes beneficiaries who are receiving benefit payments when the qualifications are changed should be preserved.

95. The basis of the formula which we put forward is that a comparatively young woman should be able to find employment even if she has been separated from the work force for a considerable time.

Thus we do not think that any woman under the age of 40 should qualify for a benefit even if she has never had work experience. But the older women are when they have to look for work, the more difficult it is for them to find suitable employment, and the greater is the effect of comparatively short separations. Thus we consider that at age 50 a separation of 10 years should constitute a qualifying disability.

96. We place more weight on the care of children or infirm relatives as justifying an assumption of separation than we do on marriage alone. Thus while we are prepared to assume that the care of others for 15 years is sufficient for the assumption in the case of a woman between 40 and 50 years of age, we suggest that the marriage should be one which continued for 20 years, and that the applicant should be 45 years of age or more.

97. It must be emphasised, too, that in our view the separation from the work force, or the assumed separation, should have continued up to the time of the qualifying event (e.g., death of husband, infirm relative) and of reaching the qualifying age. So, a woman who was widowed at age 42 after 20 years' marriage would not qualify for a benefit when she reached age 45. We assume that she would be capable of obtaining employment at age 42, and we think that having obtained employment, she should continue to support herself as would any other person.

98. The formula we put forward seems to us to be a sensible, practical one, giving due weight to the various factors as we see them. But we claim no magic for it. It could be changed in detail without doing any violence to the general conception. Doubtless it should be changed as conditions relating to the employment of women alter. It has the defect, as any formula must have, that deserving cases may fall just outside it, and thus fail to qualify for a benefit. Such cases can be dealt with, as they now are, under the unemployment or emergency provisions.

CONCLUSIONS

Solo Parents

99. Our conclusions about solo parents are briefly:

- (i) The justification for assistance to solo parents is that irrespective of their sex or marital status they have the responsibility for dependent children.
- (ii) Thus one selective statutory benefit should embrace all of those who fall into the category and should replace the provisions which now exist for widows, deserted, divorced, and separated wives or husbands, wives of men in institutions, unmarried mothers, and male solo parents.

- (iii) The rates of such a benefit should be the standard rates applying to other selective benefits but varying with the number of dependent children in accordance with the formula suggested in chapter 21. The standard allowable other income level and abatement provisions should also apply.
- (iv) The Commission should retain present discretions to determine the facts on which eligibility must rest, specifically—
 - (a) That the applicant has dependent children;
 - (b) That she is without the support of a male partner;
 - (c) That the applicant, male or female, is providing, in some acceptable way, a home for the children.
- (v) Although the State's responsibility must be recognised and discharged even though the primary responsibility rests upon and is being evaded by the applicant's husband or the father of the children, the applicant for a benefit should be expected to co-operate in reasonable action to enforce the primary responsibility (see also chapter 35).
- (vi) The Commission should have discretion to grant the benefit on a temporary basis for the first 6 months.
- (vii) The Commission should have discretion to waive the income test for short periods (say within the first 6 months) to enable immediate assistance to be given in appropriate cases.
- (viii) The duration of a benefit for a solo parent should depend on the continuation of responsibility for dependent children.

The Domiciliary Care of Infirm or Sick Persons

100. Our conclusions are:

- (i) The cases of women who are needed at home to care for sick or infirm people are closely analogous to those of solo parents who have dependent children, and should be covered by the same statutory selective benefit.
- (ii) Such a benefit should be available when medical evidence establishes that it is in the best interests of the patient that he remains outside an institution but that he will be unable to do so without such care.
- (iii) That the ability of the person cared for to pay for the care and attention received be taken into account in determining eligibility for a benefit.
- (iv) The benefit should also be available when women other than relatives care for someone who is sick and infirm but this should not establish entitlement to the further benefit referred to in paragraphs 101–102.

Childless Widows and Women Alone

101. The objectives of social security policy in this area should be to ensure, first, that women who are free to take employment do not become dependent on social security when they still have opportunities and are young enough to support themselves; second, that entitlement to support is not made dependent on marital status; third, that it is not made advantageous to refrain from or stop working; and, fourth, that the system is adapted to the significant changes which have taken place in the field of women's employment, and is adaptable to the further changes which will undoubtedly take place.

102. To achieve these objectives we consider that it would be fair and reasonable to accept the fact of marriage, or responsibility for the care of a dependent child or an incapacitated *relative*, as a basis for assuming a separation from the market system. That being accepted, it would then be reasonable to determine eligibility for benefit according to the duration of this assumed separation, and the age of the prospective beneficiary. It is, we consider, the combination of these two factors which affect ability to obtain adequate income from the market system and should therefore provide the appropriate eligibility test.

R E C O M M E N D A T I O N S

We recommend that :

- (17) A statutory domestic purposes benefit, subject to the normal tests of income deficiency and residence, and to the specific qualifications set out in recommendations (18) to (22) be provided for solo parents, for women required to care for an infirm or sick person and for women whose previous domestic commitments have affected (or are deemed to have affected) their ability to obtain employment.

Solo Parents

- (18) Solo parents be distinguished for social security purposes by the fact that they are responsible for dependent children, and not by their marital status or the cause of their becoming a solo parent.
- (19) All solo parents with dependent children fall within this one selective statutory benefit category, irrespective of their sex or marital status.
- (20) The rates of benefit for solo parents be as set out in recommendation (14) (b).

Women Caring for an Infirm or Sick Person

(21) The benefit be available to any woman who satisfies the Department that she is caring for a sick or infirm person in respect of whom medical evidence establishes that it is in the best interests of the patient that he remain outside an institution but that he will be unable to do so without such care, provided that:

(a) She is thereby prevented from obtaining other employment; and

(b) The person who is being cared for, or the spouse of that person, is not financially able to pay adequately for the service.

Women Alone

(22) Women alone without dependent children be entitled to the benefit if on losing the support of a husband, or when their last child ceases to be dependent (that is, eligible for family benefit), or on ceasing to be responsible for an incapacitated *relative* they were:

(a) At least 40 years of age and had had care and control of at least one dependent child or responsibility for an incapacitated relative for 15 years; *or*

(b) At least 45 years of age and had been married for 20 years; *or*

(c) At least 50 years of age and had been married for 10 years, *or* had had the care and control of at least one dependent child for 10 years, *or* had been prevented from taking employment for 10 years because of responsibility for an incapacitated relative.

(23) The entitlement of "widows" and domestic purposes beneficiaries receiving benefit payments when the above recommendation is put into effect be preserved.

Chapter 23. ORPHANS BENEFIT

1. An income-tested orphans benefit is paid for a child under 16 years whose parents are both dead and who was either born in New Zealand or whose last surviving parent was ordinarily resident in New Zealand for not less than 3 years immediately before the date of that parent's death. The benefit may be continued to the end of the year in which the child reaches 18 years if he is at school or if he is totally incapacitated from earning a living.

2. The benefit has been at the rate of \$468 a year since 9 June 1971 (\$9 a week), and is diminished by \$3 for every \$4 of the annual income of the orphan in excess of \$104 a year. It is payable to the person or institution having the care and control of the child. A family benefit is not paid in addition to an orphans benefit.

3. Only a few submissions were received suggesting change in the benefit. One from the Social Security Department suggested that it should be brought into line with the war orphans pension, which is at present paid at a higher rate. Other suggestions received were: that the allowable "other income" limit be extended; that the benefit be granted to a child of a solo parent if that parent has died and the other parent cannot be traced and is not contributing to the child's upkeep; and that the benefit be payable from the date of death of the last surviving parent. We deal with these submissions in turn.

Adequacy of Benefit

4. The orphaned children of ex-servicemen have since 1915 been paid a pension under the war pensions legislation. These war orphans pensions are not subject to an income test, whereas, as we have said, the orphans benefit under the Social Security Act is.

5. The rates of both were the same in 1939. Since then both rates have been increased, but at the present time the war orphans pension of \$10.05 a week is greater than the orphans benefit. The present practice is to increase the rates of the benefit and the pension by a proportion of the general increase in social security benefits and war economic pensions, but for some years after 1943, the war orphans pension was also increased on occasions concurrently with basic war disablement and war widows pensions. This led to the difference. We are not prepared to recommend that the orphans benefit be increased merely because the war orphans pension is at a higher rate.

Considerations which do not apply to social security benefits have influenced the rates of war pensions. The test for us is whether the benefit is adequate. We have no evidence which justifies the conclusion that it is not.

6. At the same time we must record that we have insufficient evidence to satisfy us that the benefit is in all cases adequate. There may be a case for paying a higher benefit for adolescents, because all of the reasons justifying one rate of family benefit instead of a variable rate do not apply in the case of orphans. The situation is further complicated by the varying circumstances in which the benefit is paid, for instance the relationship between the orphan and the person whose care he is in. We make no recommendation but it seems to us that the comparatively small number of benefits—as at 31 March 1971—could be surveyed by the department with a view to determining whether any changes should be made.

Income Exemption

7. When the orphans benefit was introduced in 1939 it was made subject to both an income and property test, the latter being at the discretion of the Social Security Commission. Under the then legislation, no income exemption was allowed and the benefit was reduced by any income received by the orphan from an estate or other source. The Commission's policy was generally not to make deductions on account of property. From 12 October 1960, an income exemption of \$104 a year has been allowed, and the property test abolished. From time to time the present income exemption of \$2 a week has been criticised as being too restrictive. We think that there is merit in this criticism. We know that while by law the Social Security Commission must consider all the income of the orphan, and that technically this could mean that the benefit should be reduced by the amount of any casual earnings or even pocket-money, yet the Commission very properly exercises a wise discretion to disregard such earnings in assessing the benefit. Nevertheless, we believe that the exemption should be extended to \$260 a year, and we will so recommend. Because the allowable income will be so much higher, and because the present abatement rate of \$3 for \$4 in respect of income above the limit was designed for a purpose which does not apply to the orphans benefit, we consider that this benefit should be abated \$1 for \$1 in respect of other income exceeding \$260 per year.

Suggested Changes in the Conditions of Eligibility

8. Under the legislation a child is an orphan only if both parents are dead. Therefore the child of a solo parent whose other parent cannot be found or made to contribute to his upkeep is not eligible

for the benefit if the solo parent dies. Yet such a child may be as much in need of a benefit as an orphan. Any social security assistance in such circumstances has to be given under the emergency provisions of the Act on the grounds of hardship.

9. We believe that the Social Security Department should be given a discretion to accept such a child as an orphan for the purposes of the benefit, if it is satisfied that the surviving parent cannot be found and that the welfare of the child calls for such action. Whether the benefit should be temporary in the first place while inquiries are being made for the other parent should also be left to the discretion of the department.

Date of Starting Benefit

10. The date for beginning a social security benefit is governed by section 80 of the Social Security Act 1964 which allows a benefit to be granted from the first day of the pay period of application, or from the date on which the applicant becomes qualified to be granted the benefit, *whichever is the later*.

11. The general question of the date for beginning benefits is discussed in chapter 32 where account is taken of the proposal that orphans benefit should be payable retrospectively to the day following the date of death of the last surviving parent.

RECOMMENDATIONS

We recommend that:

- (24) The allowable income of \$104 a year applicable to orphans benefits be increased to \$260 a year and the benefit be abated \$1 for \$1 for income in excess of this.
- (25) The Department be authorised to accept a child for the purposes of an orphans benefit when the parent who has had the past care and custody of the child has died and it is satisfied that the other parent cannot be found and the welfare of the child calls for such action.

Chapter 24. SICKNESS, INVALIDITY, AND RELATED BENEFITS

INTRODUCTION

1. Here we examine the benefits provided for sickness or incapacity for work. Chapter 39 deals with the related question of rehabilitation, and in chapter 18 we have discussed the proposals made by the 1967 Royal Commission and the 1970 Parliamentary Select Committee on Compensation for Personal Injury.

2. We have previously concluded that earnings-related payments for work absences for sickness or invalidity could not be recommended as part of the social security system based on general taxation. We did however favour the introduction of earnings-related support for absences due to sickness provided that this was done through an extension of the accident compensation insurance scheme.

3. This scheme, if limited to accident, will have comparatively little effect on the responsibility of social security. But if it is extended to cover sickness, social security will be relieved of responsibility for paying benefits to sick *workers* for such periods as the insurance scheme might cover. Social security will still be responsible for the main area it now covers, including those invalids who have never worked, workers who suffer long illnesses, and partial support for even brief sicknesses of those whose insurance entitlement is inadequate.

PRESENT PROVISIONS

Sickness Benefit

4. This benefit, paid weekly, may be granted to those over 16 who have lived continuously in New Zealand for not less than 12 months (at any time), and who have lost salary, wages or other earnings as a result of *temporary* incapacity for work through sickness or accident. Applicants must therefore establish a loss of earnings (not income), and the rate of benefit cannot exceed the weekly loss of earnings. A wage earner usually has no difficulty in establishing this. A self-employed person finds it more difficult, however, and there is a formula for such cases.

5. Sickness benefit is income tested, and is reduced when other income (including that of wife or husband) exceeds a prescribed amount (at present \$13 a week). Payments up to \$2 a week from a

friendly or like society are disregarded in the income assessment. A married woman can receive a sickness benefit only if her husband is unable to maintain her.

6. The sickness benefit rates are the basic rates (\$29 married or \$16 single), except that a lesser rate (\$13) is paid to unmarried beneficiaries under 20 years of age without dependants. Where no payment is made for a wife, a housekeeper's allowance may, in certain circumstances, be paid.

7. Every application for a sickness benefit must be supported by a medical certificate. A benefit is not normally payable for the first 7 days of incapacity but the Social Security Commission has a discretion to pay for the whole or any part of this period in special circumstances, and has developed a flexible policy for this.

Invalids Benefit

8. Everyone 16 and over who is not qualified to receive age benefit may, subject to a residence test, qualify for an invalids benefit if totally blind, or *permanently* incapacitated for work as the result of illness, injury or congenital defect.

9. The invalids benefit is assessed on an annual basis and is income tested. For blind beneficiaries (but not others), personal earnings are not treated as income. The benefit is reduced where other income exceeds a prescribed amount (at present \$676 a year), and in the case of a married couple the income of both parties must be taken into account. The additional allowable income of up to \$2 a week (\$104 a year) for payments from friendly or like societies also applies to invalids benefit.

10. As in the case of sickness benefit a lesser rate of invalids benefit is paid to people under 20 without dependants. However, this rate is \$1 a week higher than the equivalent sickness benefit rate.

Emergency Benefits for the Sick or Disabled

11. A person who does not fulfil the qualifications for a standard sickness or invalids benefit may, at the discretion of the Social Security Commission, be granted an emergency benefit on the grounds of hardship. Emergency unemployment benefits may be granted on the grounds of hardship to people who cannot work because of the incapacity of others. For example an emergency grant may be made to a woman prevented from working because she has to care for infirm or sick parents. Similarly a grant may be made to a man who must stop working to care for his children if his wife is sick.

Miners Benefit

12. A miners benefit may be granted to anyone permanently and seriously incapacitated for work as a result of having contracted miners phthisis, or permanently and totally incapacitated for work as a result of any other occupational disease or heart disease contracted while working as a miner in New Zealand. This benefit is paid without any income or property test except that it cannot be paid while workers compensation is being received for the same disease.

13. A miners widows benefit, free of any income or means test, may be granted to the widow of a man who dies while receiving a miners benefit. This benefit is paid at a lower rate (\$754) than the standard rate of benefit for widows (\$832).

Pregnancy

14. The later stages of pregnancy (3 months before confinement) are usually regarded as qualifying for sickness benefit where there is a loss of earnings, and this may be continued for up to 3 months after confinement in certain circumstances.

Related Provisions

15. Unmarried women may be granted age benefit at age 55 (instead of age 60) if because of physical or mental disability or if for any other good and sufficient reason they are unable to work regularly. Family benefit may in certain circumstances be continued for an incapacitated child beyond age 16, and up to the end of the year in which he attains age 18.

SUBMISSIONS RECEIVED

16. A great number of submissions sought many different changes in the sickness and invalidity benefits. We have considered them, and now deal with their substance in the following sections.

Coverage and Names of Incapacity Benefits

17. A sickness benefit is at present available to those who are "temporarily incapacitated for work". In practice the benefit is continued when the incapacity is more than "temporary", but medical examiners are unable to certify that it is "permanent". The department considered that the position should be clarified by amending the Act (section 54 (1)) to provide for those cases where the Commission is satisfied that the applicant:

- (a) Is incapacitated for work through sickness or accident;
- (b) Is not medically qualified to receive an invalids benefit; and
- (c) By reason of his incapacity for work he has suffered a loss of salary, wages, or other earnings.

We agree with this proposal.

18. It was suggested that the name of the invalidity benefit should be changed to "disability", or to something else which has less negative connotations than the term "invalid". We do not oppose this idea if anything beneficial can be achieved, but we do not see the term "disability" as being any improvement on "invalid".

19. An invalidity benefit is at present available for total blindness or for permanent incapacity for work. "Incapacity" is not defined in the Act. While the department usually construes it as meaning total inability to work, it sometimes disregards casual or small earnings. Moreover, the beneficiary may be required to undertake vocational training. The phrase "incapacity for work", however, strongly suggests total inability, as does the wording "unfit for work" used in the department's literature. We think that the invalids benefit should not be restricted to permanent total incapacity, but should include severe incapacities which still allow the sufferer to make some contribution to his support. The Act should be amended to ensure this.

20. It would also follow that some severely handicapped people would then be able to earn so much that their benefit would be reduced, and this would conform to the general principles of relieving need on which the social security system is based. However, as we emphasise later in chapter 39, social security also has another aim—that of rehabilitation. We consider that there will be cases where this aim should take priority so that there is a positive financial incentive for severely disabled people to make the greatest possible effort to increase their earning capacity and so achieve maximum rehabilitation.

21. We think that this could be done if the Social Security Commission were given authority to disregard the earnings of a severely handicapped person, or some part of them, where it considers that this will contribute to his rehabilitation. In chapter 39 we suggest a basis for exercising such a discretion, but we think it sufficient here to point to the need for it. The earnings of blind people are already totally excluded from the income test. We do not wish to alter this, but we do not think that the provision for other incapacitated people should go so far.

Permanent Partial Disability

22. If the Act is amended as we suggest above, it will clarify the position of those who are severely and permanently, but not *totally* incapacitated. They will know that if they can fit themselves for, and find some sort of work, they can earn a few dollars a week without risking their entitlement to an invalidity benefit, and up to the allowable limit without having that benefit reduced.

Benefit Level

23. The recommendations we have made in chapter 19 are intended to apply to all categories. However, the different sickness and invalids rates for unmarried beneficiaries under 20 years without dependants should be brought into line (as the Social Security Commission recommended), and increased to \$15 a week (or annual equivalent) in terms of September 1971 conditions.

24. We also consider that the full adult rate should be paid from age 18, and as we recommend elsewhere that the eligibility age be 15 years instead of 16, the lower benefit rate would apply only to those over 15 and under 18. The benefit should be reduced by the amount of any family benefit paid.

Allowable Other Income

25. The recommendations we have made in chapter 15 about allowable other income, and the abatement of benefit where the limit is exceeded, apply to sickness and invalidity benefits, but there are some special considerations and problems apart from those we have mentioned in para. 21 for severely but not totally incapacitated persons.

26. The sickness benefit is restricted to the amount of earnings lost, and not infrequently part of the earnings are replaced by accident compensation or sick pay. Thus the amount actually lost may be less than the usual benefit, or the benefit may have to be abated because the limit of allowable other income is exceeded. It was submitted to us that in such cases the rules should be relaxed.

27. We deal first with accident compensation. We cannot see any justification for treating compensation for loss of earnings any differently from income which is earned or which is received from another source, and this is so whether the compensation is earnings-related or not. Thus the benefit should be abated if the earnings compensation exceeds the allowed limit.

28. However, a new problem will arise if, as has been proposed, compensation for loss of enjoyment of life is assessed *separately* from compensation for loss of earnings. We consider that the former (which for example could be a payment for disfigurement, or loss of a limb) could well be regarded for social security purposes as something other than income, even in those cases where periodic payments are made. To do otherwise would in many cases defeat the purpose of this compensation, and reduce the total amount receivable by two people to the same level, although one had been awarded an additional amount for a non-economic loss.

29. To allow injured people to receive this special payment without abatement of benefit would not in our opinion be contrary to the

principles or guiding rules which we have thought should apply. This compensation will usually be paid in a lump sum, but where for some reason it is spread over a period, we are entitled to look beyond the money income to the standard of living which it will support, and we can assume that the beneficiary in such a case will certainly not be able to live in the same manner on the same cash income as would anybody else.

30. Another problem could arise if accident victims are allowed to commute their periodic compensation payments for loss of earnings into a lump sum. As a general rule we do not think that the person doing so should thereby be able to obtain an increased social security benefit. But we cannot anticipate all of the circumstances which could apply to individual cases. The Department should have authority similar to that which it now has under section 71, to fix the amount of the benefit as though the periodic payment were still being received.

31. As to sick pay, we see no reason to depart from the rules that benefit can be paid only for earnings lost. This still leaves considerable scope for sick pay which would supplement social security benefits.

32. The loss-of-earnings rule was also said to bear harshly on the self-employed (including farmers) and university students. We are satisfied, however, that the rule can be applied, and is generally applied equitably, and often liberally to such cases. It would be unwise, even if practicable, to construct a set of statutory rules to cover all of the circumstances that can arise. The application of the present rule is better left with a wide discretion, especially if applicants are protected by an independent right of appeal as we have recommended.

Income of Husband or Wife

33. It was in respect of sickness benefit that the strongest feeling was evident against the spouse's income being included in allowable other income. Women who have been working (and paying taxes) for years not unnaturally object to being told when they become ill that they cannot receive a benefit because their husbands earn enough to maintain them.

34. At present most married women in New Zealand are financially dependent on their husbands. The concept of the man and wife being an economic unit is therefore the one which fits the conditions as they exist here today. It is given full weight in benefit rates for married men which specifically allow for a wife's maintenance, and by giving benefits to women when they lose the support of their husbands. It is in the interests of most women that this concept should remain, at least until the pattern of women's employment substantially

changes. To depart from it where married women are earning wages would also depart from the principle of directing community help to those in actual need. It is certainly not warranted when consequential changes to the system would in our opinion adversely affect most women.

35. The position would however be changed if as we have suggested in chapter 18 absences through sickness are covered by the proposed accident compensation insurance scheme. The married woman wage-earner would then establish a right to compensation for lost earnings by the contributions made by her or on her behalf and her husband's earnings would be irrelevant. Similarly a wife's earnings would be irrelevant to the husband's entitlement to sickness compensation.

Start of Sickness Benefit

36. There is at present discretionary authority for the waiting period of 7 days to be waived. The policy of the Social Security Commission is to waive the period in circumstances where hardship would otherwise be likely. It was suggested to us that the waiting period should be abolished, or that it should not apply if the incapacity extended beyond a certain period. The department favoured the latter approach, and considered that the Act (section 57) should be amended to indicate that payment will be made from the first day of incapacity or following cessation of wages, whichever is the later, providing there is medical evidence of incapacity for 3 weeks or more. We agree with this. It would clarify the position for many applicants, although there would still have to be a discretion to waive the period in other cases. This is as far as we think it is wise or practicable to go in liberalising this provision.

Medical Evidence of Incapacity

37. It was claimed that the right to sign sickness benefit medical certificates (at present restricted to qualified medical practitioners) should be extended to include dental practitioners, Christian Science practitioners, and chiropractors. We think it very important that the department should be able to rely on the fact that certificates have been given by people who have had recognised medical training, who are qualified to diagnose the nature of incapacity and determine its likely duration, and who are subject to professional discipline. We do not therefore favour extending this right to chiropractors or Christian Science practitioners. We do consider, however, that registered dental practitioners meet the requirements. This view is supported by the Department of Health.

The Special Needs of the Disabled

38. The invalidity and sickness benefits are paid at the same rates as other benefits designed to support what is considered to be an adequate standard of living. But some disabled people have exceptional needs, directly related to their disability, which the standard benefit levels were not designed to cover.

39. These special needs of the disabled are already recognised and met in many different ways. Hospital boards provide medical treatment and appliances such as artificial limbs and crutches. We have recommended that wheelchairs be more liberally provided. There are housing provisions, and loans for making homes suitable for the disabled person. There is supplementary assistance by way of home help, and by grants or lump sum payments. Many voluntary organisations also help in various ways.

40. The special needs of the disabled vary very greatly. Some may be able to manage very comfortably on the standard benefit, others may need much extra help to approach a reasonable standard of living. Hence we consider that any further extension of the system should be directed to the particular needs of individuals.

41. We think that beneficiaries, and possibly the department, would be greatly helped if a *disability allowance* was made available to invalidity (and perhaps to sickness and age) beneficiaries to cover special expenses caused by their disabilities. The amount of such allowance could be assessed perhaps by a committee consisting of a doctor, a social worker, and an officer of the Social Security Department. A maximum would have to be fixed, and we have in mind a figure of \$8 a week.

42. The allowance would be paid as a form of supplementary assistance, but should not in our opinion be subject to the special means test which applies to other forms of supplementary assistance. Thus all disabled beneficiaries would receive the allowance subject only to assessment. The reason for this is that if it is established that a person because of his disability needs additional income, then without this additional income he would be unable to reach the standard of living which the benefit levels are designed to achieve.

43. The question then arises as to whether such a disability allowance should be available to non-beneficiaries who have to meet additional expenses because of their disability. We think that it should, subject to the means test which is ordinarily applied in respect of supplementary assistance, but not necessarily subject to the usual maximum for that assistance.

Handicapped Children

44. Many severely handicapped children are cared for in their own homes. As in the case of disabled adults, their disability may lead to much extra expense, and again a widely varying range of circumstances may apply. We consider, therefore, that the disability allowance which we propose for disabled beneficiaries should also be available for handicapped children.

45. However, children do not receive invalidity or sickness benefits so that the first basis of entitlement to an allowance is not present. We consider therefore that the disability allowance should be paid without income test to the person receiving the family benefit for the child.

46. We justify the waiving of the income test on the grounds that parents, by caring for the child at home, are often saving the State the very considerable costs which would be involved in caring for the child in a hospital or other institution.

47. In assessing the amount of allowance one would need to take into account not only the additional expenditure arising from the disability, but also the fact that expenditure which would be usual in the case of most children might not be incurred for the particular child.

48. The care of a handicapped child can place great physical and mental strain on its parents. At the risk of trespassing on areas outside of our competence, we emphasise the need for special measures to relieve parents of this strain for, say, 1 month in each year. This could be done by admitting the child to a hospital or other institution, as we understand is sometimes done at present, or by arranging to employ a substitute parent for the period. The cost of this relief should, we think, be borne by the State, irrespective of the parents' incomes in those cases where the condition of the child is such that it would qualify for admission to a State-supported institution.

Particular Forms of Disability

49. We had brought to our notice the fact that the consequences of some forms of disability differed from the consequences of others, and it was suggested that different provisions were therefore needed. Haemophilia is one example. Here, the periods of incapacity may be frequent but of short duration, so that the 7 days waiting time bears severely on those affected.

50. We feel however that the discretions reposed in the Social Security Commission are adequate to cover special cases such as this, and that it is preferable to deal with them in this way than to attempt

to lay down statutory rules. Our recommendation for the reconstitution of the Commission is designed to enable this sort of problem to receive constant and independent attention.

Pregnancy

51. Our attention was drawn to the problems of girls who become pregnant while they are still students. Because they are either under the qualifying age or have lost no earnings they are not entitled to a sickness benefit. It not infrequently happens that these girls have to leave home and seek other accommodation—possibly in an institution. Parents sometimes cannot, and sometimes will not, meet the extra expense. Older girls in tertiary education may have been doing part-time or vacation work to supplement other means of support.

52. We appreciate that in many of these cases the State gives assistance, in benefits to the girl, in family benefit to parents, or by subsidising organisations. We cannot, however, discern any pattern of entitlement which could be expressed in a statutory provision. These problems should then be left to be dealt with individually under the emergency provisions of the Act, so that the varying circumstances, including those relating to the responsibilities of parents and others, can be taken into account.

People Caring for Infirm or Sick Persons

53. These cases are at present dealt with under the emergency provisions of the Act and are treated as being analogous with unemployment. We think it more appropriate, however, to consider assistance to women who are caring for sick or infirm people under the heading "domestic purposes", which we have done in chapter 22.

54. On the other hand, where assistance, generally of a short-term nature, is needed in the case of a man ceasing work to care for an incapacitated wife, or a solo parent having to look after a sick child, we consider the analogy is to sickness, and that the emergency provisions are appropriate.

RECOMMENDATIONS

We recommend that:

- (26) The full adult rate of sickness and invalidity benefits be paid from age 18.
- (27) The age of eligibility for sickness and invalidity benefits be 15 years.

- (28) The rates of sickness and invalidity benefits for those 15 years of age and under 18 be \$15 a week (in terms of September 1971 conditions), and be reduced by the amount of any family benefit paid for the beneficiary.
- (29) Sick pay and accident compensation for loss of earnings be treated as at present in determining eligibility for or abatement of social security benefits.
- (30) Where accident compensation for loss of earnings is received in a lump sum instead of in periodic payments, the Department be authorised to determine the benefit as though periodic payments were being received.
- (31) Accident compensation specifically awarded for loss of enjoyment of life be disregarded as income or earnings whether received in lump sum or in periodic payments.
- (32) The Act be amended to remove present doubts about whether people whose period of incapacity is indefinite are eligible for sickness benefit.
- (33) The Act be amended to make it clear that invalidity benefits may be granted when there is a severe disablement but the incapacity for work is less than total.
- (34) The Department be given authority, as an aid to rehabilitation, to disregard some or all of the earnings of a severely disabled person when determining the amount of benefit (see recommendation (80)).
- (35) There be no waiting period for sickness benefit when there is medical evidence of incapacity for 3 weeks or more.
- (36) Registered dental practitioners be authorised to give certificates of incapacity due to conditions coming within the scope of their profession.
- (37) Provision be made for granting a disability allowance to invalidity, sickness, and age beneficiaries to cover special expenses arising from their disabilities. The amount up to say, \$8 a week be determined after assessment by a competent expert committee. The allowance, although paid as supplementary assistance, be not subject to any means or income test other than that determining eligibility for the invalidity, sickness, or age benefit.
- (38) This disability allowance be made available to non-beneficiaries subject to usual supplementary assistance conditions except that the limit of assistance should be as in recommendation (37) above.
- (39) The proposed disability allowance also be payable for severely handicapped children, and in such cases it be payable without

income test to the person receiving the family benefit in respect of the child.

(40) Consideration be given to such measures as may be appropriate to relieve the parents of severely handicapped children from the strain of the care of such children for, say, 1 month in each year. The cost of this relief be borne by the State where the condition of the child would qualify it for admission to a State-supported institution.

(41) The question of sickness benefit for girls who have become pregnant while still students (whether under or over the age of 15) continue to be dealt with under the emergency provisions of the Act so that all relevant circumstances can be taken into account.

Chapter 25. SUPPLEMENTARY ASSISTANCE

INTRODUCTION

1. A frequent criticism of categorical, flat-rate systems of social security benefits is that, whatever the level of benefits, such systems tend to be somewhat inflexible instruments for raising living standards. This is because, while standard money incomes are achieved, the needs and resources of individual beneficiaries vary widely. However, it is impossible to design a benefit system which can cope automatically with every possible set of individual circumstances within the various benefit categories. This is true whether the benefits are paid selectively, or universally, or whether they are flat rate or related to previous earnings.

2. For a categorical system to be administratively feasible the categories of eligibility must be fairly broad. It is thus inevitable that wide variations of need, income resources, housing facilities, health and so on will exist within those categories. Many people will be able to supplement their benefit rights from their own resources or from work. Others, for a variety of reasons, will not. Some will have relatively high financial commitments for rented accommodation or medical treatment, while others will enjoy rent-free homes and good health.

3. Even if, as we recommend elsewhere, standard benefit levels should be such that no one with normal expenses has to live at a level significantly lower than that generally enjoyed by others in the community, special needs and abnormally high levels of financial commitment (such as rents of those living in high rent areas) will undoubtedly continue to create problems. To deal with them, a supplementary programme, known in New Zealand as "supplementary assistance", remains an essential welfare tool, giving a necessary flexibility without which real hardship would continue, no matter how liberally the benefit levels were set and eligibility procedures defined.

4. Supplementary assistance therefore refines a categorical benefit system, being directed to the needs and circumstances of individuals rather than to those of broad categories. Since it was introduced in New Zealand in 1952, the supplementary assistance scheme has become a well established and integral part of the present social security system, even though its existence is said to be less well known among beneficiaries than it could be.

HISTORICAL REVIEW

5. The special needs of some classes of beneficiary were highlighted when, in July 1951, a minority report of the Commission of Inquiry into War Pensions indicated that a number of war veterans were suffering financial hardship because of inadequate pensions. The same minority report agreed with the findings of the majority that within the then existing framework of standard war pensions, it was difficult to give the individual help needed. The Government sought to solve the problem by establishing an emergency fund of £200,000 to be administered by the War Pensions Board to alleviate the hardship of any war pensioner in financial difficulties. At that time, however, there was no indication that this scheme would be extended to social security beneficiaries.

6. Such an extension was first indicated in the Government's 1951 election platform which proposed a "Special sum of £200,000 [\$400,000] available for help of ageing spinsters and others who despite social security are not free from want". (The specific reference to "ageing spinsters" is noteworthy; it indicates that single women living alone and probably in rented accommodation were regarded as especially needy compared with other sections of the aged community.)

7. There had been a general increase in social security benefit rates in February 1951 and no further increase was proposed in the Government's election manifesto, or, indeed, in that of the Opposition, presumably because current rates of benefits were thought to be generally adequate. A Cabinet Committee set up early in 1952 to consider ramifications of the new "special assistance" scheme (subsequently renamed "supplementary assistance") said: "There is at present no justification for an increase in basic pension rates, which are adequate for married pensioners and ample for other recipients." Despite this, the committee agreed that some social security beneficiaries with little or no resources of their own apart from a benefit could need further help, and said that the new "special assistance" scheme was aimed at helping these beneficiaries. Assistance was to be paid from a "special assistance fund" for claimants who had special commitments which could not be met out of current income including benefit, had insufficient other means, and could not help themselves.

8. Supplementary assistance was thus introduced by ministerial direction and has, in the main, been so administered since. Its cost is met from the Consolidated Revenue Account appropriated by Parliament under section 124 of the Social Security Act 1964. The Social Security Commission at present follows these general directions to:

- (a) Authorise payments of supplementary assistance to help those people, whether on social security benefit or not, who cannot help themselves and whose essential financial needs cannot be met from their social security benefit, income or other resources, and who as a result suffer financial hardship.
- (b) Authorise payments at a rate as may from time to time be approved by the Government to help people who because of ill health or age need help in the home.
- (c) Assess the need of applicants, where appropriate, on the basis of a Government-approved standard living-cost formula weighed against the applicant's income and resources.
- (d) Authorise regular continuing grants or authorise lump-sum payments if the need is best met in this way.
- (e) Delegate to registrars authority to pay supplementary assistance up to the general limits of assistance approved by the Government.
- (f) Exceed the general limits of assistance where there are special and extenuating circumstances which would warrant payment at a higher rate and not solely because there is a deficiency between income and commitments.
- (g) Restrict payments to those people actually residing in New Zealand.

9. In chapter 15 we noted that, except for some aspects of emergency benefits payable at the discretion of the Social Security Commission, supplementary assistance is the only area of social security in this country to which a means test, as distinct from an income test, is applied. The reason for this is that supplementary assistance is not, in itself, a categorical benefit or an automatically available supplement to categorical benefits. It is available on an empirical basis to meet particular needs, and if it is to fulfil this purpose the need must be established.

10. But because the eligibility criteria for supplementary assistance take account of the applicant's means (that is, capital resources as well as income), the design of supplementary assistance has been criticised on the grounds that it leads to undue intrusion into the private affairs of the individual, and to a loss of human dignity. We shall discuss this criticism later.

FORMS OF SUPPLEMENTARY ASSISTANCE

11. Supplementary assistance at present takes many forms, the most important of which are: continuing assistance payments, lump-sum grants, home help, advances for home repairs, and help towards rest-home fees.

Continuing Assistance Payments

12. Uniformity in the treatment of applications for continuing assistance is sought by a formula under which the claimant's income is weighed against his commitments and assessed living costs. If the formula shows that the claimant cannot reasonably be expected to meet his regular and necessary commitments from his current income and other resources, then assistance is given.

13. The formula includes a fixed amount known as "assessed living costs" calculated to cover daily living expenses such as food, clothing, power, fuel and the like, but not accommodation costs. This amount has been adjusted from time to time and varies according to whether the claimant is married, has dependent children, is living in his own home, or is boarding. By Government direction details of the "assessed living costs" formula have never been made known to the public. They have, however, been given to us in confidence.

14. To the relevant assessed figure for living costs is added the claimant's accommodation costs—that is rent, board, or rates, mortgage interest (and in many cases mortgage principal), and house insurance. And to arrive at the applicant's total necessary commitments, any other essential expenses such as life insurance premiums, medical expenses, the cost of lawn cutting, special diet, extra firing in winter, may be added. As a general rule, hire-purchase payments are not included as a commitment for supplementary assistance purposes. Since September 1970, telephone charges have been allowed in full as a commitment. Before then, telephone charges were allowed only if a telephone was considered necessary because of age, sickness, or isolation. The total regular and necessary commitments are then weighed against all income coming into the claimant's home including a social security benefit or war pension.

15. Owning assets does not necessarily disqualify an applicant from assistance. This is the procedure: assets which the department considers to be readily convertible to cash without undue reduction in living standards are, beyond a set figure, taken into account. Beyond that figure they are treated as having been notionally converted, and to be earning an income at a selected rate which may be higher than that which the assets are actually producing. Examples of assets treated by the department as readily convertible are bank and savings accounts, shares, mortgages, and motorcars unless these are regarded as necessities in particular cases. Details of the formulae and the way they operate are not made public.

16. The difference between income (including the notionally assessed return on assets) and the claimant's commitments is used as a guide to the amount of supplementary assistance which should be paid. However, limits are generally applied. These were originally \$1.50 a

week for single people and \$2.50 a week for married couples, but have been increased over the years and since 2 September 1970 have been \$4.50 and \$6 respectively. In exceptional cases these limits may be exceeded.

Lump-sum Grants

17. In addition to the regular and continuing payments, the scheme also provides for special lump-sum payments to be made to meet the cost of extraordinary expenses. As the scheme has progressed, these extraordinary expenses have come to include such items as clothing, bedding and blankets, and also dentures or spectacles where these are not available through hospital boards. Such grants are made where applicants have little or no resources of their own to meet the cost of such necessary items.

Home Help

18. To supplement the other part-time home-help services such as those given by the Department of Labour, the Government authorised the Social Security Department in 1952 to operate as part of the supplementary assistance scheme a home-help service for the elderly or infirm who could not care for themselves adequately in their own homes. The home help may be employed privately by the claimant, or by the department which tries to have a reserve of home helpers recruited from social security beneficiaries and others who are prepared to do such work part-time.

19. The wages of the home help may be paid in full or in part by supplementary assistance, eligibility being decided on the basis of the usual formula altered to allow the inclusion of the cost of the home help. As a general rule, no payment is made if the helper is a relative of the claimant.

20. The department at 31 March 1971 had 515 home helpers enrolled, of whom 395 were actually employed. The total paid for home help during the year ended 31 March 1971 was \$124,344. We consider that this scheme should be continued and developed.

Advances for Repairs to Homes

21. Since 1958, the Social Security Act (1964, s. 125) has authorised advances up to \$400 to certain social security beneficiaries and war pensioners (but not others) for essential repairs to, and maintenance of their homes, or for essential services such as sewerage or in the case of the disabled, for alterations required by the applicant's disability. Advances are at the discretion of the Social Security Commission. No beneficiary may have total advances in excess of \$400 at any one time.

22. To qualify, the applicant must be the registered owner of the land on which the home is situated, or the lessee under a perpetually renewable lease. Where appropriate, applicants are expected to use their own resources for renovations or additions, but they are not required to reduce their cash assets below a reasonable limit.

23. Advances are secured by a charge registered against the land under the Statutory Land Registration Act 1928. Interest is charged at 5 percent, reducible to 3 percent if paid half-yearly. The loan is normally repayable on the death of the beneficiary, or earlier if the property is sold, transferred, let, or ceases to be occupied by the beneficiary or his dependants, or if he gains enough money to enable repayment, or if his social security benefit is cancelled.

24. During the year ended 31 March 1971, 277 advances were approved, worth \$77,434, bringing the total advances made since the scheme's introduction in 1958 to 3,368, worth \$846,760.

25. Submissions pointed out that the maximum of \$400 had not been increased since 1958, despite a marked rise in wages and building costs. They claimed that \$400 was inadequate. The department, on the other hand, saw no reason for review saying that about 80 percent of applications are met within the present limit. It did acknowledge, however, that it had no information about how many were discouraged from applying because of this limit.

26. Although no great need for raising the \$400 limit has been established by evidence, nevertheless it is to be expected that what was adequate in 1958 is hardly likely to be adequate today. This matter should, we think, be re-examined, and we recommend that this be done.

Assistance towards Rest Home Fees

27. A recent development has been the giving of financial assistance in certain circumstances towards the cost of rest home fees. Introduced initially in the Auckland Hospital Board area, the purpose of the scheme was to free urgently needed general and mental hospital beds occupied by geriatric cases who could more appropriately be cared for in an approved rest home. Applications are not, however, restricted to hospital patients, and are accepted from people already living in rest homes.

28. Payment of this kind of supplementary assistance is considered where the claimant is classified by a committee representing the hospital board and the Social Security Department as a "frail ambulant"—that is needing some supervisory care, but not continuous medical or nursing care.

29. Eligibility for this form of supplementary assistance depends upon the claimant's own financial resources, the ability of members of the family to contribute towards the fees, and the anticipated period of rest home care. Where the claimant has cash assets in excess of \$200, the department normally expects him to use such excess to meet the home fees. If the claimant owns a home, the question of selling or letting it is considered, the most material consideration being the likelihood of it again being needed as a home. In appropriate cases a charge is placed on the property to secure the supplementary assistance payments.

30. A committee representing the department and the hospital board decides in each district what rest homes will be accepted and what level of fees will be approved. Where eligibility is established, supplementary assistance is paid up to the difference between the claimant's income (including any social security benefit) and the rest home fees, plus the sum of \$2 a week for personal expenses. Thus an unmarried claimant receiving a social security benefit and required to pay approved fees of, say, \$25 a week would receive supplementary assistance of up to \$11 a week depending on other resources and assessed as follows:

					\$
Rest home fees	..	..	..	..	25
Less social security benefit			..	..	16
					<hr/>
					9
Plus personal expenses allowance	..		..	..	2
					<hr/>
Supplementary assistance payable	..		..	..	\$11
					<hr/> <hr/>

31. The scheme now operates in the Christchurch, Hamilton, and Rotorua areas, as well as in Auckland. Its extension to Wellington and other areas is now being examined. At 31 March 1971, 766 rest home patients were being assisted to the extent of \$469,010 a year. Residents of homes situated outside those areas covered by the scheme may also receive supplementary assistance, but only up to the normal limits mentioned in para. 16. We were told that the initiative for extending the scheme to other districts lies with local hospital boards.

32. It was suggested to us that the means test is too stringent, particularly the \$200 assets figure, and that the amount paid for personal expenses was too low.

33. Here again it would appear that the monetary limits need re-examination in the light of the rapid rise in costs over recent years, but the whole question of the care of frail ambulant and especially those discharged from hospitals is more a question of health services

administration than of social security benefits. It would be better dealt with as part of an overall examination of the hospital system. In these circumstances we do not make any recommendation here.

GROWTH OF SUPPLEMENTARY ASSISTANCE

34. Supplementary assistance began slowly and gathered impetus gradually. Instead of costing \$400,000 a year as envisaged in the Government's 1951 election manifesto, the scheme in its first full year of operation (year ended 31 March 1953) cost only \$42,574 for 1,708 grants. It was not until 1958 that the figure of \$400,000 was reached. In that year 7,443 applications for supplementary assistance were granted.

35. This slow growth may have been due to a lack of publicity. However, the adverse reaction of social security beneficiaries to the alleged indignity of the means test may also have had some effect.

36. A significant administrative alteration was made in April 1957 by abolishing the special assistance fund. From that date, supplementary assistance was paid from the notional "social security fund" which itself was abolished in 1964. Now all benefits, including supplementary assistance, are paid from the Consolidated Revenue Account without specific limitation on the amount which can be spent in any particular form of assistance.

37. The number of beneficiaries receiving supplementary assistance has been steadily increasing since the scheme's first full year of operation in 1953. Excluding family and universal superannuation beneficiaries, approximately 0.7 percent of all beneficiaries were receiving supplementary assistance in 1953. This figure had increased to 3.2 percent by 1958, to 5.4 percent by 1963, to 9.5 percent by 1968, and to 9.90 percent by 1971. These increases may be due to greater awareness of the scheme, rather than any significant relaxation of the qualifications for assistance.

STATISTICS RELATING TO SUPPLEMENTARY ASSISTANCE SCHEME

38. Table 29 gives a breakdown of the annual costs of supplementary assistance, including expenditure on continuing grants, lump-sum grants, home help and rest home fees, from the start in 1952 to 31 March 1971. Table 30 breaks down continuing grants into the benefit categories receiving them.

Table 29
 SUPPLEMENTARY ASSISTANCE EXPENDITURE 1952-71

Year ended 31 March	Continuing Grants		Lump Sum Grants		Home Help		Rest Homes		Total Expenditure
	Number in force at 31 March	Annual Value (assessed)*	Number	Expenditure	Number Employed 31 March	Expenditure	Number at 31 March	Expenditure	
		\$		\$		\$		\$	\$
1952	57	..	..	..	..	..	..	..	4,384
1953	1,127	88,768	672	16,634	..	..	..	..	42,574
1954	2,687	186,584	1,700	40,016	25	10,960	..	..	204,658
1955	3,229	248,804	1,335	35,118	28	4,632	..	..	270,324
1956	3,521	273,516	1,295	32,014	31	4,564	..	..	326,668
1957	4,264	342,138	1,128	32,188	28	6,228	..	..	368,552
1958	4,721	386,884	1,339	41,000	15	7,246	..	..	436,402
1959	5,117	524,944	1,407	42,492	23	12,038	..	..	413,624
1960	5,520	507,806	1,333	43,114	15	16,052	..	..	546,020
1961	5,743	548,846	1,448	46,376	67	36,520	..	..	615,718
1962	6,564	644,974	1,395	41,338	94	59,886	..	..	647,466
1963	6,864	773,444	1,558	48,636	108	64,004	..	..	664,344
1964	7,660	1,171,874	1,750	58,308	186	69,788	..	..	1,176,980
1965	8,763	1,303,752	2,019	71,800	261	91,460	..	..	1,367,748
1966	9,698	1,738,652	2,647	87,000	276	110,988	..	..	1,799,790
1967	10,581	1,977,226	2,406	82,354	325	110,088	..	..	2,108,168
1968	12,625	2,276,532	2,427	93,156	293	116,592	..	..	2,520,044
1969	12,856	2,211,902	2,520	81,877	450	131,125	..	..	2,764,451
1970	12,887	2,337,793	3,125	114,042	412	128,994	552	331,733	2,702,992
1971	13,968	3,004,000	2,816	117,241	395	124,344	766	469,010	3,163,548

*These figures are assessed from the number of continuing grants in force at 31 March and should not be confused with the annual expenditure on continuing grants during the years ended 31 March.

Table 30
CONTINUING GRANTS BY BENEFIT CATEGORY

Benefit Category	Total Benefits in Force	Continuing S.A. Grants in Force	Percentage Receiving S.A.
Superannuation	146,299	1,232	0.8
Age	102,797	8,851	8.6
Widows	15,899	1,206	7.6
Invalids	8,557	902	10.5
Miners	91	5	5.5
Sickness	6,306	413	6.5
Unemployment	715	23	3.2
Emergency unemployment ..	1,135	77	6.8
Domestic purposes	4,432	1,168	26.4
Orphans	319	..	..
Other pensions (e.g., over- seas)	14,553	19	.01
Non-beneficiaries .. ..	..	72	..

Source: Social Security Department's Annual Report, 1971

39. The above table shows that a far greater proportion of domestic purposes beneficiaries were receiving assistance than of any other category. This appears to be due to two factors. First, these are emergency benefits and so relate to emergency situations where the family is left suddenly without the breadwinner without any savings or other preparation having been made, and not infrequently after a period of trouble which has left the family impoverished. Second, the inquiries made to establish eligibility for emergency benefits are more searching than in other cases and it is the policy of the department that the officers handling it should at the same time ascertain whether supplementary assistance is required, and, if so, obtain an application for it. We think that this again demonstrates the flexibility which the supplementary and emergency provisions give to the system.

GENERAL COMMENTS

40. In any study of supplementing basic benefits to meet variations of individual need within benefit categories, the cost of accommodation stands out as most important. The position is aggravated by the way accommodation costs vary throughout New Zealand, and one of the advantages of the present supplementary assistance scheme is that it enables account to be taken of these variations.

41. This aspect does, however, raise the question whether it would be desirable to replace supplementary assistance in its present form by a system which specifically subsidised variations in accommodation costs including both rents and home maintenance. Such a

system works in a limited way in Australia, for example, where a small supplement (a maximum of \$2 a week in 1969) is paid to all single age, invalidity, or widows pensioners who are paying rent or board and whose income apart from the benefit does not exceed \$3 a week and whose cash assets are "limited". (See the Australian Department of Social Services information leaflet *Age Pensions* published October 1969.)

42. Whatever the merits of the Australian rent supplement system, it is designed to help only part of the dependent community (single beneficiaries), and only one aspect of abnormal hardship (that arising out of the cost of accommodation). The New Zealand supplementary assistance scheme not only covers such aspects, but goes considerably further both for accommodation costs (for example, by covering home-maintenance costs), and for other areas of abnormal expenditure. In short, the generality and flexibility of the New Zealand system is a major virtue. We think that this flexibility should be maintained, indeed encouraged, and that the high rents prevailing in some areas should be recognised when the limits of supplementary assistance are fixed.

43. Another criticism widely advanced is the secrecy said to surround the administration of supplementary assistance. This, it appears, springs mainly from the refusal of the Government to make public the formulae used in determining eligibility and the amount of assistance. We accept the department's view that there are many arguments against revealing the detail of these formulae.

44. It seems too, that many people consider that there has been insufficient effort to make the scheme known to those whom supplementary assistance is especially designed to help. There is no information about how many have not applied because they were unaware of the assistance available, but our impression is that there may be quite a few. We acknowledge that it is difficult to reach many of those groups most likely to need supplementary assistance, but we do think that if the scheme is to become an increasingly useful instrument of welfare policy a more vigorous effort will probably have to be made.

45. We have agreed earlier that operating a means test, as distinct from an income test, can lead to unfavourable reactions in the applicants, who resent the inquiries as unjustifiable intrusions into their private affairs and as introducing implications of charity which injure their dignity. We can understand such human reactions. They are found in other countries where similar eligibility tests are applied. But it is basic, we think, that means tests are unavoidable if there is to be a supplementary assistance scheme designed to meet expenditure beyond what a categorical benefit system can fairly be obliged to

include in its standard benefit levels. It may be that if the level of the standard benefits is raised as we have suggested, then some of those at present receiving supplementary assistance will no longer need it. But we must stress again that standard benefits cannot meet all special cases. Indeed, the existence of a reasonably large number of supplementary assistance grants can be a sign of the health of a categorical system, by indicating that the general level of benefits is not unnecessarily high, or that special cases are in fact receiving full and sympathetic treatment. What degree of recourse to supplementary assistance may indicate that standard benefit levels are inadequate is perhaps a matter of judgment but a very high figure could certainly be one indication that the situation should be carefully examined.

46. We must also stress that supplementary assistance is not charity: it is part of the social security system financed from the taxation paid by all members of the community. It is, as we have said, a necessary and most useful part of any categorical benefit system. This needs to be more widely understood throughout the community and administrators must always bear in mind that the acceptance and effectiveness of such an instrument as supplementary assistance depends largely on the spirit and understanding with which it is administered.

47. We would stress, too, that in determining the adequacy of standard benefit levels, the fact that supplementary assistance is available in cases of special need is immaterial, and should not be taken into account as if it were an automatic supplement to standard benefits. Such an approach would improperly depress standard benefit levels and defeat the true purpose of supplementary assistance.

48. We have had the chance to study the "assessed living costs" formulae which are used to measure applicants' commitments against their incomes. Probably because there is little information about consumption patterns in New Zealand, the formulae were originally constructed in 1952 on the basis of British experience. Since then the formulae have been adjusted as alterations have been made to basic benefit levels. It seems to us that these adjustments have been made in such a way that no one would have his eligibility for supplementary assistance reduced by the increase in his basic benefit. While we can sympathise with those responsible for constructing and adjusting these formulae in the absence of necessary statistical data, we are bound to record our opinion that the formulae now bear no necessary relationship to New Zealand beneficiaries' consumption patterns and costs.

49. This being so, we think it important that the formulae should be re-examined and reconstructed. Certainly the pattern of past adjustments should not be followed if and when the level of standard

benefits is raised, as we have recommended. We are aware that such formulae should be based on adequate information about consumption patterns, and that this is not yet available. However, we are sure that something closer to realities can be achieved, and suggest that the Government Statistician should be consulted.

50. It is pertinent, and we think it should be said, that so far as we can judge applicants for supplementary assistance have not in general been adversely affected by the deficiencies of the formulae. On the contrary, continuing grants have probably been higher in many cases than could really be justified.

CONCLUSIONS

51. The supplementary assistance scheme is a necessary and desirable feature of our social security benefit system. It gives to the administration of welfare policy a flexibility which no amount of refinement of categories or eligibility criteria for standard benefits can otherwise offer. Nor will any adjustment of standard benefit levels remove the need for it. By its very nature it must be selective in character; moreover, to fulfil its purpose, it must be even more selective (that is, subject to stricter eligibility tests) than the standard benefits themselves.

52. While the necessity for a means test as distinct from an income test can give rise to feelings of loss of personal dignity or breach of individual privacy, we see no alternative if supplementary assistance is to remain an essential and valuable instrument of welfare policy. (This view was also expressed to us by a number of organisations with direct experience of the operation of supplementary assistance.)

53. Even if, as we would hope, standard benefit levels are determined according to the aims and recommendations set out in chapters 19 and 21 of this report, supplementary assistance will remain necessary to take account of variations of individual needs and resources within the standard benefit categories.

54. The availability of supplementary assistance should not be used as an argument for restraining the level of standard benefits. The adequacy or otherwise of the standard benefits is related to general needs whereas supplementary assistance is geared to variations in individual needs.

RECOMMENDATIONS

We recommend that:

- (42) Supplementary assistance be continued in its present scope and form and with present eligibility conditions.

- (43) Urgent attention be given to reconsidering and reconstructing the living costs formulae, especially in view of the effect which our recommendations as to basic benefit rates could have on the current formulae.
- (44) Ways and means be investigated to ensure, as far as possible, that those likely to be in need of supplementary assistance are made aware of its availability, emphasising that the provision of supplementary assistance where it is needed is part of the community's responsibility, and is not to be regarded as charity.
- (45) The home-help services of the Social Security Department be continued and developed.
- (46) The present limit of \$400 applied to advances for house repairs be re-examined in the light of present costs.
- (47) The various formulae and limits used in the system be reviewed from time to time in the light of changes in prices, patterns of consumption, and other relevant data.

Chapter 26. UNEMPLOYMENT BENEFIT

INTRODUCTION

1. The unemployment benefit aims to help those who are physically capable of work but who, through no fault of their own, are unable to find work.

2. The benefit has a comparatively short history, although unemployment is an ancient hardship. The State early recognised that it had some responsibility to relieve unemployment by finding or even creating jobs, but even in the early 1930s "sustenance" or "relief pay" was given only in return for work done. Revenue from the 1931 emergency relief charge on incomes was used to finance employment schemes and to buy food rations. In 1934 sustenance without work was granted to men who were 50 years of age, or unfit for manual work.

3. When the Labour Government set up a select parliamentary committee in 1938 to examine its social security proposals, the basic "sustenance" payments were 40 cents a week, compared with the basic old-age and invalidity pensions of \$2.25 and \$2 respectively. The Government's proposals were for a sustenance benefit of \$2, compared with superannuation and other benefits of \$3. These rates became effective, and it was not until 1945 that the rates of unemployment benefit were brought into line with those of other benefits.

4. The similarity between unemployment and other benefit payments should not obscure the fact that it differs in some ways from all the others. The "disability" from which it is "designed to safeguard the people of New Zealand" is not, like the other disabilities of age, sickness, or widowhood, something which is bound to afflict a number of the people at any one time. Although it affects people individually it is a symptom of internal and external factors affecting the national economy as a whole. And it is through the working of the whole economy that the State's primary responsibility in this matter will be carried out. Even if "full employment" is an imprecise concept, it is unlikely that any New Zealand Government will be able to escape from public insistence that it must so manage the economy that there is a market for the services of all who are able and willing to work. The provision of income support through social security or, for that matter, the creation of jobs at times and places where circumstances warrant it, are only secondary protections.

5. Because there are forces no Government can directly control and because there are factors which tend to make it difficult for some people to adjust to changes in market requirements, it cannot be expected that even the best economic management will entirely obviate the need for unemployment benefits.

6. Moreover, it would be unwise to assume that New Zealand will always be so fortunate or so successful in its economic management that unemployment will remain at its recent low level. This implies another distinguishing factor. While the number of those who will become dependent because of age, or youth, or even sickness can be predicted accurately enough for the State to be able to prepare for the liability, the number of unemployed could increase rapidly, dramatically, and unexpectedly, and at a time when the State's financial resources are likely to be low.

7. Thus, when the unemployment benefit is most needed by individuals it could be most difficult to maintain at adequate levels. At the same time it could be one of the most potent economic measures for increasing demand and economic activity to secure a firm base for renewed prosperity.

8. Although we have had these underlying factors in mind, we have not tried (nor would we be competent) to do more than consider the unemployment benefit in the comparatively fortunate conditions which prevail at present in New Zealand.

THE PRESENT SYSTEM

9. The Social Security Act provides (section 58 (1)) that everybody over 16 years not qualified to receive an age benefit shall be entitled to an unemployment benefit if the Social Security Commission is satisfied that they are unemployed, are capable and willing for suitable work, have taken reasonable steps to obtain suitable work, and have lived continuously in New Zealand for not less than 12 months at any time. A married woman is entitled to receive an unemployment benefit only if her husband is unable to maintain her.

10. Unemployment benefits are not normally payable for the first 7 days of any period of unemployment, but the Commission may, in its discretion, determine that the benefit shall be paid for the whole or any part of that period.

11. The Commission also has discretionary power under section 60 (3) to postpone for not more than 6 weeks the start of an unemployment benefit, or, as the case may require, terminate any such benefit already granted, where it is satisfied that the applicant has voluntarily become unemployed without a good and sufficient

reason, or lost his employment by reason of any misconduct as a worker, or refused or failed, without a good and sufficient reason, to accept any offer of suitable employment.

12. The maximum benefit payable is (under the Commission's policy) reduced by both weekly earnings and other income as follows. Ten cents a week are deducted for every complete 10 cents of the net personal earnings of the applicant. Fifteen cents a week are deducted for every complete 20 cents of any other income of the applicant and spouse (including any earnings of the spouse) in excess of (at present) \$13 a week. If an unemployment beneficiary obtains full-time employment his benefit stops.

SUBMISSIONS RECEIVED

13. The submissions we received raised a number of questions about this benefit, and we now discuss them under their various headings.

Earnings-related Unemployment Benefit

14. In chapter 18 we have considered at some length the proposition that social security benefits should not be at a flat rate as at present, but should be paid at variable rates related to the beneficiary's previous earnings. The proposition rests on the idea that anybody earning a higher income needs a greater benefit to preserve a reasonable relationship with the standard of living which obtained before income was interrupted by some disability. It is reinforced by the proposals for earnings-related accident compensation which seem likely to be introduced into New Zealand.

15. We have not recommended that social security benefits generally be made earnings related. We have suggested that in the case of sickness, earnings-related payments for short absences should be achieved through the insurance scheme which we understand is to be introduced for accident compensation. We do not consider that the reasons for our doing so apply with equal force to unemployment benefits which should follow the general pattern of flat-rate benefits.

16. In the first place, social security needs to cover those who are seeking to enter the work force, who have no earnings history on which to base a benefit, and who have had no chance of contributing towards an adequate benefit.

17. In the second place, a man may lose a highly paid position, and with or without an intervening period of unemployment, have to accept a much lower paid position. The earnings-related benefit might be greater than the salary which he is now able to earn. This raises considerable problems which are compounded by such inevitable considerations as fault or inefficiency.

18. Earnings-related systems are based on specific earnings-related contributions. Even if such disabilities as age or invalidity could be adequately covered in this way, we have seen nothing in overseas systems to convince us that the hazards of unemployment, which can reach disaster proportions, can be so covered. At some stage the State must meet the bill from general taxation.

19. We do not rule out the possibility that at some time it may be considered worthwhile to introduce a scheme, with State backing or otherwise, whereby people can protect themselves wholly or partly against the consequences of unemployment by some specific contribution or insurance system. In the meantime we have proceeded on the basis that the relief of unemployment will remain the responsibility of the social security system, financed by general taxation, and directed to the maintenance of an adequate standard of living for all. The flat-rate system with benefits adjusted to family responsibilities, is we believe, the surest and best basis for this.

Effect of Husband's or Wife's Earnings

20. It was quite strongly urged on us that the right to an unemployment benefit had been earned by participating in the work force so that the benefit should be paid irrespective of whether the husband or wife of the unemployed person is earning. Such a policy would apply under an earnings-related insurance scheme, but it runs contrary to a system which aims to relieve need.

21. The income test is used to assess whether the family income has fallen below the level or levels which are accepted as being adequate, and in all cases the income of both the claimant and the claimant's spouse is taken into account. To do otherwise, to exclude the earnings of the husband or wife from the assessment of eligibility, would be to pay the benefit where the need did not exist. We cannot agree that this should be done.

Personal Earnings of Beneficiary

22. Unemployment benefit is treated differently from all other benefits in that it is reduced by *any* amount which the beneficiary *earns*. A certain amount of other income (at present \$13), including wife's earnings, is allowed before the benefit is reduced, but this does not apply to the beneficiary's own earnings.

23. Thus if an unemployed worker works part-time casually, he cannot thereby augment his unemployment benefit. He is thus discouraged from doing so, though such work could have a rehabilitative value, could help him and his family, might lead to full-time employment, and in the meantime might save the State expense on supplementary assistance.

24. If personal earnings were to be treated on the same basis as other income, it might be that the incentive to find full-time employment would be reduced. But there are other safeguards against this, and we refer to them in paras. 57-60 under "Efforts to Obtain Work".

25. A greater difficulty arises through the present rules about allowable income and abatement of benefit, and is not entirely removed by the changes which we have proposed (chapter 15). Thus, if our recommendations were applied to the unemployment benefit, a married unemployed man could be earning \$50 a week gross and still be drawing a small benefit. If he were married with two dependent children he would have to earn \$55 before the benefit was completely abated. We do not see how anyone earning this sort of money could be regarded as being unemployed.

26. It seems then that to treat all personal earnings on the same basis as other income would be likely to cause more problems than it would solve. There would however seem to be no reason why the first \$10 per week of earnings should not be treated as "other income" thus not reducing benefit. Personal earnings above this level should abate the benefit \$1 for \$1. This would allow the beneficiary to take advantage of opportunities of casual work and so augment his income.

Date of Starting Benefit

27. Section 60 (1) of the Social Security Act says that an "unemployment benefit shall not be payable in respect of the first 7 days of any period of unemployment". However, the Commission has discretion to determine that the benefit shall be paid for the whole or any part of that period.

28. The present policy of the Commission is to pay unemployment benefit from the eighth day after the department receives the application, or the eighth day after wages, including holiday pay, cease, whichever is the later. If it is evident in any particular case that the longer waiting period (due to late application) would cause hardship, it is waived. The waiting period is also waived if unemployment beneficiaries who obtain work again lose their employment within 4 weeks through no fault of their own. But in all other cases the 7 days stand-down is adhered to.

29. The main criticisms of the stand-down period relate to its effect on the adequacy of the benefit. A week's income is lost, yet commitments for rent, food, electricity, and often hire-purchase continue. It must often be difficult to overtake those commitments, in addition to current expenses, from the weekly benefit when it is paid.

30. Any automatic backdating of the benefit could well make it profitable to stay out of work for an extra day or two to complete whatever qualifying period might be fixed. Moreover, unemployment beneficiaries are required to seek employment and an automatic provision would negate this. The discretions entrusted to the Social Security Commission are adequate to enable hardship to be avoided. We think this is the better way to deal with the situation but we feel that the present policy may be too rigid and should be re-examined.

Problems of Definition of the Unemployed

31. Some submissions dealt with difficulties in defining who are the unemployed and thus eligible for unemployment benefit. We now discuss the various categories.

Working 15-year-olds

32. Under present legislation, a person must be 16 years or older to be eligible for unemployment benefit, yet a person can leave school to work at 15 years. At one time those under 16 years were not taxed on earnings—hence the use of this age here. Because of the discrepancy between school-leaving age and eligibility for social security benefits, 15-year-olds can lose their jobs yet not be eligible for unemployment benefit. We consider it would be reasonable to bring into line school-leaving age and age of eligibility for benefits such as unemployment, sickness, and invalidity. We have already recommended in chapter 21 that benefits such as this should be reduced by the amount of any family benefit payable for juveniles.

Students

33. Parents generally support children who continue at school after the age of 15 years. But the State tends to pay a greater share the higher the education, and provides a variety of bursaries, scholarships, and studentships. These are grants in aid and do not usually give complete support. Students commonly supplement them by working during vacations, and sometimes throughout the year.

34. The availability of suitable work tends to fluctuate, and the question arises whether and to what extent students should qualify for unemployment benefit when they are unable to find the sort of part-time, casual, or seasonal work which they would normally undertake.

35. We understand that it has been considered that full-time students are not eligible for unemployment benefit under section 58 (1) because they are not full-time workers, and willingness

to undertake short-term work does not necessarily constitute willingness to undertake "suitable work". Whatever may have been intended by the framers of the Act, we are very doubtful whether students are in fact excluded by it.

36. The Government decided in 1967, when vacation employment was scarce, that the Social Security Commission would pay emergency benefits under section 61 of the Act to university students during the long vacation. The criteria for such assistance were that:

- (a) Applicants would need to complete a declaration to establish their "bona fides" as full-time students;
- (b) Applicants would need to register for work at the Department of Labour and report regularly;
- (c) The applicants' income and assets and those of their parents would be considered when determining eligibility;
- (d) The benefit would not necessarily be paid for the whole of the vacation. Account would be taken of the applicant's previous history of employment in vacations;
- (e) Continued payment of the benefit would be conditional upon the applicant's efforts to seek and obtain work;
- (f) The rate of benefit would not necessarily be the basic rate of social security benefit.

37. It is not possible to legislate in detail for the multiplicity of considerations and circumstances which may arise in granting assistance to students who are unable to find the sort of work which will fit in with their studies. We consider, therefore, that the matter is best dealt with as an emergency benefit, especially as this allows the amount of the benefit to be tailored to particular needs which will sometimes be less than complete maintenance. The criteria set out above seem to fit the position quite well.

38. It will, in our opinion, be necessary to amend section 58 to exclude students, if as we recommend, it is intended to deal with their problems under section 61.

Strikers and Those in Industrial Disputes

39. The Social Security Department suggested that the law needs strengthening to give more specific authority when determining the entitlement of people who lose their jobs through industrial strikes and disputes.

40. Since the inception of social security, the principle followed has been that funds appropriated for social security purposes were not to be used to sustain strikers or those involved in industrial

disputes. While this has been generally accepted so far as it applies to people actually on strike, the policy has been criticised for applying to those who become unemployed as an indirect result of a strike, and although willing to continue at work, are reluctant to take up available alternative occupations.

41. Social security policy here has to be considered along with policy for industrial relations. There may be conflict between the policies; they obviously need to be co-ordinated. It is not for us to say what the policy for industrial relations should be, or whether social security policy should prevail. This is a political problem which from our own observation troubles a number of countries. It calls for a political decision.

42. We can do no more than look at the law as it exists in New Zealand. The Social Security Commission apparently thinks that the law is less than sufficiently specific. But to our mind it is probably as specific as the law needs to be, or can be. It gives the Commission the right to deny a benefit to anyone who is not willing to undertake suitable work, or has not taken reasonable steps to obtain suitable work. The Commission can postpone or terminate a benefit if "the applicant has voluntarily become unemployed without a good and sufficient reason", or "has refused or failed, without a good and sufficient reason, to accept any offer of suitable employment".

43. It is undoubtedly hard to decide whether a person has become "voluntarily unemployed" when this depends on an opinion about whether the work stoppage is due to a strike or to a lock-out; or in deciding whether a reason is "good and sufficient" when it is difficult to know whether a strike is lawful or not, or whether the applicant's union is a party to it or not. These are only examples of the many difficulties which can arise. But we do not see legislation answering these difficulties. And if it were possible, it is certainly not within our province to prescribe the answers.

44. In our opinion the Social Security Commission will have to accept the situation as it exists. In appropriate cases the Minister will no doubt issue a directive, and the decision will in fact be a political decision, which is what we think it ought to be.

Willingness to Do Suitable Work

45. Under the legislation the Social Security Commission has to be satisfied that an applicant "is willing to undertake suitable work", and may postpone or cancel a benefit if it is not so satisfied.

46. The Commission requires that all applicants for unemployment benefit register for work with the Department of Labour before they are accepted for unemployment benefit under section 58. This is treated as minimum evidence of willingness to accept work. While the benefit is payable, each beneficiary must report or communicate with that department each week to ascertain whether there is any suitable work available.

47. If anyone leaves his job without good and sufficient reason, loses his job for misconduct as a worker, or refuses to accept any offer of suitable work, the Social Security Commission may under section 60 (3) of the Act withhold payment of the benefit for up to 6 weeks. After the penalty period has expired the applicant may reapply.

48. The discretion is exercised with due regard to family and other circumstances, and an applicant who is penalised may have his case considered by an inter-departmental committee consisting of the district registrar of social security and the district superintendent of the Department of Labour who are required to make a recommendation to the Social Security Commission.

THE PENALTY CLAUSE

49. A number of submissions have criticised the use of the penalty period of up to 6 weeks. Some suggested that it be abolished, and others suggested that an extended period be applied in certain cases.

50. *Abolition of the Penalty Clause:* It has been contended that the discretion to declare a person voluntarily unemployed can be abused or unwisely used, and that attitudes could vary considerably between districts. It is true that there are considerable areas of discretion in judging the motives of the applicant, and in weighing up personal factors, especially where the work offered and not accepted has involved moving to another area. We are in no doubt that the department should retain the present discretion to cancel or postpone a benefit. But there may well be a need for improved appeal rights which are further discussed in chapter 29.

51. *Extension of the Penalty Clause:* It has been suggested that the legislation be amended to allow benefit payment to be withheld for an extended period in certain cases. At present, a person can reapply after the 6 weeks and, if there is no employment available at that time, may receive an unemployment benefit. Or as sometimes happens, people leave areas where work is available to live in districts where it is not; or they may refuse unreasonably to move to districts where work is available. The Department of

Labour considers that the penalty of 6 weeks, which the Social Security Commission has discretionary power to impose, is effective and is sufficient to discourage an unwilling worker without being harsh. We doubt whether an increase in the period would add greatly to the effectiveness of the penalty which can now be imposed.

People Working Irregularly

52. The Social Security Department suggested that the legislation be amended to give specific authority for the Social Security Commission to refuse an unemployment benefit to anyone not normally a member of the work force who has suffered no loss of earnings. People entering the work force for the first time, such as school leavers, would have to be exempted.

53. It was said that in times of economic recession people who are not normally workers tend to claim unemployment benefit knowing that they cannot be offered work.

54. It would be difficult to legislate against this, if it exists. A person may not have been a regular member of the work force, but may nevertheless at the time of applying be willing and anxious to take up work and may be in need because of the lack of it. Indeed, the recession may have brought about conditions which make it necessary for the applicant to seek employment.

55. The requirement that applicants must register with the Department of Labour, report weekly to that department, and be willing to accept suitable work, do give some protection against abuse, although the protection would be reduced when little work was available. The Department of Labour has suggested that certain State departments like Railways, Forest Service, and Works should be prepared to offer a range of jobs in each employment district and so test the willingness of such people to work. This would undoubtedly be valuable, if practicable.

56. We consider that the proposal of the Social Security Department for an amendment to the legislation goes too far. Nor are we inclined to extend the Commission's discretion so that it can decline or postpone a benefit when it is not satisfied that an applicant genuinely wishes to work. Discretions which depend on interpreting what is in people's minds are dangerous. In the circumstances we have no recommendation to make.

Efforts to Obtain Work

57. Although the Social Security Commission requires that applicants for unemployment benefit register for work with the Department of Labour and apply weekly to that department, it

also expects beneficiaries to seek work themselves. However, the legislation requires only that an applicant "has taken reasonable steps to obtain suitable work".

58. Many employers do not register their vacancies with the Department of Labour but get staff through means like advertising, so that calls on the Department of Labour may not constitute sufficient or effective efforts to obtain work.

59. The Social Security Commission suggested that section 58 (1) (c) should be amended to read "has taken reasonable steps to obtain suitable work *through his own efforts*". We do not think that adding the words "through his own efforts" would add anything effective to the legislation. If, as we think is the case, the Commission is entitled to apply the criteria in section 58 to beneficiaries as well as to applicants, we consider that it is fully within its rights to require either applicants or beneficiaries to disclose what efforts they have made, and can then in its discretion decide whether it considers them reasonable.

60. If section 58 applies only to applicants, and not to those who are receiving benefits, then we think that the discretionary powers given in section 60 (3) should be expanded by adding a further subclause (d) "the applicant or beneficiary has failed to take reasonable steps to obtain suitable work".

Rates of Benefit

61. The unemployment benefit rates are generally the same as for other benefits, and we think they should remain the same. However, as in the case of sickness benefit, there is a special rate for unmarried persons who are under 20 and who have no dependants. This is at present \$13 a week as compared with the rate of \$16 for those over 20.

62. We recommend, first, that the full rate should be paid to those over 18, instead of 20; and second, that the lower rate should be increased to \$15 in conditions applying at September 1971. We recognise that \$15 is a smaller proportion of our recommended adult rate of \$20 than \$13 was of \$16. Our reasons are that the new rate of \$15 will apply to a lower age group, 15-17, whereas the present rate applies to the 16-19 age group.

CONCLUSIONS

63. Our conclusions about unemployment benefit may be summarised thus:

- (a) A flat-rate benefit system, with benefits adjusted to family responsibilities is the surest and best basis for an unemployment benefit which is financed by general taxation.

- (b) The earnings of a beneficiary's husband or wife should continue to be taken into account in assessing eligibility for unemployment benefit.
- (c) The first \$10 of *personal earnings* of an unemployment beneficiary should be treated as "other income" but the benefit should be abated \$1 for \$1 for any such earnings over \$10 per week.
- (d) The department should continue to have discretion to waive the waiting period of 7 days before start of benefit, but the present policy may be too rigid and should be reviewed.
- (e) The age for eligibility for unemployment benefit should be reduced from 16 years to 15 years.
- (f) Applications from full-time students for unemployment assistance should be dealt with as emergency benefit, and the Act should be amended to exclude them specifically from unemployment benefit.
- (g) It would be unwise and impracticable to amend the law to lay down more precisely the policy to be adopted for people whose employment has been affected by strikes and other industrial disputes.
- (h) The department should retain the existing discretion under section 60 (3) to cancel or postpone unemployment benefit for up to 6 weeks, but there may well be a need for improved appeal rights.
- (i) There is no need for specific legislative provision for people who have not normally been members of the work force.
- (j) If, as we believe, the department is entitled to apply the criteria set out in section 58 to beneficiaries as well as to applicants for benefit, there is no need for further specific legislation to ensure that beneficiaries themselves make reasonable efforts to obtain work.
- (k) The full adult benefit rate should be payable to those over 18 years of age, and the reduced rate payable to single people under 18 and without dependants should be \$15 per week in conditions applying at September 1971.

RECOMMENDATIONS

We recommend that:

- (48) The age of eligibility for unemployment benefit be reduced from 16 years to 15 years.
- (49) The age of eligibility for the full adult single rate be reduced from 20 years to 18 years.

- (50) The rate of benefit for those 15 years of age and under 18 be \$15 a week (in terms of September 1971 conditions) and be reduced by any family benefit payable in respect of the recipient.
- (51) Present policy be changed to allow the first \$10 per week of *personal earnings* of an unemployment beneficiary to be treated as "other income" with the benefit abated \$1 for \$1 for any such earnings in excess of the \$10 per week.
- (52) The present policy of rigidly enforcing a 7-day stand-down period be re-examined.
- (53) Applications from full-time students for unemployment assistance be dealt with under the emergency provisions, and the Act be amended to exclude them specifically from unemployment benefit.
- (54) If there is legal doubt about whether the Department is entitled to apply the criteria set out in section 58 of the Act to beneficiaries as well as to applicants for benefit, the following subclause be added in section 60 (3):
 - "(d) The applicant or beneficiary has failed to take reasonable steps to obtain suitable work".

Chapter 27. EMERGENCY BENEFITS

1. In chapter 25 we have said that supplementary assistance is an instrument necessary in a categorical system to enable income support beyond the standard benefit rates to be given in cases of special individual hardship. But power is also needed to provide for people who do not fall within the categories or comply with the residential requirements, yet nevertheless suffer hardship requiring State help. In New Zealand the emergency benefit provisions of the Act confer that power.

2. Section 61 enables an emergency benefit to be granted on account of hardship to any person who (a) by reason of age, or of physical or mental disability, or of domestic circumstances, or for any other reason is unable to earn a sufficient livelihood for himself and his dependants (if any); and (b) is not qualified to be granted any benefit (other than a family benefit). The section provides that the rate of the emergency benefit shall, in each case, be in the discretion of the Commission, but except where the beneficiary is receiving medical or other treatment, shall not exceed the rate to which the beneficiary would be entitled if he were qualified to receive such other benefit as in the opinion of the Commission is analogous to the emergency benefit.

3. Section 61 also empowers the Commission for administrative purposes to grant emergency benefits to replace invalids benefits, sickness benefits, or unemployment benefits, and to make such a grant subject to conditions, such as the recipient accepting medical treatment. But we do not think it necessary to discuss those cases. The main aim of section 61 is to serve those people who are not eligible for a categorical benefit, but who nevertheless by reason of hardship should receive State assistance. They fall generally into these classes:

- (a) Semi-employable people who do not fulfil the qualifications for a sickness, unemployment, or other statutory benefit (apart from family benefit).
- (b) People who care for sick or aged persons.
- (c) Immigrants (including Pacific Islanders) who are not residentially qualified for statutory benefits.
- (d) Other people who do not qualify for statutory benefits and are suffering financial hardship.

4. The largest group of all has been women who have lost the regular support of their husbands but are not covered by the widows benefit, and single mothers. These have not up till now been covered by any specific categorical benefit. The practice has been to grant this group an emergency benefit, but to call it a "domestic purposes benefit" and to supplement the benefit by family maintenance allowances for dependent children. At 31 March 1971, of the 6,422 emergency benefits in force, 4,432 were being paid to women on domestic purposes benefit. Of the balance a considerable number were paid to people caring for aged or sick persons. We have already recommended a statutory domestic purposes benefit to cover both these groups of women (chapter 22).

5. The main criticism of emergency benefits concerned their discretionary nature. Because the grant is wholly discretionary and is specifically directed to the relief of "hardship", it calls for more searching inquiries than does a statutory categorical benefit, and the applicant's assets are necessarily taken into account. It was urged that the area of discretionary benefits of this class should be narrowed as far as possible by enlarging the categories of statutory benefits. Our recommendations do this. But for the cases which will remain, and there must always be some which cannot be put into specific categories with specific entitlement, there is no doubt in our minds that they can be dealt with only on a discretionary basis both as to the circumstances which qualify for a benefit and as to the amount payable. Only in this way can the greater coverage and flexibility be achieved. We have no reason to believe that the department has used the power to grant emergency benefits unduly restrictively or too generously. Therefore we have no recommendations to make for change either in the character of the benefit or in the procedures of its administration.

PART VII

THE ADMINISTRATION OF SOCIAL SECURITY

This Part (chapters 28 to 42) fulfils item 2 of our Warrant requiring us to investigate, among other things, "any changes considered desirable in the . . . administration of monetary benefits and supplementary assistance".

Chapter 28. ADMINISTRATION, A GENERAL VIEW

1. The administration of benefits, both social security and health and including supplementary assistance, covers a wide field. A thorough examination of this could take us into the organisation of the Department of Health and the many agencies (hospital boards, Disabled Re-establishment League, voluntary organisations, etc.) concerned with welfare. However, it was clearly not intended that our inquiry should range so far—indeed, as we point out in chapter 1, the administration of medical and health services was designedly omitted. While it became clear during our inquiry that many informed people consider that there is a need for broadly based review of the organisation, administration, and co-ordination of health, social security, and welfare services, we have had to focus attention on specific issues in the more restricted area of benefits and supplementary assistance.

2. For the most part these specific issues have been dealt with in this report as they have arisen. Those which we deal with in Part VII were either identified in our terms of reference or seem to us to need special attention.

Co-ordination

3. At this point we offer some comments on co-ordination. It is clear from earlier chapters that the social security income-maintenance programme and the provision of medical benefits and health services cannot be considered in isolation from other social services, or from the whole range of governmental expenditure priorities. Neither can they be considered apart from general economic policies and aims. The need for this kind of co-ordination is obvious.

4. We consider it necessary, however, to again draw attention to the very close relationship between social security cash payments and taxation policy. We have shown in earlier chapters that the depth of this inter-relationship is not always fully understood, and we think it important that it should be. We believe, too, that co-ordination among the departments primarily involved—Social Security, Health, Inland Revenue, and Treasury—is not as close as we would like to see it. We recommend that it should be improved.

5. A need for greater co-ordination within the social welfare field itself is, on the other hand, widely recognised. Since the end of the Second World War, social change throughout the world has accelerated and been accompanied by marked social unrest. Change and unrest have stimulated demands for more diversified and sophisticated social services. Social workers have formed a profession whose members have supplemented and often taken the place of the voluntary worker of earlier years. New techniques and, indeed, new disciplines have developed; and yet the demand grows, stimulated by new formulations of need, by deepening research and by professional advocacy. New Zealand has been drawn into this growth. New services inevitably throw up questions of control and co-ordination.

6. Proposals for better co-ordination of State social welfare activities have ranged widely, extending from greater co-ordination among existing departments to the reallocation of functions, and often to the establishment of a comprehensive social welfare department for all the State's social welfare activities. In 1956 the Government established an inter-departmental committee, independently chaired, to study and report. It reported in 1958 and recommended, among other things, that a social welfare advisory board be set up to effect the co-ordination thought necessary. The board was established in 1961, but we have been told that it has operated only fitfully. When the Royal Commission on the State Services in New Zealand sat in 1961-62 various submissions were made that, notwithstanding the existence of this advisory committee, a recommendation should be made for a department of social welfare. That Royal Commission thought that the then recently created advisory board should have an opportunity to operate and show whether it could bring about reform, before any decision was made to establish a new department. In 1969 the National Development Conference, considering that there was insufficient co-ordination, raised the possibility of establishing one State department to be responsible for "all aspects of welfare".

7. The debate has continued. In many instances two distinct concepts have been confused: the wide one of combining all welfare activities, including those of education and health, into one department, and the narrower one of consolidating merely the activities of the different types of social workers.

8. In its election manifesto for 1969 the Government announced its intention to amalgamate the Social Security Department and the Child Welfare Division of the Department of Education and thus form what could be the nucleus of a new department of social welfare. This announcement was not universally welcomed.

Some organisations saw disadvantages in bringing together the delivery of personal welfare services and the payment of monetary benefits. Others, especially the New Zealand Association of Social Workers, considered the proposed step inadequate. That association set up, in November 1970, its own working party to investigate and report on the welfare needs of the country and how these might best be dealt with. The working party's report was adopted by the association on 8 May 1971 and has been made available to us. It recommends the creation of a ministry for social development responsible for the whole area of social development in New Zealand, and the creation of a department of social welfare to administer all personal social welfare and social work services operated by the State. By this latter step it would bring under one command the different welfare services at present supplied by the Child Welfare Division of the Department of Education, the Social Security Department, the Department of Justice, the Department of Maori and Island Affairs, the Department of Health, hospital boards and, possibly, some others.

9. Submissions made during our inquiry have also stressed the need for greater co-ordination, and the desirability of a department of social welfare. But again there has often been a failure to see the distinction between the two concepts we have already mentioned. Generally the emphasis has been on bringing together the work of the different types of social workers. This was advocated by Birthright (NZ) Inc., the Otago Old People's Welfare Council, and the Intellectually Handicapped Children's Society. However, the department of social administration and sociology of Victoria University of Wellington considered the wider concept, and saw considerable advantages in adopting it. But the difficulties which this could lead to were brought to our attention by the Combined State Service Organisations, though it saw some benefit in separating personal welfare services from the payment of monetary benefits. The Department of Health opposed any suggestion which would deprive it of control of its psychiatric workers. Others, too, voiced opposition.

10. There is no doubt that the movement overseas (for example, in the United States, the United Kingdom, and elsewhere in Europe) is towards the gathering together of different forms of social services into large organisations. A Department of Health, Education, and Welfare in the United States, and of Health and Social Security in the United Kingdom, are but two examples. But whether this is desirable in New Zealand is a question well outside our order of reference. Nevertheless, we think it right to draw attention to the fact that most people concerned in social

welfare in one way or another believe that there is at present undue fragmentation and duplication. Some master plan for co-ordinating the work of social workers (such as the New Zealand Association of Social Workers advocates) may be the optimum development, though the benefits expected of amalgamation are rarely achieved in practice; and, moreover, some degree of diversity and even perhaps overlapping has advantages in giving flexibility and a wider range of personnel with different qualities and experience. But we do accept that the movement in the future will rightly be towards greater control, co-ordination, and integration of the varying State activities in this field not only within the State services but with those of voluntary organisations. We return to this question again in chapter 40.

Chapter 29. RIGHTS OF APPEAL

1. Article 70 (1) of the International Labour Conference Convention (number 102) about Minimum Standards of Social Security says:

Every claimant shall have a right of appeal in case of refusal of the benefit or complaint as to its quality or quantity. . . .

This convention has not been ratified by New Zealand. The appeal rights of New Zealand beneficiaries fall short of this standard.

Present Appeal Rights

2. New Zealand has never had an independent statutory authority to which aggrieved people could appeal against a decision of the Social Security Commission.

3. There is a right of appeal to the Commission itself against a decision given by a district officer of the Social Security Department, or by any other officer to whom authority is delegated by the Commission. Under section 10 (6) of the Social Security Act a person affected by any such decision may, within 3 months of being notified of the decision, appeal to the Commission. But the Commission is not, as we shall later discuss, in any true sense independent of the department. Indeed, its membership is made up of the three principal officers of the department.

4. The Commission usually deals with appeals informally. Appellants have no statutory right of appearance and are generally not invited to attend hearings in person to present their cases, although they may do so if they wish—this happens only infrequently. Most appeals are decided after considering the information on which the original decision was based, together with any further relevant information which may have later come to light from the appellant or from some other source.

5. Section 10 (7) of the Social Security Act gives the Commission the additional power at any time, on its own initiative, to review any decision made under delegated authority and to confirm, vary, or revoke the decision.

6. There is a special right of appeal to medical appeal boards against medical decisions affecting benefit entitlement for invalids (including the blind) and miners. These appeal boards consist of three

medical practitioners appointed by the Social Security Commission, which is bound by their decisions. Their jurisdiction, however, is limited to medical decisions.

Role of Minister of Social Security

7. Aggrieved persons also have the citizen's normal right to approach the Minister either directly or through a member of Parliament. Then the Minister often asks the Commission to review the decision which has prompted the approach to him. If the decision was made under delegated authority, the approach to the Minister is treated as an appeal to the Commission under section 10 (6) of the Social Security Act. If, on the other hand, the decision in dispute was made by the Social Security Commission itself, the Commission reviews its own decision in the light of any new information arising from the representations to the Minister and reports back to him. The Minister can then agree or disagree with the Commission's view, and his directive will prevail.

Role of the Ombudsman

8. As no statutory right of appeal from decisions of the Social Security Commission exists, such decisions are within the review powers of the Ombudsman. He may report or recommend if a decision appears to have been contrary to law; or was unreasonable, unjust, oppressive, or improperly discriminatory; or was in accordance with a rule of law or a provision of any enactment or a practice that is or may be unreasonable, unjust, oppressive, or improperly discriminatory; or was based wholly or partly on a mistake of law or fact; or was wrong.

9. Section 19 (2) of the Parliamentary Commissioner (Ombudsman) Act 1962 enables him to review exercises of discretion as well as factual judgments. He may consider whether the discretion has been exercised for an improper purpose or on irrelevant grounds or has taken into account irrelevant considerations; or whether reasons should have been given for the decision.

10. The Ombudsman has no power, however, to set aside any decision of the Social Security Commission. After investigating a complaint, he may, if he thinks fit, make a report and recommendation to the Commission sending a copy of the report and recommendation to the Minister. If, within a reasonable time after the report is made, his recommendation is not given effect to, he may send a copy of the report and recommendation to the Prime Minister. Should this not result in his recommendation being acted upon, his last resort is to make a report to Parliament. Despite these limitations, the public has made considerable use of the Ombudsman's investigation and

review authority in the social security field. But valuable though the Ombudsman's role is, he is not and should not be regarded as a social security appeal authority having power to override the Commission or reverse discretionary decisions.

War Pensioners

11. Any ex-serviceman or his dependant has a statutory right of appeal to an independent War Pensions Appeal Board. This right must be exercised within 6 months of the appellant being informed that a claim for war pension has been rejected by a War Pensions Board on the grounds that the disablement or death of the ex-serviceman was neither attributable to nor aggravated by his service with the armed forces. In addition, an appeal may be lodged against the assessment of a pension granted to any member of the forces in so far as the assessment is based on medical grounds. A claimant for a war veterans allowance or war service pension also has a right of appeal against a finding that he is not unfit for permanent employment.

12. There are three members of any War Pensions Appeal Board, a chairman and two medical members, one of whom is appointed on the nomination of the New Zealand Returned Services Association. The three members are appointed by the Minister in Charge of War Pensions. Contrary to the cases of social security beneficiaries appealing to the Social Security Commission, all war pension appellants must attend the hearing of their appeal in person. They may, with the consent of the chairman of the Appeal Board, be represented at the hearing by counsel or by any other person.

13. The war pensions appeal structure is clearly a good example of independent appeal boards functioning successfully in the area of pension entitlement. However, war pension appeals are based almost entirely on medical grounds whereas, as we shall discuss later in this chapter, social security benefit problems usually arise from administrative discretion.

Appeal Provisions in Other Countries

14. We considered it appropriate to examine appeal structures of social security schemes in other countries. But because of major differences in the basic characteristics and techniques of those schemes, we have concluded that there would be little point in outlining their structures. We might, however, point out that in Britain alone there are two separate and entirely different systems, a many-tiered complex operating within the national insurance area which accepts the precedent authority of decisions given within the system, and a most informal one in the social security supplementary benefits area where

precedents have no binding effect. The question for us is what is most appropriate for New Zealand, and that must in the long run depend on what best serves our own system of social security.

Submissions Received

15. Submissions on appeal rights came from the Social Security Department, the Ombudsman, religious, welfare, and other bodies, and from individuals. Apart from the Ombudsman, all submissions favoured introducing some form of independent appeal authority.

16. The Social Security Department supported the need for an appeal authority on the grounds of natural justice. We have no doubt that the Social Security Commission is very conscious of its responsibility and considers all applications for review very carefully. We agree with the Commission, however, that because a great number of the decisions made in the social security field affect people's lives and rights, there is a strong case for establishing an independent appeal body which is not itself responsible for the execution of social security policy.

17. The Ombudsman, on the other hand, considered that there was no necessity for a more formal appeal system in social security at this stage. He pointed out that in the exercise of its discretionary powers, the Social Security Commission is often called upon to assess the degree of need that exists in individual cases and to do this it must possess investigating resources, technical knowledge, and expertise, which an appeal authority would not necessarily have.

18. As the Commission itself consists of people with special knowledge and experience, the Ombudsman doubted whether it would be wise to establish an appeal authority which must be removed from the administrative process but which might well decide to substitute its own decision for that of the Commission.

19. The Ombudsman also considered that where a social security scheme as in New Zealand is based on the general principle that people contribute according to their means and receive assistance according to their needs, review proceedings of a basically investigative or administrative nature may be more suitable than those of a basically adversarial or legal nature. He expressed the view that any appeal structure which could be devised in New Zealand, whether on a district basis, or at the centre, or both, would not offer a prospective appellant the simple, cheap, and trouble-free procedure available now by merely writing a letter to the Ombudsman.

20. It must be remembered, however, that, as a number of others stressed in their submissions, the Ombudsman does not have that authority which distinguishes appellate bodies, namely, the power to reverse a decision.

21. Most other submissions favoured an appeal authority in the form of an independent tribunal or board, and some expressed the view that such a body should have legal and citizen representation. Other suggestions included the setting up of local appeal tribunals with a further right of appeal to the Administrative Division of the Supreme Court; the introduction of an appellate system along the lines of that operating for the British national insurance scheme; and a system whereby applicants could have the appeals heard before a magistrate and be represented by counsel.

22. Other points made included the need for the department to give reasons when a benefit is refused, the need to advise people of appeal rights, and the desirability of establishing a panel of ordinary citizens to act as volunteer advocates to help beneficiaries present their case to any appeal tribunal.

CONCLUSIONS

23. We are entirely satisfied that the Social Security Commission and departmental officers try at all times to be fair and impartial in administering the legislation. It is evident from the relatively few justifiable complaints (less than 15 percent of only 164 complaints made in 1970-71) investigated by the Ombudsman that the Commission's record in this respect is impressive.

24. We do not know, of course, how many people may have felt that they had grounds for complaint but have not approached the Ombudsman. Given the many thousands of individual discretionary decisions made each year by the Commission and departmental officers, there are bound to be some which are unacceptable to the individuals concerned. We consider it reasonable and just that these people should have a more satisfactory right of appeal than they now possess. We shall in the next chapter describe what we think would be a much improved appellate system fitting in well with the changes we there propose in the machinery for the administration of our social security system. A right of appeal is foreign to the concept of social security being a form of charity, but it follows inevitably from the concept of social security being the responsibility of the community and the right of the individual.

Chapter 30. THE MACHINERY FOR ADMINISTERING SOCIAL SECURITY BENEFITS

THE PRESENT MACHINERY

1. The present administration of monetary benefits (other than medical, hospital, and other related medical benefits which we deal with elsewhere) is controlled by Part I of the Social Security Act 1964. Section 2 provides that subject to the control and direction of the Minister, monetary benefits shall be administered in the Social Security Department by the Social Security Commission. The Act then establishes the department, and sets up a permanent commission (the Social Security Commission) made up of the principal officers of the department and having not fewer than two and not more than three members. The chairman of the Commission is made the administrative head of the department.

2. It will be observed then that the Commission is in truth nothing more than a committee of the principal officers of the department. It has always been made up of the departmental head and his two chief assistants. And as the Act maintains the right of the Minister to exercise general direction and control, there is really nothing very different here from what pertains normally in a department.

3. This relationship of the Commission to the Minister was described in one of the department's submissions, which said:

The constantly changing circumstances which affect the administration of social security, including supplementary assistance and capitalisation of family benefit, require that policy be adjusted from time to time to new and changing conditions. Policies have been evolved over years of experience to cover most situations which arise in dealing with applications, but from time to time the need for changes may be recognised either from discussion of a matter as a general policy issue, or from discussion of a particular case. If such a change is of sufficient importance to justify reference to the Minister of Social Security the Commission would do this so that the policy could be clarified before a decision is reached on the case.

4. In carrying out its duties, the Commission (or department) is given by the Act a very wide range of discretions (subject of course to the Minister's power to direct it). These discretions arise from more than a hundred different provisions of the Act and range widely. Indeed, Parliament in passing the Act thought it right to

state the criteria controlling rights to benefit more often than not in very general terms, leaving it to the discretion of the Commission to lay down finer limitations and requiring it to be "satisfied" in particular cases that an applicant should be granted a benefit. There are too many discretions to allow description in detail here, but we must stress their large number and that they apply to decisions of the highest importance to applicants.

5. It is not a matter of surprise then that the administration of these discretionary powers has proved extremely sensitive and has given rise to some complaints, especially that such important powers are vested in a group of departmental officers. While the need for flexibility (and consequently some discretion in the hands of those responsible for administering a social security policy) is accepted by most people, there is considerable opinion that our legislation confers too many powers of this nature, and that the rights of applicants for benefits are too uncertain. It has seemed to us that the department itself, while appreciating the advantages of flexibility which these discretions confer, realises the vulnerability of its position because of their importance and number.

6. Should the composition and role of the Commission be changed in the manner we suggest later, and should the appeal system we there propose be set up, then we would expect that much of the criticism of the discretions given to departmental officers would no longer arise. But if there are no such changes, we consider the discretions should be re-examined individually to see if they can be reduced in number and scope, and the certain rights of beneficiaries correspondingly increased.

Need for Changes in Administrative Design

7. Social security is thus, and is always likely to be, a highly sensitive area especially in its day-to-day administration, and it will always demand a large volume of decisions. Moreover, people affected by these decisions will often be those who are already afflicted by misfortune and suffering consequential emotional disturbance. When the entire responsibility for such decisions is located within a minister-department structure, it is inevitable that both the Minister and the department become the target for the disappointments and criticisms of people affected. That is especially so when, as in New Zealand, the legislation states rights to benefits in broad terms, leaving very large areas of decision to the discretion of the department. Thus we have for more than one reason an administrative design which inevitably produces much opportunity for criticism.

8. Another result of the New Zealand design is that the official advice which the Minister receives not only on purely administrative matters, but also on matters of policy, is wholly departmental. But conformation to the general machinery of the State Services may not be so desirable in an area as tied to human misfortune and as sensitive to public emotion as social security.

9. Social security's direct relation to human distress and the consequent tendency to produce criticism have led many countries to introduce varying degrees of lay administrative participation. Thus, in the United Kingdom, a commission made up of citizens administers the supplementary benefits which have replaced the former national assistance and are a very large part of British social security. This Supplementary Benefits Commission guides the scheme and determines the benefits; its members are selected from men with a distinguished record in social services; the working staff are seconded to it from the Department of Health and Social Security. Further, the European continental pattern is for the State to entrust many decisions about monetary benefits and their payment to local committees variously constituted. British and continental practice thus substantially relieves Ministers from involvement with individual cases and, consequently, from the barrage of personal communication to which the New Zealand Minister is subjected. Finally, and most importantly, lay participation is publicly seen to give much closer and more vital contact between the administration and the public it serves.

10. We think that New Zealand is fortunate in the services it has received from its Social Security Department. We have been impressed with the capacity of its management and its general efficiency. The department's submissions were of outstanding quality, demonstrating more than any others we received an ability to plan imaginatively and a sensitivity to human needs in a changing society. Our other contacts with the departmental head and his officers have convinced us that this was not attributable only to the forward thinking and ability of a highly competent research group within the department, but came from a department well led and ably administered. Nevertheless, we believe that the administration of social security in New Zealand would benefit considerably from introducing lay participation.

11. We considered very carefully whether it would be advantageous to place the whole working of our social security legislation under a controlling body composed mainly of non-departmental members. We were convinced that it would not. We have said earlier that social security should never be separated from the political process which requires that the Minister be responsible to Parliament for

its administration. Such a responsibility, for social security especially, can only be satisfactorily carried if the traditional minister-department relationship is not broken by interposing some body over which the Minister would have no direct control. There is a vital distinction between the limited field of the British Supplementary Benefits Commission (even here the United Kingdom Government has ultimate effective control) and the operation of a whole social security system like ours in New Zealand.

12. But it is not necessary to keep the Commission within the department to preserve the minister-department relationship and to maintain the full status and effectiveness of the department. If the present Commission were replaced by a new non-departmental commission (not necessarily so-called) which did not have executive functions, it would be possible to introduce highly desirable lay participation.

13. This is what we think should be done. We favour a major reconstruction of the Social Security Commission to give it an entirely different composition, consisting mainly of citizens whose background and ability qualify them to serve. It should be neither too large nor too small, probably about seven members. We would separate it from the department and change its functions to advisory and appellate ones. There would be consequential changes throughout the whole machinery of social security administration, so we will now outline in broad terms what we think that machinery should be, and how functions and powers should be distributed.

THE PROPOSED MACHINERY

The Minister

14. The Minister must retain parliamentary responsibility for the administration of the Act and therefore his power to issue directives to the department.

The Commission

15. The present Commission of the three principal officers in the department is a purely departmental committee and gives the appearance of a body with little independence. What is needed is a body of people with wide and varied experience and which is plainly independent in judgment. We favour a larger group made up of people drawn from suitable walks of life, governmental and private, including the departmental head and possibly his deputy. Some members should have knowledge of the activities and attitudes of voluntary organisations.

Chairmanship

16. There should be a non-departmental chairman. The head of the department should not be chairman for the following reasons. He cannot speak with two voices—one as the servant of the Minister and one as spokesman for the Commission. In matters of advice to the Minister he would sometimes have to present his own (and departmental views) in opposition to the Commission's views for which he would also be responsible. The Commission could not be confident that its views had been adequately or forcefully presented. In making public statements he could be in an invidious position—commenting on Government policy which he is employed to carry out.

Functions of Commission

17. The Commission should be serviced by the department and have advisory and appellate functions.

18. *Advisory Functions*: The Commission's most important function would be either on request by the Minister or on its own initiative, to advise the Government on: (a) changes needed in the policy and scope of social security; (b) relevant activities of Government and voluntary organisations and by what means they may best be promoted; (c) the administration of social security generally; (d) public relations, especially to ensure that the public is sufficiently aware of the assistance it can get from the social security system; (e) any other matter referred to it by the Minister. Initially, the Commission's province should probably be restricted to the income support and welfare activities now covered by the department. But we think it important that the Commission should be so constituted that it could if required expand eventually into other related areas.

19. *Appellate Functions*: The Commission should act as the final appellate body in a two-tiered appeal structure. We envisage an appeal lying as of right from all departmental decisions, including those made in the exercise of discretionary powers, to social security committees (see para. 23); and then both the applicant and the department having a further and final appeal from the decision of such committees to the Commission itself, on leave to appeal being given by the Commission. Through its power to give or refuse leave to appeal the Commission would be capable of controlling the volume of appeals coming to it and determining what matters warrant its attention. We think that this control would prove to be necessary. The Commission should not, however, have power to overrule any written directives given the department by the Minister. The department should have the right within a fixed period to submit to the Minister any of the Commission's decisions on appeal. A ruling by the

Commission on an appeal would not become binding on the department until the Minister had had an opportunity to issue a directive that it be disregarded wholly or in part.

20. The Commission would in each case decide whether an appeal should be disposed of on written or oral evidence and/or submissions. Parties should have the right to be represented by counsel or some other person accepted by the Commission. It should have power to award costs and expenses in cases where it considers that justified.

21. The Commission should not have the power to decide finally any legal question. It should be required, if called upon by an applicant or the department, to state a case for the opinion of the Supreme Court. It should also have the right to state such a case on its own initiative, if an important question of law arises in the course of an appeal.

22. *Executive Powers*: The Commission would have no executive powers. The control of the department and its work would remain within the traditional minister-department link. However, in the exercise of its appellate function and by its close contact with the administrative heads of the department we believe that the Commission could exercise a deep and continuous influence over both policy and administration.

Appeal Committees

23. Small appeal committees drawn from the community and preferably called social security committees, should be established in the four main centres and possibly in some other cities or towns. Three members would possibly be enough, one of whom should be the chairman. Appeals should lie to a committee from all departmental decisions within its area. Procedures should be as informal as possible. The committee in each case should hear any applicant who wishes to appear, who in that event should be entitled to be represented. An appeal would lie from a decision of a committee to the Commission (see paragraph 19 above).

24. If these appeal committees are established we think that there will be no need to continue with the inter-departmental committees which now advise the Commission on appeals in respect of unemployment penalties (chapter 26, para. 48). On the other hand the Invalids Benefit Appeal Boards which are concerned with medical matters may have to be retained.

The Department

25. The department would remain responsible for the executive administration of social security and for control of its staff. It would have the right at any time to consult with the Commission and get

its advice. It would also retain in full its present responsibility to advise the Minister on any matter relating to social security, and have the additional right to submit any ruling of the Commission on appeal to the Minister, within a fixed period, and to seek the Minister's written direction thereon.

26. It would be necessary for the Commission and the appeal committees to be financed under the departmental vote, but we would like the Commission to have, in addition to normal expenses, a sum of money each year to enable it to pay, whenever it wished, for special research projects or surveys over and above those done by the departmental research unit.

Advantages of Reconstruction

27. We believe that the reconstruction could have a number of beneficial results. In particular it could:

- (a) Provide the Minister with advice from a body having a greater diversity of backgrounds and closer links to popular needs than any departmental structure could have. We have considered whether this work could be done by the Social Council of the National Development Council now established, but the role of that Social Council will be an extremely wide one, and the Government will always need advice concentrated on the particular sphere of social security.
- (b) Provide a sufficiently extensive and expeditious appeal system which not only should inspire confidence in the impartiality of decisions but could influence and mould the policy and execution of social security administration, especially within the discretionary area.
- (c) Provide a way for able people of different backgrounds to serve in the social security field.
- (d) Shield the Minister from pressures arising from decisions in particular cases. His course would then be to refer individual complaints to the appeal system.
- (e) Relieve the department of much of the criticism which seems inevitable when decisions are made in such sensitive areas as social security, and people feel that they have no effective rights of appeal.
- (f) Help departmental officers in their exercise of discretions by demonstrating in its decisions a pattern which it considers should be followed.

28. Should, however, the reorganisation not be made, and the Commission remain in its present departmental form, then there is need we think for an appellate system entirely divorced from the

department. We do not propose to spell out in detail what would be the best design. It is sufficient to say that it would need to operate at more than one level, with a number of appeal committees covering the whole country and a final appellate body in Wellington. It should work in much the same way as we have suggested for a reconstructed appellate commission.

RECOMMENDATIONS

We recommend that:

(55) The machinery of administration of social security be reconstructed to give it the following form:

(a) *The Minister* to retain parliamentary responsibility for the administration of the Act and the Social Security Department, with power to issue directives over the whole area of the Department's operations.

(b) *The Social Security Commission* to be reconstituted to stand apart from the Department. It should consist of about seven members, one of whom should be the departmental head (with possibly another departmental member) and the others, people drawn from the community. One of the latter should be appointed chairman.

The Commission, so reconstituted, should have two functions:

(i) *Advisory*: Either on request by the Minister or on its own initiative to proffer advice to the Government on—

(a) changes needed in the field of social security policy and scope;

(b) relevant activities of Government and voluntary organisations and the means by which they may best be promoted;

(c) the administration of social security generally;

(d) public relations and information services;

(e) any other matter referred to it by the Minister.

(ii) *Appellate*: To act as the final appeal body in the appellate structure described below.

(c) *The Department* to be responsible for the executive administration of social security as now.

(56) An appeal system be constructed in the following form:

(a) Appeal committees of three people each drawn from the community and to be known as social security committees, be established in the main centres and other cities as

needed, to hear appeals from departmental decisions, including discretionary ones, made within the committee's area. The committee's decision to be put into effect by the Department unless within a fixed period leave to appeal has been applied for (see (b)).

(b) The Social Security Commission to hear appeals, on leave granted by it, from any decision of a social security committee given on appeal from a departmental decision. The decision of the Commission to be put into effect by the Department unless within a fixed period it is overruled by a directive of the Minister.

- (57) The proposed Commission and social security committees be serviced by the Department and financed out of the social security vote.
- (58) Should the Commission not be reconstructed in the form and with the functions recommended above, an alternative independent appellate system be set up outside the Department with a number of appeal committees covering the country and a final appellate body located in Wellington.

Chapter 31. RESIDENTIAL CONDITIONS FOR MONETARY BENEFITS

INTRODUCTION

1. In New Zealand payment of social security benefits is subject to certain residential conditions which vary with the type of benefit. Details are set out in appendix 2. They range from 1 year in the case of sickness benefit to 20 years for age and superannuation benefits. Three general provisions apply to all benefits.

2. *Applicants Not Ordinarily Resident in New Zealand:* Section 74 (a) of the Social Security Act gives the Social Security Commission discretionary authority to refuse, terminate, or reduce a benefit in any case where it is satisfied that the applicant is not ordinarily resident in New Zealand. The term "ordinarily resident" is not at present defined in New Zealand legislation, and in practice each case is considered on its merits.

3. *People Employed Outside New Zealand before Application:* Where anybody employed outside New Zealand was liable for payment of New Zealand income tax on earnings, section 79 of the Act provides that for the purpose of satisfying the residential qualifications for any benefit *after* return to New Zealand, the person or his wife or child shall be deemed to have been resident in New Zealand. Any child of such a person born out of New Zealand during this time is also deemed to have been born in New Zealand.

4. *Reciprocal Arrangements with the United Kingdom and Australia:* Applicants who have lived for a time in the United Kingdom may, under the reciprocal agreement, have their British residence (after the age of 16 years for age and superannuation benefits) treated as New Zealand residence for determining residential qualifications for most New Zealand statutory benefits. Any period of Australian residence may also, under reciprocal arrangements, be treated as New Zealand residence for determining the residential qualifications for New Zealand benefits other than superannuation, orphans, and miners benefits.

SUBMISSIONS RECEIVED

5. Some submissions advocated relaxing the residential qualifications for age and superannuation benefits. It was generally contended that the present 20-year qualification is too long.

6. It was suggested that the age and superannuation benefits should be paid on a graduated basis according to years' residence so that an applicant who had not completed 20 years' residence in New Zealand could receive a proportional payment. This suggestion is not considered to be practicable. It would result in many varying rates of benefit which may not be sufficient to maintain a beneficiary, who would then often need, and receive, supplementary assistance on the grounds of hardship. There is already authority to grant emergency assistance to non-residentially qualified people in need. We consider that this is preferable.

7. It was also proposed that eligibility for benefits should be related directly to tax contributions or New Zealand citizenship, rather than to physical presence in New Zealand; and that New Zealanders employed overseas (and not paying New Zealand taxes on their earnings) should have the right to remit contributions while overseas to enable them to qualify for benefits after their return to this country. This proposal, if accepted, would involve a change in the basis on which benefits in New Zealand are paid. We deal with this question in chapter 16.

8. The position of migrants was also raised. It was claimed that the 20-year residential requirement for age and superannuation benefits may cause hardship among such people, many of whom may have worked for many years in New Zealand and yet failed to qualify for statutory benefits on retirement. They could, of course, qualify for emergency benefit if their need for assistance was established.

9. The 20-year residential qualification needed by applicants for invalids benefit whose incapacity occurred *outside* New Zealand also received attention. The New Zealand Foundation for the Blind, and the Dominion Association of the Blind, proposed that young blind people from the Cook Islands, Niue, or Tokelaus sent to the Foundation for the Blind by State agencies for education and training, should, on reaching the age of 16 years, receive invalids benefit without the usual residential qualification. Such people if they intend to remain in New Zealand would be regarded as "ordinarily resident". The Social Security Department also suggested that the residential qualification for invalids benefit should be reduced to 10 years in all cases irrespective of where the disability arose. We agree. Emergency provisions are available in suitable other cases.

10. The Department of Labour considered that people coming to New Zealand as immigrants intending to live here permanently should be residentially eligible for unemployment benefit after 6 months instead of 12 months as at present. The Department of Labour also pointed out that immigrants from Australia and the

United Kingdom are already covered by reciprocal agreements but that other immigrants need entry permits, which in the case of temporary visitors are usually only issued for a maximum of 6 months. A residential qualification of 6 months would, it was claimed, extend eligibility to those coming to New Zealand for permanent residence but would exclude temporary visitors. We have some doubts about this, however, and, bearing in mind that emergency assistance is available if need is established, we do not recommend any change.

OUR GENERAL APPROACH

11. Eligibility for New Zealand social security benefits is not based on the amount of contributions (taxes) paid. It is based on residence and assumes that residents or their dependants have made some contribution to revenue and productivity before they become entitled to social security benefits. Completely abolishing the residential qualifying period would mean that people could arrive in New Zealand and immediately qualify for benefits on the same basis as lifelong New Zealanders. This would be unacceptable.

12. Taking New Zealand citizenship as a basis of eligibility would not prove satisfactory either. Such a system would mean that a citizen could live outside New Zealand for the greater part of his life without making any contribution to the country and return for retirement to enjoy the benefits of the social security scheme. Indeed, unless specific restrictions were devised, return to New Zealand would not be a necessary prerequisite. Also people resident in New Zealand who were not citizens but who would otherwise be eligible would also be disqualified.

13. It should not be overlooked that quite apart from the reciprocal arrangements with the United Kingdom and Australia, the present system makes fairly generous allowances for absences of New Zealanders overseas (see appendix 2 for details). And we have already noted that people employed outside New Zealand who pay New Zealand tax on their earnings may be treated as being resident in New Zealand during the period of such employment.

14. In general terms we consider that a 1-year residential qualification should apply to short-term benefits (for example, sickness, unemployment) with a 10-year residence requirement for longer term benefits such as age and invalidity. As far as the family benefit is concerned, we favour the existing more generous provisions which in no case require more than 12 months residence.

15. There is an important qualification we would make about retirement benefits. In chapter 20 we expressed the view that the two retirement benefits now available—age and superannuation—are essentially different in character. The former is designed to meet need among the aged while the latter is paid universally irrespective of need. In essence, superannuation is in the nature of a social dividend payable to all New Zealand residents at 65 years of age in recognition of their past contributions to revenue, productivity, and the life of the nation. For so long as the superannuation benefit is paid without a test of need and at the same rate as the selective age benefit, we consider that a longer residence requirement should be applied to it. We think that it should remain at 20 years.

16. The effect of adopting the approach outlined above would be to reduce, by 10 years, the residence qualification for age and certain invalids benefits.

17. The considerations that apply to applicants for superannuation, age, and invalids benefits do not necessarily apply to applicants for domestic purposes benefit. To impose a 10-year residential qualification for this benefit would, we think, be unduly restrictive, particularly for solo parents with children. Under existing conditions an applicant for widows benefit (including deserted wives and wives of long-term mental patients) who is the mother of a dependent child born in New Zealand is not required to fulfil a residential qualification. An applicant without a dependent child qualifies under section 21 (2) of the Act which provides that both she and her husband must have been ordinarily resident in New Zealand for not less than 3 years immediately preceding the date of death of her husband (or desertion, etc.); or if either she or her husband being ordinarily resident in New Zealand at the date of death, etc., had resided continuously in New Zealand for not less than 5 years. We favour these same qualifications for our proposed domestic purposes benefit.

18. We recognise that some increase in the number and cost of benefits is likely to result. We cannot estimate precisely, but believe the amount would not exceed \$1 million per year, and we do not think that this outweighs the advantages (both in equity and administrative convenience) that we consider our approach to have.

PARTICULAR CONSIDERATIONS

People Not Ordinarily Resident in New Zealand

19. As explained earlier, the Social Security Department has discretionary authority to refuse a monetary benefit if an applicant is not "ordinarily resident" in New Zealand even though he may be otherwise qualified. We consider that this provision should be retained on a discretionary basis.

Residence in Cook, Niue, and Tokelau Islands

20. Except where residence in the United Kingdom and Australia is accepted under reciprocal arrangements, physical residence in New Zealand is normally necessary to fulfil the residential qualification for the various New Zealand social security monetary benefits. It may seem anomalous that residence in the Cook, Niue, and Tokelau Islands whose people are New Zealand citizens and have free entry to this country is *not* accepted as New Zealand residence for the purpose of determining the residential qualification. According to the Acts Interpretation Act 1924, New Zealand does not include these territories, so that legally residence there does not constitute residence in New Zealand.

21. The anomaly is not, however, as great as might appear. Residence in New Zealand is the test and we have noted that a New Zealander not actually resident in New Zealand does not qualify for social security benefits. It would not be reasonable, therefore, for a person to live most of his life in one of these islands and then take up residence in New Zealand late in life and be automatically qualified for age or superannuation benefit. It seems quite reasonable to us that he should be required to qualify for benefits under the normal residence rules. The case of invalids (such as young blind people coming to New Zealand from the Pacific Islands for training) would, we think, be improved by the proposal made in paragraph 14 above.

Payment of Benefits for Periods of Absence from New Zealand

22. There is no authority in the legislation to pay a benefit to or for anybody who lives permanently outside New Zealand. Under section 77 of the Social Security Act 1964, however, the Social Security Commission has discretionary authority to pay for periods of temporary absence from this country. There is also a specific provision to disregard temporary absence in certain circumstances.

23. Our comments here will be confined to consideration of those absences not covered under the reciprocal agreements with the United Kingdom and Australia. This includes superannuation beneficiaries visiting Australia who are not included in the agreement with that country, as there is no equivalent benefit payable there.

24. In using its discretionary authority under section 77 of the Social Security Act 1964, the Social Security Commission generally pays benefit for the first 6 months of an absence provided the beneficiary returns to New Zealand within 2 years. No payment is made if the absence exceeds 2 years.

25. In the case of sickness and unemployment benefits, which are temporary in nature, no payment is normally made for absence from New Zealand. Similarly, emergency benefits, which are payable on the grounds of hardship, are not normally paid for any period the beneficiary is outside New Zealand. We see no need to change this approach.

26. Some submissions suggested more generous benefit provisions for those absent from New Zealand. In particular the Association of University Teachers of New Zealand pointed out that its members must spend periods overseas on study leave, and asked that arrears of family benefit for children temporarily absent from New Zealand be paid for a period of up to 2 years but not less than 1 year. Volunteer Service Abroad (Inc.) submitted that full entitlement to superannuation and family benefit should not be affected by the temporary absence from New Zealand of the beneficiary (or parents, in the case of family benefit) in its service.

27. After careful consideration we believe that the present policy for temporary absences from New Zealand is too restrictive, especially as under the reciprocal agreements with the United Kingdom (but *not* at present with Australia) benefit payments are made on return to New Zealand for the whole period of absence if it does not exceed 12 months. We see no good reason why similar provisions should not be applied equally to absences in countries other than the United Kingdom.

28. We therefore consider that in cases of temporary absence, age, domestic purposes, invalids, orphans, and family benefits should be paid, on return to New Zealand, for the whole period of an absence if the beneficiary (or child in the case of family benefit) returns to New Zealand within 12 months. For absences over 12 months, it is reasonable to continue the present policy—that is, to pay for the first 6 months of an absence if the beneficiary returns to New Zealand within 2 years.

29. Such a change of policy would not affect:

- (a) Income-test beneficiaries and children on family benefit visiting Australia, who already have reasonable provisions under the reciprocal agreement with Australia.
- (b) Sickness, unemployment, and emergency benefits which are not normally payable outside New Zealand.
- (c) Those beneficiaries who are regularly absent from New Zealand and spend the greater part of their time outside New Zealand with only short periodic visits here. These beneficiaries should *not*, in general, qualify for payment for absence but each case should be considered according to the particular circumstances.

(d) Those cases for which there is already specific provision in section 77 (2) of the Act to pay for a longer period.

30. We have already in chapter 20 recommended separately on the payment of superannuation benefit when the beneficiary is overseas.

31. The above comments relate of course to temporary absence. As far as permanent absence is concerned, we consider there is no case for paying any income-tested benefit or family benefit. In chapter 20, however, we make a separate recommendation regarding the payment of superannuation benefit in such cases.

Extension to War Pensions

32. Any extension of the policy to pay for absence would need to be extended to income-tested war pensions, as the policy for these, is, in general, the same as for social security benefits.

RECOMMENDATIONS

We recommend that:

- (59) Residence tests be retained as an essential part of our social security system and the following qualifications be adopted for various categories of benefit:
 - (a) Sickness, unemployment, and family benefits—existing rules to apply.
 - (b) Age and invalid benefits—10 years; to be applied, in the case of invalids, irrespective of whether the disability occurred inside or outside New Zealand.
 - (c) Superannuation benefit—20 years.
 - (d) Domestic purposes benefit—present widows benefit rules to apply.
- (60) The present system for determining the allowances to be made for absences from New Zealand be retained.
- (61) The present discretionary authority for the withholding of benefits from people not “ordinarily resident” in New Zealand be retained.
- (62) In the case of temporary absences from New Zealand of recipients of age, invalids, orphans, domestic purposes, and family benefits, the benefit be paid on return to New Zealand for the whole period of absence provided the beneficiary returns within 12 months. For absences in excess of 12 months the benefit be paid on return for the first 6 months of absence provided the beneficiary returns to New Zealand within 2 years. (See recommendation (11) for payment of superannuation benefit during absences from New Zealand.)

Chapter 32. STARTING DATE OF BENEFITS

1. The legislation governing the date from which monetary benefits may be granted varies according to the particular category of benefit. Some of the provisions are discretionary while others are mandatory.

2. The general provision, which is mandatory, is contained in section 80 (1) of the Social Security Act and provides that the benefit "shall commence on the first day of the pay period in which the application for the benefit is received . . . or on the date on which the applicant becomes qualified to be granted the benefit (whichever is the later)". In the cases of age, superannuation, invalidity, widows, miners, and orphans there is no discretion. The later the application is made, the later the benefit must begin.

3. The provision for miners' widows is also mandatory but here the beginning is dated back to the qualification date if application is received within 3 months. If it is received later, then commencement must be related to receipt of application.

4. In the case of family benefit, the Commission is given a partially limited discretion. If the application is received within 3 months of date of qualification, the benefit starts from the qualifying date; but if the application is received later, the Commission may determine some other starting date.

5. The Commission has unlimited discretion for sickness, unemployment, and emergency benefits. No matter how late the application may be, the benefit shall begin on such day as the Commission, in its discretion, may determine. (For sickness and unemployment benefits, there is a 7-day "stand down" period which the Commission has discretion to waive.)

Review of Submissions Received

6. The starting date of benefits was raised only in a few submissions. In the main these suggested that the provisions under which a benefit cannot start earlier than the beginning of the 4-weekly pay period of application is unreasonable and penalises those who are unable to lodge their applications without some delay.

7. The Social Security Department suggested some relaxation in the provisions which at present relate commencement of age, superannuation, widows, invalids, orphans, and miners benefits (apart from miners widows benefits) to the date on which the application is received.

8. For a variety of reasons often quite outside their control, beneficiaries may be unable to apply promptly. In the case of widows, for example, application for benefit can, understandably, quite often be postponed for some time after the death of the husband. Applicants for age or superannuation benefit could be under a genuine misconception about their ages, and a birth certificate could reveal that they are older than they previously thought. Benefit application could also be unavoidably delayed because of an illness affecting an applicant's ability to control his own affairs. (The Social Security Department recognises the special case of widows, and to avoid hardship grants earlier assistance under the emergency provisions.)

9. The starting date of social security benefits affects the efficacy of the benefits. We consider that it is so important a matter that flexibility is essential, but we think that there should be a greater degree of uniformity in the provisions than exists at present.

10. It is not suggested that a person who has qualified for a benefit should receive payment backdated to the date of qualification irrespective of when he lodges his application or of his reasons for delay. Such a system would allow applicants to delay for months and even years and then claim arrears back to the date of qualification. It is reasonable to expect that applications will be made as soon as possible. As a general rule we think that provision for up to, say, 6 months back payment in the discretion of the Commission should provide reasonably for those whose late applications are justifiable.

11. The present legislation gives the Social Security Commission unlimited discretion in fixing the starting date of sickness, unemployment, and emergency benefits. The question is whether these benefits should be brought into line with other benefits to allow for retrospective payment for a limited but reasonable period in all cases.

12. There seems to be no justification for backdating of family benefit or unemployment benefits for longer than 6 months. Indeed, it would be difficult, in the case of unemployment, to be satisfied that the applicant has been doing all he should to secure employment. However, in the case of sickness benefits circumstances could possibly arise where sympathetic consideration should be given to payment for a period of incapacity more than 6 months before the date of application. For example, a period of mental illness or the prospect of compensation may be justifiable grounds for a delay in applying. It may therefore be desirable to retain a general discretion in the particular case of sickness benefit. For emergency benefits, the circumstances of particular cases determine what is reasonable, and we think that full discretion should be retained.

RECOMMENDATION

We recommend that:

- (63) The Department have discretionary authority to start paying a benefit from the date on which the applicant became qualified for it, but (except in the case of sickness and emergency benefits) not earlier than 6 months before the application for the benefit is received.

Chapter 33. PAYMENT FOLLOWING A DEATH

Present Provisions

1. The legislation about terminating benefits on the death of the beneficiary is contained in sections 30 (2) and 35 (3) of the Social Security Act for orphans and family benefits, and in section 85 of the Act for other benefits. These provisions are summarised in table 31.

Table 31

PAYMENT OF BENEFIT WHEN A BENEFICIARY DIES

Benefit Type	With Surviving Dependants (at discretion of Commission)	With no Dependants*
Superannuation .. ..	..	Ceases day after death.
Age (including under-age wife of an age beneficiary)	One-quarter annual rate paid as a lump sum	Ceases day after death.
Widow	Benefit continued to end of the pay period following the pay period in which death occurred	Ceases day after death.
Invalid (including wife of an invalid beneficiary)	As for widows benefit	Ceases day after death.
Miners†	Benefit continued to the end of pay period in which death occurred	Ceases day after death.
Orphans .. ..	..	Paid to end of pay period of death of the child.
Family .. ..	..	Paid to end of pay period of death of the child.
Sickness and unemployment	Paid to end of the week in which the beneficiary dies	Ceases day after death.

*Where benefit would normally cease from the day after death but the full instalment for the pay period of death is collected before death, a refund is not asked for.

†Section 52 (1) of the Act provides for payment of an amount fixed as the reasonable expenses of the funeral of a miners beneficiary.

Review of Submissions Received

2. A few submissions suggested that assistance should be granted towards the funeral expenses of social security beneficiaries. It was suggested, also, that the provision whereby 3 months age benefit may be paid to a surviving spouse on the death of an age beneficiary should be extended to the superannuation beneficiaries.

3. The Social Security Department advocated that the payments in the case of widows and invalids benefits should be the same as for age benefits, and that there be discretionary authority to make similar payments for superannuation benefits if the beneficiary would have qualified for age benefit immediately before death.

4. The department also sought discretionary authority to continue other benefits (apart from family benefits) after death, for up to 3 months, where the beneficiary had been receiving benefit for 12 months or longer.

Arguments For and Against Changes

5. Some countries give funeral or death grants as part of their social security schemes. The New Zealand provision under which certain additional payments of age, invalids, and widows benefits may be made if the beneficiary dies leaving a widow, widower, or dependent children fulfils a similar purpose. Moreover, most of these survivors would themselves qualify for a benefit in their own right after the death of the original beneficiary.

6. The additional payments in New Zealand relate only to income-tested benefits and where there are certain surviving dependants. To give an automatic funeral grant for all social security beneficiaries (irrespective of whether there is a surviving spouse or dependent children) would mean that assistance could be given where need does not exist, and in many cases would do no more than relieve the estate of the liability for these expenses. Especially is there little justification for extending the concession to universal superannuitants.

7. For reasons fully explained in chapter 20, we do not regard age and superannuation benefits as completely analogous—the former is based on established need but the latter is paid irrespective of need. The present provisions for stopping benefit on the death of a superannuation beneficiary are fair and reasonable, and should not be changed.

CONCLUSIONS

8. We conclude, therefore, that:

- (a) The need for a standard funeral benefit as part of the social security scheme has not been established.

- (b) Continuing the present provision for additional payments following death (where there is a surviving spouse or dependent children) is warranted.
- (c) It is difficult to justify the present discrimination in favour of the age beneficiary. The authority in section 85 (2) of the Social Security Act to pay an amount not exceeding one-quarter of the yearly rate of benefit after death, for age benefits, should be extended to invalids and domestic purposes beneficiaries.
- (d) The present provisions for ceasing to pay family and superannuation benefits after death are satisfactory.

RECOMMENDATION

We recommend that:

- (64) The provisions of section 85 (2) of the Act giving the Department a discretion to make a lump-sum payment on the death of an age beneficiary leaving a widow, widower, or dependent children be extended to invalids and our proposed domestic purposes beneficiaries leaving like survivors.

Chapter 34. PAYMENT OF BENEFITS TO PEOPLE IN HOSPITALS

INTRODUCTION

1. At the present time the rate of benefit payable to or on behalf of a person in hospital varies not only with the length of stay in hospital and the nature of the benefit, but also according to whether the patient is in a general or psychiatric hospital. This applies whether the patient was previously receiving a benefit (for example, age, superannuation, invalidity, sickness, or family), or whether he qualified for benefit after entering hospital.

2. The fact that psychiatric and general hospitals are now being brought under the same administrative control raises the question of whether the present difference in rates of benefit should continue. But the same question would also arise on grounds of equity alone.

Present Situation

3. While the amounts and conditions of war pensions and allowances are outside our terms of reference, we must, by paragraph 5 of our Warrant, consider the relationship between any proposals we put forward and any pensions or allowances paid under the war pensions legislation. All we can do on this point is to note that at present hospitalised war pensioners enjoy some advantages over beneficiaries, and that it is essentially a matter for political decision whether this preferential position should be maintained in the light of the proposals we put forward in this chapter.

4. Section 75 (1) of the Social Security Act reads:

Benefit may be reduced in certain cases—(1) Notwithstanding anything to the contrary in this Part of this Act, no benefit as of right shall be payable in respect of any period during which the beneficiary or any other person in respect of whom the benefit or any part thereof has been granted is an inmate of any public institution or any inebriates' home or reformatory home or is in receipt of a hospital benefit under Part II of this Act, but the Commission may, in its discretion, pay the whole or such part as it determines of the benefit to or for the benefit of the beneficiary or his wife or her husband or any dependent child or children.

5. In the exercise of this discretion, the Social Security Commission has from time to time reviewed its policies to meet changing conditions. The policies at present followed in paying benefits and war pensions and war veterans allowances to patients in psychiatric and general hospitals are summarised in appendix 21.

6. A brief summary of main policy developments is necessary before discussing the present anomalies and possible solutions.

Psychiatric Hospitals

7. In the days when patients (or their relatives) were charged for maintenance and treatment in psychiatric hospitals, benefits (pensions) were continued but paid to the hospital authorities as a contribution towards their charges. The patient received no part of them.

8. Following the introduction of the social security scheme, psychiatric hospital treatment was provided free to the patient. It was decided, therefore, to cancel any benefit when a beneficiary entered hospital. Family benefits were also withdrawn in respect of child patients.

9. However, from about 1941, certain benefits were paid at the rate of 40 cents a week to provide comforts, payment being subject always to the recommendation of the medical superintendent that the patient was capable of appreciating the allowance. No such special allowance was paid for children. From 1 November 1947, these comforts allowances were withdrawn as the then Mental Hospitals Department included an item on its vote to provide comforts for patients whether or not they were eligible for social security benefits. It was considered that this new arrangement gave more flexibility and allowed patients to be paid a sum according to their need and condition.

10. As an exception to the general withdrawal of benefits in 1947, superannuation benefits were continued in the case of a beneficiary entering a psychiatric hospital as a voluntary boarder. This policy continued until July 1952, when it was decided to bring superannuation beneficiaries into line with other beneficiaries by withdrawing the benefits.

11. Today the general position is that a benefit of \$4.50 a week is paid for patients in psychiatric hospitals for 6 months, after which they rely on any unexpended balance, then on the hospital comforts funds and/or work gratuities.

12. As for the dependants of psychiatric hospital patients, we have noted in chapter 22 that the wife of a patient who has been in a psychiatric hospital for 6 months may at present qualify for a special benefit (equivalent to widows benefit), and we have sug-

gested that this policy should continue under the proposals we have made for a new domestic purposes benefit. The needs of wives and dependent children of short-term hospital patients may be met under the emergency assistance provisions of the Social Security Act.

Public Hospitals

13. From 1 April 1939, the benefit payable to a person in a public hospital was apportioned on the basis of 25 percent to the beneficiary and 75 percent to the hospital authority. However, when hospital benefits began under Part III of the Social Security Act (1 July 1939), the Commission, using the discretion allowed under section 72 (1), continued benefit at the normal rate for the month of admission after which it was reduced to 25 percent. A weekly (for example, sickness) benefit was reduced only after 4 complete weeks in hospital. Any part of a benefit payable for a dependent wife or children was continued in full.

14. In 1941 the policy was reviewed and the benefits of married people or those with dependent children were continued without reduction while the beneficiary remained in hospital. In other cases, benefits were reduced to the "hospital rate", then \$3 a month, except that no reduction was made for the months of admission and discharge. Where a benefit was paid weekly, it was continued in full for 4 complete weeks, reduced to 50 cents weekly from the fifth week, and restored to the normal rate from the beginning of the week of discharge.

15. The policy has often been reviewed since then. The present practice is to leave undisturbed the benefit of a married beneficiary or a beneficiary with a dependent child or children, but in the case of an unmarried beneficiary without dependants, to reduce the benefit to \$4.50 a week after 3 months in hospital, and restore it to the full rate from the date of discharge.

CONCLUSIONS

16. We recognise the administrative arguments in favour of uniformity for general and psychiatric hospital patients, and that anomalies exist because many patients receive treatment in psychiatric wards of general hospitals, and some transfer from general to psychiatric hospitals and vice versa. We are not at all convinced, however, that differences in benefit payments between these categories of patients are in all cases anomalous or inequitable. Neither are we convinced that a uniform policy would necessarily result in equity. The inescapable fact is that the capacity to understand or to enjoy any benefit will vary among patients both in

general hospitals (including institutions—for example, for the aged—controlled by hospital boards) and in psychiatric hospitals.

17. We consider, therefore, that any attempt to establish complete uniformity or precise general rules is bound to result in anomalies and inequity both to patients and to taxpayers. While we see no objection to full benefit being paid to all hospital patients for a prescribed period (bearing in mind that by far the greatest number stay in hospital for only a short time), we think it essential that each case be considered on its merits when the stay is longer than this prescribed period. At this point a flexible, pragmatic approach is clearly necessary to ensure that general or psychiatric patients who can use and enjoy a benefit receive enough to meet their needs and ensure self respect, and that those who cannot do so to the same extent do not simply accumulate funds for their future estates.

18. We note that at present the rate of benefit is reduced to \$4.50 after the period of full benefit expires in certain cases, and that this amount has remained constant for more than 10 years. Whether or not this is an appropriate amount at present we cannot say with certainty; for some ambulatory patients it may well be too little, but for others it will be too much.

19. In essence, then, we believe that the amount of benefit, if any, paid after the initial period of full entitlement has expired should be determined according to the needs and degree of enjoyment and comprehension of the patient having regard to his or her family responsibilities and continuing financial commitments.

20. We consider that in the case of the family benefit, a similar but not identical approach should apply. The benefit should be continued in full for a specified period whether the child is in a general or psychiatric hospital, but it should then cease. We consider, however, that, as hardship may be involved in certain cases (for example, when relatively long-distance travel is necessary to visit a child in a psychiatric hospital) the Social Security Department should have discretion, on receiving an application from the parent, to continue the family benefit in full or in part.

21. Finally, we would note that if our recommendations in chapter 30 are accepted, there would be a right of appeal against a decision made about the amount of benefit payable at the expiration of the prescribed period of full entitlement.

22. We do not consider it our responsibility to attempt to set down any precise rules or conditions for the criteria which might be applied in determining the amount, if any, of benefit after the expiry of the period of full benefit entitlement. This is a matter for the appropriate health and social security authorities.

Other Hospital Board Institutions

23. We must emphasise that in this chapter we have been dealing with benefits payable to people in public or psychiatric *hospitals* as distinct from *other institutions* (such as old people's homes) which may be run by hospital boards. The basis of payment in respect of such institutions is quite different but the problem does arise as to how much of the benefit should be available for the personal expenditure of the patient. We wish to say no more on this than that we see a degree of flexibility as being necessary and desirable.

RECOMMENDATIONS

We recommend that:

(65) The following guidelines be adopted for the period of full benefit entitlement for *both general and psychiatric hospital patients*:

(a) *Single patients with or without dependent children*: Full benefit entitlement for 13 weeks; then review of whether the benefit should be continued at full rate for a further period, paid at a reduced rate considered appropriate after review, or discontinued.

(b) *Married patients with or without dependent children*: Full benefit entitlement in respect of the patient for 26 weeks; then review of whether the benefit in respect of the patient, as distinct from dependants, should be continued at full rate for a further period, paid at a reduced rate considered appropriate after review, or discontinued.

(c) *Family benefit*: Full entitlement for 13 weeks, after which the benefit should cease. The Department to have discretionary authority, on receiving an application from the parent, to resume family benefit payments at full or reduced rates in cases where the circumstances justify it.

(66) In all such cases the Department should seek guidance from the hospital social worker.

Chapter 35. MAINTENANCE AND SOCIAL SECURITY BENEFITS

1. The appropriate income support the social security system should give to wives living apart from their husbands and to unmarried mothers cannot be determined without first considering the husband's or father's liability for maintaining them. Our society has always taken the stand that a husband has the primary liability for supporting his wife and children, and in some circumstances the wife must support her husband. Our statute law reflects this by variously enabling the court to compel the discharge of these obligations. In the same way, our law places the primary liability for the support of an illegitimate child on the parents. Hence it has been accepted throughout the history of social security administration that it is only when these primary liabilities are not fulfilled that the system can rightly be called upon to give income support.

2. Some submissions on wives living apart from their husbands, and unmarried mothers, failed to accept this attitude and its reflection in the law. They questioned the propriety of the department insisting, as a condition of granting a benefit, that steps be taken to ensure that the man concerned carried out his responsibilities. Thus it was argued that a wife should be free to refuse to take proceedings against her husband, and to make a personal choice that the State support her and her children. It was also argued that the department's past practice of requiring an unmarried mother to name the father and issue proceedings for maintenance was an unwarranted intrusion into the personal privacy of the mother. In these and other ways, a challenge was made to the stand which has always been taken that any applicant for a benefit should co-operate by ensuring that the primary liability for support is discharged, either by taking action for a maintenance order or by helping enforce an order already made.

3. The department's legal powers in this area are confused and uncertain. Assistance for wives living apart from their husbands was first limited to deserted wives. They were given a statutory pension as early as 1936 if the Commission was satisfied of the desertion, and that the applicant had already taken proceedings against her husband for maintenance. Gradually it became apparent that this class was too restricted, and advantage was taken of the emergency benefit provisions (section 61) to extend support to wives living apart under

a separation agreement or order if the maintenance they were receiving was inadequate; and even to wives at fault if they were unable by their own work or resources to maintain themselves or their children. Assistance to unmarried mothers also came to be given by emergency benefits under section 61, and from time to time new statutory provisions were added to meet situations arising under this administration. But these additions did not by any means make clear the power of the department to make the taking of proceedings for a maintenance order a condition of the grant of a benefit in all cases.

4. We have already said that the provisions relating to a deserted wives benefit (now section 23) enables a benefit to be granted only when the wife has taken proceedings. Consequently, until she has taken them, her application for assistance can only be dealt with under section 61. That section (which is also the section used for income support to the other classes of women living apart from their husbands and to unmarried mothers) stipulates certain eligibility criteria, but does not expressly authorise the department to insist upon the taking of proceedings. Nevertheless, as the benefit is wholly a discretionary one, it might be thought that the department could in exercising its general discretion impose such a term. We are told, however, that the Crown Law Office has advised that that is not so, and that where a married woman seeks an emergency benefit for herself *alone* (but not for her children), or where an unmarried mother seeks support for herself or her child, the Social Security Commission has no authority to insist upon proceedings being taken. The position is different if the wife seeks a family maintenance allowance for her children (section 61 (b)). Then the department may decline to grant such an allowance unless the wife takes proceedings.

5. All this is too complicated and confused. Plainly it needs to be simplified and clarified by amendments to the legislation. Our view is that when the primary liability for the support of an applicant for a benefit for herself (or himself) or her children is placed by the law on someone else, the department should be entitled to insist that that liability be enforced as a condition of the grant of a benefit. We recognise that there may be the exceptional case where, for example, to help a reconciliation, proceedings should be deferred or perhaps even waived; and we would like to see the department have a discretion to allow that. We do not accept, however, that the issue of proceedings by a wife is as destructive of the chances of reconciliation as some submissions argued. On the contrary, the issue of proceedings is often the step which makes married people face up to the realities of their situation. Moreover, it is not usually until

proceedings are issued that the conciliation machinery of the courts is brought into operation. Nor do we accept that the invasion of the privacy of an unmarried mother which occurs when she is asked to give the name of the father and take proceedings is as serious as contended, especially having regard to the manner in which hearings under the Domestic Proceedings Act are now held.

6. In short, we believe that anyone who asks that the taxpayer should support her or her children should be prepared in return to help enforce the primary obligation of the husband or father. However, situations may arise where, for example, the mother of children may refuse to take such proceedings, and yet the department may feel that the monetary situation of the mother and children is such that a benefit must be granted. We consider, therefore, that the law should in such circumstances give an officer of the department authority to issue proceedings for maintenance and to compel the attendance of the wife or mother to give evidence.

7. We have suggested that the department should have a discretion to agree to postpone or waive the taking of proceedings. We recognise that there is a danger of the exception becoming, in practice, the rule. This is part of the wider risk that if income support is given too readily and without regard to the obligations of other people, husbands, wives, and parents will, in their own interests, seek to throw those obligations on to the taxpayer.

8. It was argued before us that, besides acting in the collection of maintenance payable under agreements and court orders and in enforcing those agreements and orders (as it does through its maintenance officer service and under certain additional specific powers given by the Social Security Act), the department should also issue and conduct proceedings for maintenance orders on behalf of those applicants for benefits who are divorced women or wives living apart from their husbands, and that the legal section of the department should be strengthened to enable it to do this. We do not think this extension either necessary or desirable. Lawyers in private practice have the experience to deal with this often complicated and difficult kind of case, and now that there is a working legal aid scheme, legal costs are not the same obstacle for such women that they may once have been. On the other hand, we believe that in the specific case which we have mentioned earlier, namely, where the applicant refuses to co-operate and yet a benefit is necessary, the department should itself have the power to start proceedings.

9. We are aware that there is today a disposition to regard any attempt to enforce marital or paternity responsibilities as attempts to punish the man concerned, or to enforce the observance of moral

standards by financial sanctions. Indeed, some submissions to us had this flavour. We wish to make it quite clear that we have not been concerned—and it has not been our place to be concerned—to punish anyone or to enforce any moral standards. But we have been concerned with equity as between social security beneficiaries and the people who provide the money for the benefits. The whole case for adequate benefits rests on the obligation which the community owes towards those who are dependent on it. We are concerned to ensure that the community discharges this obligation. We must be equally concerned to ensure that those who claim on the community discharge theirs.

10. It must be emphasised, however, that while it is important that the State should be able to enforce the obligations which men (or women) may have to their dependants, and should have a right to expect the co-operation of those dependants in so doing, nevertheless we regard it as even more important that those dependants should not be left in want. We have made it quite clear (in chapter 22) that “assistance should not be withheld because the man concerned *should* be supporting the family. If the need exists, the community’s responsibility is established, and the matter of the man’s contribution becomes a separate issue”.

RECOMMENDATIONS

We recommend that:

- (67) The Department be entitled to make it a condition of the grant of any benefit that the applicant take legal steps to enforce compliance by a husband, wife, or father, of the primary obligation to maintain the applicant and her (or his) children; and to have authority in appropriate circumstances to postpone or waive this condition.
- (68) If a beneficiary refuses to take proceedings for a maintenance order against the person primarily liable for the support of those for whom the benefit has been granted, an officer of the Department be authorised by statute to take those proceedings and to compel the evidence of the applicant.
- (69) The Department continue to enforce compliance with maintenance orders and registered agreements.

Chapter 36. MORAL JUDGMENTS AND CONJUGAL STATUS

Historical

1. In New Zealand entitlement to social security benefits and pensions could always be withheld on moral grounds. We have seen in chapter 2 that the old age pensions legislation of 1898 distinguished between the so-called deserving and undeserving poor, and discriminated on grounds of racial origin. The Social Security Act of 1938 provided that applicants for age, invalids, widows, and miners benefits had to be of "good moral character and sober habits" before they could qualify. In addition, applicants for age or miner's benefit were disqualified if within the preceding 5 years they had deserted their wives (or husbands) or children.

Present Provisions

2. Section 74 (b) of the Social Security Act 1964, commonly referred to as the "morals" clause, provides:

Limitation in Certain Other Cases—Notwithstanding anything to the contrary in this Part of this Act, the Commission may, in its discretion, refuse to grant any benefit or may terminate any benefit already granted or may grant a benefit at a reduced rate in any case where the Commission is satisfied . . .

(b) That the applicant is not of good moral character and sober habits, or is living on a domestic basis as husband or wife with a person to whom he or she is not married. . . .

3. The conjugal status of applicants is raised, too, by section 63 which reads:

Conjugal Status for Benefit Purposes—For the purposes of determining any application for any benefit, the Commission may, in its discretion—

(a) Regard as an unmarried person any married applicant who is living apart from his wife or her husband, as the case may be:

(b) Regard as husband and wife any man and woman who, not being legally married, are in the opinion of the Commission living together on a domestic basis as husband and wife.

4. The Schedules to the Social Security Act set out the rates of the various benefits, and give the Social Security Commission discretionary authority to reduce the maximum benefit for an unmarried person who is sharing household expenses with any other person to the maximum rate that can be paid for one partner of a married couple.

5. Under section 87 of the War Pensions Act, the War Pensions Board has discretion to refuse to grant a pension or allowance, or may terminate any pension or allowance, or may forfeit, in whole or in part, any instalment or instalments of a pension or allowance, in any case where the claimant or pensioner is undergoing imprisonment or any form of detention in a penal institution, or in the opinion of the board, is of "notoriously bad character", or has been guilty of gross misconduct dishonouring him in the public esteem, or being a woman, is living with a man to whom she is not married.

6. Three separate matters are dealt with in the legislative provisions to which we have referred. They are:

- (a) Morals—the requirement that beneficiaries should be "of good moral character and sober habits".
- (b) Conjugal status—the discretion to treat unmarried couples in certain circumstances as though they were legally married.
- (c) Sharing of household expenses—the discretion to reduce benefits when unmarried beneficiaries are living in the same household together.

These issues, though related, are separate and distinct. We will deal with them separately.

The Morals Clause

7. As we have seen, the so-called "morals clause" is part of section 74 (b). We must assume that it was originally intended that benefits would be withheld if the applicant was found not to be "of good moral character and sober habits", but this intention no longer guides the administration of the Act to any great extent.

8. The Social Security Department states it is the latter part of the clause which is now chiefly used when a question of conjugal status arises, and that the administration, by confining itself to that part, has anticipated to a great extent the objections which were raised (and with which we agree) to making the department a judge of moral standards.

9. The morals provision has been on occasion used to deal with those fortunately rare cases where a woman with dependent children is engaged in prostitution. Such cases have to be dealt with. They cannot merely be ignored. However, we are satisfied that there are

other and better ways of dealing with them in the criminal and child protection legislation than by having the Social Security Department make a moral judgment in particular cases.

10. We take a like approach to alcoholics or others who might be harmed rather than helped by possessing money. Here again there are better ways of dealing with the situation than through a "moral character and sober habits" clause. One such way, the payment of benefit to another person or organisation under section 82 (3), is often used.

11. We conclude, therefore, that the Social Security Department should not, and need not, judge whether applicants or beneficiaries are "of good moral character and sober habits", and that these words should be deleted from the Act.

12. We have referred to section 87 of the War Pensions Act which gives the War Pensions Board discretion to take account of imprisonment, misconduct, or bad character. It is not within our province to make recommendations about this Act, but we feel that we should draw attention to the fact that if the Social Security Act is amended as we propose, the present difference between the Acts will be accentuated.

Conjugal Status

13. Sections 63 and 74 (b) enable the Social Security Commission to:

- (a) Apply the benefit rights of unmarried people to those married people who are permanently estranged. In such circumstances the unmarried benefit rate may be granted and the income of the estranged spouse may be disregarded.
- (b) Grant a benefit at the married rate to a man supporting a woman with whom he is living, but to whom he is not married.
- (c) Take into account the income of both cohabiting parties to ensure that the couple receive no better nor worse treatment than they would if they were married. It should be noted that section 63 relates only to applications (which under the regulations includes applications for renewal). It does not give power to deal with benefits during their currency, whereas section 74 (b) does.

14. We are satisfied that such provisions are necessary. The legislation fixes the benefit rates for married couples and places certain limits on their entitlement. For income-tested benefits, the income of both parties must be taken into account in computing each benefit. The amount of allowable other income for a married couple is the same as that allowed for an unmarried person. Consequently, a

married person can be precluded from benefit because of the income of the wife or husband, whereas a party to a *de facto* association could not, were it not for these provisions.

15. It would be quite inequitable if a woman who is living on a domestic basis with a man to whom she is not married and in circumstances largely indistinguishable from those of married couples, were paid an income-tested benefit irrespective of the income of her man. But it is reasonable that a man on a social security benefit who is living with and regularly supporting a woman to whom he is not married should receive additional benefit at the married rate for his *de facto* wife.

16. It remains to be considered whether the present legislation is effective in these ways. The Social Security Department told us that, in most cases dealt with under section 63 (b) by the Social Security Commission and under authority delegated by the Commission, there is no administrative difficulty, and decisions are usually accepted by the parties concerned. However, some assessments of the Commission have been disputed, and this has pinpointed what it considers are deficiencies in the working of the law.

17. The Crown Law Office considers that it is not enough that the Commission be satisfied that the parties are living together "on a domestic basis" because in section 63 (b) this phrase is followed by the phrase "as husband and wife", and that if the law is not amended the provision can apply only to *de facto* associations and not to associations where a man and a woman, though living in the same domestic establishment, cannot be said to be living as husband and wife.

18. It was therefore proposed that the law should be amended so that an unrelated man and woman who are sharing the same premises and pooling their resources could be treated *on these grounds alone* as though they were a married couple.

19. This would appear to allow the department to attribute to the man the responsibility of maintaining the woman as though she were his wife.

20. In our opinion, the primary purpose of sections 63 and 74 (b) is, always was, and should be, that a man and woman who are living together as though they were married should be treated as married. He should be regarded as being responsible for her support, and both of their incomes should be taken into account in considering the eligibility of either for social security benefits.

21. The consequences which flow from this are quite serious. A woman who would otherwise be eligible for a domestic purposes benefit (for example, a widow with children) would lose her

eligibility. A woman or a man normally employed would not be able to claim a sickness or unemployment benefit because of the *de facto* partner's earnings. A male age or invalidity beneficiary would be able to draw a married benefit instead of a single benefit.

22. But consequences such as this should not, we think, flow from the mere sharing of premises and domestic expenses. Fifty years ago this might have raised a sufficiently strong inference that the couple were living as man and wife. Today it does not. Therefore we reject the proposition that the department should be authorised to treat a man and woman as a married couple merely because they share premises and domestic expenses.

23. This is not to say, however, that the department needs to be satisfied that the man and woman have the fullest possible marital relationship before they are treated as though they were married. Many legally married couples do not. It should be satisfied that they have so merged their lives that they are living together as a legally married husband and wife do, and that the man can reasonably be regarded as having assumed a status of responsibility for the woman.

24. We do not pretend that such judgments can be easily made. But as we see it, the sharing of premises and domestic expenses does no more than raise a strong inference, which can be supported by other circumstances such as the man exercising authority over the children. If the inference is so supported, we do not think that the parties can complain if the department arrives at its opinion without having to prove that the couple have a full *de facto* marriage relationship.

25. It was also proposed by the department that it should be given authority to refuse or cancel a benefit where the parties are not living together but the circumstances are such that the applicant is being supported by the other party, or the circumstances are such that she could reasonably be expected to look to that party for support.

26. We do not support this. As we understand it, the department already has power to take into account as income any "support" which is being received under such circumstances. To go further, and to assess a responsibility for full or partial support which is not in fact given, and which may not be given, would have very wide implications. We are not prepared to recommend it.

27. We think that if the words "is not of good moral character and sober habits, or" are deleted from section 74 (b), that subsection, together with section 63, gives adequate power to deal with the problem of conjugal status. It is not possible to delete

the whole of section 74 (b) unless some amendment is made to section 63, because this section applies only to "applications" (which by virtue of the regulations includes applications for renewal) and does not give power to deal with situations arising during the currency of a benefit.

28. We think it would be preferable to have all of the relevant provisions together, and to this end section 63 could be amended to give power to terminate or reduce a benefit. Section 74 (b) could then be repealed.

Sharing of Household Expenses

29. The legislation makes provision for a single beneficiary to receive a rate of benefit which is more than half the rate paid for a married couple, and we have recommended that the proportion be increased to approximately 60 percent. The reason for the single rate being more than half is that married couples share certain important expenses—notably accommodation, heating, telephone—and can thus live "cheaper than one".

30. It is common for "single" people to make arrangements whereby accommodation and other domestic expenses are shared. The legislation allows for this, particularly in the Schedules to the Act, by providing that the Commission may in such circumstances pay a single rate which is only half the rate for married couples.

31. The Social Security Department has told us that it does not apply this reduction to sisters or brothers, or to a brother and sister, living together, and in fact that it is applied almost exclusively where an unrelated man and woman are living together but not as "man and wife".

32. The situation is anomalous. It is difficult to see why brothers and sisters should be treated in this respect any differently from two unrelated men, or two unrelated women, or for that matter an unrelated man and woman who may be sharing a flat or house. Indeed, it is difficult to draw the line between such cases and people who are living semi-communally in hostels or homes.

33. It is true that people may save expenses by combining to share accommodation. It is equally true that the purpose may be for convenience or companionship, and that expenses may be just as high as when the parties were living separately. It is also true that beneficiaries may reduce living expenses in a variety of other ways which do not result in their benefit being reduced.

34. We are forced to the conclusion, therefore, that the reduction for sharing domestic expenses should be applied to everyone, or to no one, and that the better way would be to delete the provisions altogether.

RECOMMENDATIONS

We recommend that:

- (70) The words referring to "moral character and sober habits" be deleted from the social security legislation.
- (71) The provisions enabling the benefit for single people to be reduced to half that for married couples when household living expenses are shared be repealed.
- (72) The provisions whereby a man and woman living together as man and wife may be treated as though they were legally married be retained, but be combined in section 63 of the Act, with repeal of section 74 (b).

Chapter 37. OVERSEAS PENSIONS

INTRODUCTION

1. The New Zealand social security legislation has always aimed to prevent anybody receiving more than one benefit for the same set of circumstances. This policy has applied to people living in New Zealand who receive pensions from some overseas source.

2. In some circumstances the New Zealand social security benefits of such people may be reduced by the amount of the overseas pension received. In the case of British national insurance pensions the reduction is made in terms of the reciprocal social security agreement between New Zealand and the United Kingdom which allows payment of a British national insurance pension in New Zealand but requires that such pension be deducted from the amount of any benefit that would otherwise be payable under the New Zealand legislation. For other overseas pensions the adjustment is made under section 70 of the Social Security Act which gives the Social Security Commission discretionary authority to reduce any New Zealand benefit. The reduction cannot exceed the amount of the overseas pension or allowance.

Present Limitations Within New Zealand

3. The law provides that no one is entitled to receive more than one social security benefit in his own right. It also prohibits payment of a benefit to anybody who is granted an economic war pension, a wives war pension, a war veterans allowance or a war service pension under the War Pensions Act. The reason is, of course, that these also relate to economic need rather than to the *disability* of the war pensioner. Furthermore, the Social Security Act prohibits payment of family benefit for a child for whom a war pension is payable.

4. The Social Security Act does not, however, preclude payment of a basic war disablement pension or basic war widows pension concurrently with a social security benefit as these are compensatory rather than economic. The War Pensions Act does, however, impose some limitations on entitlement. It specifies the maximum amount of basic war pension for disablement or widowhood, and provides that nobody shall be entitled, while receiving a superannuation benefit to receive a wives war pension, an economic war pension, a war veterans allowance, or a war service pension.

Review of Present Policies

5. Some overseas pensions are very like, others partly like, New Zealand benefits. Some have no New Zealand equivalent at all. In these circumstances the present general principle is that if an overseas pension is considered to be analogous to a New Zealand social security benefit, this country in effect supplements the overseas pension up to the level of benefit which would otherwise be paid under our legislation. If the overseas pension is greater than the appropriate New Zealand benefit then, of course, no such benefit is paid. If an overseas pension is not considered analogous to a New Zealand benefit, but is in the nature of private income or private superannuation allowance, then nothing is deducted but the amount of such pension is taken into account under the income test applied to selective benefits.

6. Many of the adjusted cases concern overseas war pensioners (mainly from the United Kingdom) who claim social security benefits in New Zealand. But some overseas war pensions are higher than those paid to a New Zealand war pensioner with the same degree of disablement. In these cases the whole of the disablement (or compensatory) element in the overseas pension is disregarded up to the level of pension (excluding any economic supplements) which a New Zealand war pensioner would receive for 100 percent disablement. Any balance is deducted from the New Zealand social security benefit. However, under section 23 of the War Pensions Act, a New Zealand war pensioner may receive a special additional rate of disablement pension for total blindness or severe disablement. If an overseas pensioner is suffering from the same disability he would be allowed the special rate of the New Zealand war pension before any deduction was made from his social security benefit.

7. This kind of adjustment is designed to place the overseas pensioner in a comparable position to a New Zealand ex-serviceman whose overall entitlement (by way of social security benefit and war pension) is limited by the New Zealand legislation. A similar adjustment is made where an overseas war widows pension is paid at a rate in excess of the New Zealand basic war widows pension.

8. It is not uncommon for overseas war pensions to include a small amount for a wife or children. As this is regarded as an economic rather than a disability or compensatory element, the rate of New Zealand benefit is then correspondingly reduced.

REVIEW OF SUBMISSIONS RECEIVED

9. Individuals' submissions in the main objected to reducing social security benefits on account of overseas *war* pensions, and overseas war pension allowances for wives and children. Some expressed

the particular view that there should be no deduction from the universal family and superannuation benefits. It was apparent from these submissions that the deduction of small war pension allowances for wives and children is a source of considerable irritation to the beneficiaries concerned.

10. The Social Security Department submitted, however, that the principles involved are fair and reasonable. Its general view was that, for so long as New Zealanders' benefit and war pension entitlements are restricted, people in this country who receive overseas pensions analogous to New Zealand benefits or pensions should be subject to similar limitations when seeking entitlement to New Zealand benefits. This policy had been confirmed by successive Governments since 1939, and is also the policy of other countries including Australia and the United Kingdom. The present policy was also supported by the New Zealand Returned Services Association.

11. On the other hand the Ombudsman challenged the policy operated under section 70 of the Social Security Act in respect of those people who have had sufficient New Zealand residence to qualify, in their own right, for universal superannuation or family benefits.

12. The reason for the Ombudsman's view can be conveniently stated by quoting from his report to Parliament for the year ended 31 March 1968:

I could not find any principle in the social security legislation to require that persons who came to New Zealand from overseas, bringing with them pensions to which they are fully entitled, and which in many cases they have most honourably gained, should be "cut down to size" in this manner. I did not consider that the fact that legislation in New Zealand precludes the concurrent payment of certain benefits and allowances payable under the War Pensions Act and certain benefits provided for under the Social Security Act is of itself adequate justification for the policy adopted by the Commission. It is perfectly proper for Parliament to decide that public funds shall not be called upon to meet the costs of what it considers to be duplicate benefits. It is, however, quite another matter for the Commission to exercise its discretion in a manner which results in a saving being made to the New Zealand taxpayer at the direct expense of the overseas pensioner. . . . I recommend that the Commission take the necessary steps to originate legislation to amend section 70 of the Social Security Act 1964 so as to limit the Commission's discretionary authority to means test benefits, and to non-means test benefits payable only by recourse to the provisions of a reciprocal agreement concluded with another country. . . . The nature of my recommendation was such that it had to be considered by Government, which could then have due regard to policy as well as to administration.

The consideration duly took place, and Government confirmed the present practice of the Commission relating to the treatment of these overseas pensions under section 70.

13. The Ombudsman also submitted that the discretionary powers conferred by section 70 of the Social Security Act should not be fettered by adherence to a ministerial direction, but should be properly exercised by the Commission itself and applied flexibly. Failure to do this, he considered, results in an injustice to an overseas pensioner who is able, in his own right, to satisfy in full the New Zealand residential qualification for a non-means-test benefit.

14. In its own submission on this point the Social Security Department suggested that the law be amended to make it clear that the discretion lies solely in determining whether an overseas pension is analogous to a New Zealand benefit or pension.

ARGUMENTS FOR AND AGAINST CHANGES

15. In respect of New Zealand income-tested benefits we are in no doubt that the present policy is the proper one. If the overseas pension is analogous—as it would be, for example, if it derived from a compulsory State scheme—then only one, the New Zealand benefit or the overseas pension can be received. Otherwise the overseas pensioner would be in a better position than the life-long New Zealander, at the latter's expense.

16. Nor are we in any doubt in respect of the New Zealand superannuation benefit, provided again that the overseas pension is analogous to a New Zealand benefit. It is true that our superannuation benefit is paid irrespective of other income, but it is also true that no one can receive both the superannuation benefit and an age, widows or invalids, or any other income-tested benefit. The overseas pensioner should not be placed in a better position.

17. Thus it is clear that a person cannot receive both a New Zealand benefit and an overseas pension which is analogous to it, or to another New Zealand benefit which a New Zealander could not receive at the same time.

18. For a pension to be analogous to a benefit they need not be similar in every way. The analogy is not destroyed because one is financed by specific contribution and the other by taxation. Specific contributions to a compulsory State scheme are analogous to taxation, but contributions to an occupational superannuation scheme are not, even though they may be compulsory for employees of a particular enterprise. But if the occupational superannuation scheme was itself only a substitute for or a variant of the national scheme, so that its pensioners could not also draw the national pension, then the distinction would be much less clear and it might be properly decided that the scheme was in fact analogous to our social security.

19. We are satisfied that it is not possible to legislate as to what is and is not analogous. There must be a discretion to be exercised with a full knowledge of the overseas pension scheme and a full appreciation of its purpose.

Overseas War Pensions

20. Whether or not New Zealand social security benefits should be adjusted on account of overseas war pensions is a matter of considerable complexity. Basically, war pensions are payable as compensation for disablement or death as a result of service with the forces, but certain supplementary allowances can be paid on economic grounds to pensioners who are unable to maintain themselves and their dependants. These latter supplements are analogous to income-tested social security benefits.

21. The aim of State policy under section 70 of the Social Security Act is to ensure that people coming to New Zealand entitled to war pensions from other countries are not placed in a better position than New Zealand ex-servicemen whose total entitlement by way of social security benefit and war pension is limited by the New Zealand legislation. From this point of view the need for adjustment in these cases therefore arises because of differences in the war pension schemes of New Zealand and other countries in so far as rates, allowances, and conditions are concerned. Moreover, some of the fringe benefits given in one country often have no counterpart in another country.

22. This applies to the British war pensions scheme, covering most overseas war pensioners living in New Zealand. It provides a number of allowances and fringe benefits, some of which have no true equivalent in New Zealand. For example, an age allowance is added to certain British war disablement pensions when the recipient attains 65 years of age. There is also a specific allowance for loss of earning power to pensioners unable to follow their pre-service occupation. These allowances can legitimately be regarded as part of the *compensation* for disablement suffered through service with the forces.

23. When a British war disablement pensioner is unemployable because of his service disability he may be granted an unemployability supplement with allowances for his wife and dependent children. This supplement is *economic* in nature and cannot be paid concurrently with a British national insurance retirement pension. Any pension paid from overseas is also taken into account when assessing the supplement.

24. Various fringe benefits may also be paid under the Australian social services scheme, and an extra disability pension may be paid

for severe disablement. A sustenance allowance or a service pension can also be paid if a pensioner cannot work.

25. Both the British and Australian schemes also provide for a small element to be paid for the wife and dependent children of a disablement pensioner. These allowances are paid as an addition to the disability pension even though the pensioner may be working full time, and would thus appear to be part of the compensation paid for disablement or widowhood.

26. However, confusion arises on this point because in the United Kingdom such allowances are in fact deducted from any national insurance pension dependency allowances for wives and children, and are thus treated as economic rather than compensatory. They are also taken into account when fixing the rate of dependency allowances for the British unemployability supplement for war pensioners who are unemployable because of their service disability. In both the United Kingdom and Australia, on the other hand, any child element in the war pension has no effect on family benefit.

27. The New Zealand war pension scheme also has allowances and fringe benefits, including clothing and travelling allowances, attendants allowances for severely disabled pensioners, war bursaries for children attending secondary school or university, and free travel concessions (on railway services) for 100 percent disabled pensioners. These are associated with the basic disablement pension and are therefore regarded as being part of it. The fringe benefits are not generally extended to overseas war pensioners living in New Zealand.

28. In New Zealand, a wife's war pension is only awarded on economic (that is, income-tested) grounds as a separate grant in the same way as an economic pension may be awarded as a separate supplementary grant to the pensioner himself when his disability precludes him from obtaining and retaining employment. These *economic* war pensions are in effect the equivalent of an income-tested social security benefit. Under the law, therefore, they cannot be paid concurrently with a social security benefit (including the superannuation benefit).

29. Similarly, a war pension for a child in New Zealand cannot be paid concurrently with a family benefit for that child. However, most war pensioners in this country receive family benefit and not a war pension supplement for their children.

30. The New Zealand basic compensatory war pensions for disablement and widowhood (plus the fringe benefits payable with them) do not in any way affect entitlement to a social security benefit.

31. Because there are overall limitations on the benefit and pension entitlement of New Zealand ex-servicemen, it has been considered

unreasonable to allow overseas war pensioners who come to live in New Zealand to receive New Zealand benefits which, combined with their own, would give them a greater total entitlement. Many overseas pensioners argue, however, that their war pensions are entirely compensatory in nature (having been earned through service with the forces) and should be completely disregarded in assessing social security benefits.

32. A New Zealand basic war disablement pension (which does not include any wife or child element) payable to a New Zealander resident in the United Kingdom has no effect on any British national insurance pension for which he has earned entitlement. However, both British and Australian civil widows benefits are adjusted on account of a New Zealand basic war widows pension.

CONCLUSIONS

33. In our opinion it is reasonable, in general, that people living in New Zealand receiving overseas pensions from obligatory national pension schemes should not be placed in a more advantageous position than New Zealand social security beneficiaries (including superannuitants). We therefore see no reason to depart from the present broad concepts that nobody should receive more than one benefit for the same set of circumstances, and that overseas pensions or benefits which are deemed to be analogous to New Zealand social security benefits should be deducted from any New Zealand benefit entitlement. We agree with the Social Security Department, however, that the legislation should be amended to make it clear that the discretionary authority provided under section 70 of the Social Security Act lies *solely* in determining whether an overseas pension is analogous to a New Zealand benefit or pension.

34. In the case of overseas war pensions, we consider the present policy needs modifying. It is our view that the *whole* amount of any such pension which is considered to be *compensation* for war service disability should be entirely disregarded in determining any entitlement to New Zealand social security benefits whether or not it exceeds the amount of New Zealand war pension payable for 100 percent disability. On the other hand, we consider that any *economic* element in overseas war pensions can properly be regarded as analogous to New Zealand income-tested social security benefits and to the economic elements provided for under the New Zealand War Pensions Act. As a matter of general policy such elements should continue to be deductible from New Zealand benefits. This is fully justified on the grounds that economic war pensions in New Zealand cannot be paid concurrently with social security benefits (including superannuation benefit). We consider, nevertheless, that in the case where overseas war pensions include *small* allowances for wives and children there

should be no deduction from the New Zealand universal superannuation and family benefits otherwise payable. In view of the very small cost involved, we feel that it would be desirable to eliminate the considerable irritation caused by the present policy.

35. It follows from the views expressed above that if an overseas benefit or pension is found not to be analogous to a New Zealand social security benefit, the amount of it should not be deducted from any New Zealand benefit entitlement. But in such cases, the overseas benefit or pension would, of course, be treated as "other income" in determining eligibility for a New Zealand income-tested benefit.

36. We have considered whether our conclusions on this subject are likely to be affected by or will affect our reciprocal social security agreements with Australia and the United Kingdom. We see no reason why they should; indeed, both these agreements are based on the concepts of duality of benefit entitlement we have endorsed in the preceding paragraphs. We see no point, therefore, in commenting on these agreements in detail. We should, however, draw attention to the recommendation we made in chapter 20 about paying superannuation benefit to New Zealanders absent overseas, and to our comment in that chapter that this could require a review of the reciprocal agreement with the United Kingdom.

37. In the few submissions dealing with these reciprocal agreements, the main points raised were the deduction of British pensions from New Zealand benefits, payment for absences from New Zealand, and the need for further reciprocal agreements. We have earlier dealt with the first two questions. As to the last, such evidence as we had did not establish a need for further agreements with other countries but, in any case, we regard this as essentially a political and diplomatic matter affecting, among other things, migration and mobility of individuals and hence outside our area of responsibility.

RECOMMENDATIONS

We recommend that:

- (73) The legislation be amended to make it clear that the discretionary authority provided under section 70 of the Act lies solely in determining whether or not an overseas pension or benefit is analogous to a New Zealand benefit.
- (74) In the case of overseas war pensions, *no part* of the pension which can properly be regarded as *compensation* for the disability suffered be deductible from New Zealand benefit entitlement; but any part of such a pension properly regarded as *economic* (and thus analogous to our own selective social security benefits) be so deductible *except* that, for New Zealand superannuation and family benefits, small overseas war pension elements for wives and children be not deductible.

Chapter 38. THE RELATIONSHIP BETWEEN SOCIAL SECURITY BENEFITS AND WAR PENSIONS

INTRODUCTION

1. Our Warrant directs us to inquire into, investigate and report upon the relationship between any proposals or recommendations that we may make, and any pensions or allowances payable under the war pensions legislation that would, in our opinion, be affected by such proposals or recommendations.

2. For many years social security monetary benefits and war pensions have been administered by the same department, and, even though their origins are essentially different, no difficulties have arisen from the joint administration.

3. Two separate statutes are involved. Social security benefits are payable under the Social Security Act 1964; war pensions under the War Pensions Act 1954. There are also separate ministerial portfolios for social security and war pensions.

4. The authority for paying war pensions is vested in the War Pensions Board, an independent body appointed by the Minister in Charge of War Pensions, with a chairman, a medical member, and a representative of the members of the forces appointed on the nomination of the New Zealand Returned Services Association. The administration of the War Pensions Act is, however, the responsibility of the Secretary for War Pensions who acts under the general direction and control of the Minister. In practice the chairman of the Social Security Commission is Secretary for War Pensions and also the fourth member of the War Pensions Board.

5. The war pensions scheme has developed from one which initially gave limited compensation for those returned from active service to one of comprehensive coverage for ex-servicemen who are disabled or incapacitated at any time of their lives as a result of their service, and for their dependants and also for the dependants of those who have died as a result of war service.

6. The war pensions legislation is designed to provide (a) basic pensions to compensate for disablement or death, which provide for physical loss and are therefore *compensatory* in character; and (b) supplementary pensions, in appropriate cases, to meet loss of

income. The latter depend on the means of the pensioner and are *economic* in character, acting as income maintenance and being therefore similar to social security benefits.

7. Although war pension entitlement is decided by an independent board, unity of administration with social security has enabled an integrated approach to both. Generally, the War Pensions Board accepts the Social Security Commission's policy about income maintenance, enabling the board to delegate the granting of "economic" pensions once a decision has been made about war service and medical entitlement. Most decisions, therefore, other than those relating to service attributability and medical assessment, are given by Social Security Department officers acting under delegated authority of the Board, which of course has the power to review any such decision.

Income Maintenance

8. The 1951 Commission of Inquiry into War Pensions under the chairmanship of Mr E. A. Lee, S.M., recognised the similarity of function between the supplementary war pensions and social security benefits, and made recommendations which succeeded in bringing war economic pensions and war veterans allowances closely into line with social security benefits. Since that time, increases in social security benefits and increases in the standard income exemption for these benefits have been applied to economic pensions and war veterans allowances.

9. While economic pensions and war veterans allowances have been paid on economic grounds for many years, the war service pension did not begin until 1 April 1971, becoming the only pension that can be granted on economic grounds for war service on or after 3 September 1939.

10. The war service pension, which will ultimately be the only war pension paid for economic reasons, has brought the two income-maintenance schemes even more closely into line. The rates and income exemption for this pension are similar to social security benefits and, by agreement with the War Pensions Board, the same general rules of treatment of income and assets are applied. In most respects, therefore, the war service pension is similar to its civilian counterparts, the age, sickness, or invalids benefit as appropriate.

WAR ECONOMIC PENSIONS AND SOCIAL SECURITY BENEFITS RELATED

11. Before social security was introduced in 1939, there was little standardisation of civilian pensions for old age, widows, and the

blind. War pensions were developed even more independently, although the unified administration did allow the two schemes to be co-ordinated so as to prevent two income-maintenance pensions being paid to the same person.

12. Since the Social Security Act of 1938 with its comprehensive benefit scheme and its tendency to standardise benefit rates, a closer relationship between economic war pensions and the analogous social security benefits has developed.

13. However, the New Zealand Returned Services Association's submissions expressed the view that there is no relationship between pensions and allowances under the War Pensions Act and benefits under the social security legislation. The association's view is that war pensions and social security benefits are designed for different purposes and arise out of different circumstances. It also considered that the rate of any war service pension, economic pension, or war veterans allowance should not be less than the rate of benefits paid under the Social Security Act.

14. We agree that social security benefits are not comparable to the basic war pensions for disablement and death because these are granted to compensate for physical loss through service with the armed forces, whereas social security benefits do not contain this element. The social security legislation in fact recognises this fundamental difference and permits basic war disablement and war widows pensions to be paid concurrently with any social security benefit and to be entirely disregarded for income tests.

15. On the other hand, we consider that those war pensions which are granted on economic grounds (for example, economic pensions, war veterans allowances, and war service pensions) are comparable with social security benefits because these particular pensions also fulfil an income-maintenance function and cannot be paid concurrently with any social security benefit (apart from a family benefit). This relationship is evidenced by the fact that for many years improvements in the rates and income exemptions for social security benefits have, at the same time, been applied to war economic pensions and war veterans allowances.

16. Over the years war pensioners have established their identity as a section of the community with special needs based on their disablement or loss. Their pensions have been earned as a result of service with the forces, and it is important to ensure that they are not put at any disadvantage by a review of the social security legislation.

17. Our terms of reference do not include any investigation into the adequacy of war pensions, but because of the relationship

between social security benefits and certain war pensions it is clear that any changes we propose for social security benefits should equally apply in the war pensions field where relevant.

RECOMMENDATION

We recommend that:

- (75) Any changes in the rates and structure of social security benefits arising from this report be applied to those war pensions and allowances which perform an economic function equivalent to social security benefits.

Chapter 39. REHABILITATION AND RETRAINING

INTRODUCTION

1. Rehabilitation has been defined as the total process of restoring a physically sick or disabled person, or a mentally sick or handicapped person to the fullest possible social and economic activity commensurate with his disability. We accept this definition and consider an effective rehabilitation programme to be an essential part of any income-maintenance scheme. Retraining is an important part of rehabilitation, but the need for it extends beyond the rehabilitation of the disabled to include beneficiaries (for example, widows whose children have grown up) whose disability in the employment field arises from causes other than physical or mental handicap.

2. It would be nearsighted, indeed, to suggest that the only responsibility of a social security system is to provide adequate cash benefits. Rehabilitation and retraining are integral parts, and should begin as soon as possible. This is essential not only for the sake of the beneficiary's independence and self-respect, but also for the welfare of the community as a whole. It is necessary, therefore, to examine briefly the present rehabilitation services and to consider possible ways of improving them.

Development of Rehabilitation of the Disabled

3. In its beginning, rehabilitation in New Zealand was handled by voluntary organisations, and was aimed at those suffering from specific disabilities. Such organisations still help in the rehabilitation of their members.

4. After the 1914-18 War, many returned servicemen came back with a wide variety of disabilities. In 1930 the Disabled Soldiers Civil Re-establishment Act made the then Pensions Department responsible for rehabilitating ex-servicemen irrespective of the nature of their disabilities. These responsibilities were, in effect, transferred to the Soldiers Civil Re-establishment League (later to become the Disabled Servicemen's Re-establishment League) which was formed in 1930 with the aim of either returning disabled ex-servicemen to full-time productive work, or giving sheltered employment for those whose disabilities were such that normal employment was out of the question. During the 1939-45 war, the League was made an official State agency for rehabilitating ex-servicemen.

5. Rehabilitation was not confined to the disabled. Other ex-servicemen, free from disability, received the benefits of educational help, trade training, and loans for housing, furniture, businesses, and farms. This work was at first handled by the Rehabilitation Division of the then National Service Department, but in 1942 the volume of work was such that a special Rehabilitation Department was formed. This department continued until 1954, at which stage most returned servicemen who were free from disability had been successfully rehabilitated. The Rehabilitation Division now forms part of the Social Security Department. It is at present primarily concerned with rehabilitating servicemen returning from active service in South-east Asia. This however, is a special and rather restricted form of rehabilitation.

6. It was not until 1954 that New Zealand officially recognised the fact that the social and economic advantages of rehabilitating disabled ex-servicemen apply equally to disabled civilians. In that year a National Civilian Rehabilitation Committee was formed. This was an advisory body set up by the Government in an attempt to co-ordinate and develop an effective civilian rehabilitation programme. The committee originally comprised representatives of the Departments of Health, Labour, Social Security, Education, Rehabilitation, State Insurance, and Treasury, together with representatives of the Medical Association of New Zealand, the Workers Compensation Board, and the Auckland Hospital Board. The committee proved to be unwieldy and cumbersome, and in 1963 it was replaced by a National Civilian Rehabilitation Committee comprising representatives of the Health, Social Security, and Labour Departments.

7. The work of the Disabled Servicemen's Re-establishment League, which was, of course, intensified during and immediately after the 1939-45 war, continued to be confined to ex-servicemen until 1954 when, concurrently with the setting up of the National Civilian Rehabilitation Committee, the Government authorised the League to extend its training to disabled civilians. These new activities were to be carried out in co-operation with the Departments of Labour and Social Security. A further advance was made in 1961 when the League was authorised to run occupational workshops in which trainees could work in conditions and surroundings simulating productive positions in outside industry, and aimed at building up the trainee's confidence in his ability to cope with normal work situations.

8. Hospital boards and voluntary agencies concerned with particular disabilities also carry out "medical rehabilitation" in addition to the occupational rehabilitation mentioned above.

Royal Commission on Compensation for Personal Injury in New Zealand

9. The 1967 Royal Commission on Compensation for Personal Injury devoted a section of its report to rehabilitation services, stressing the need for a “. . . co-ordinated approach designed to assist disabled and incapacitated persons generally” (para. 362), and recommending that “The process of rehabilitation should be developed and encouraged by every means possible as it has very much to offer New Zealand both in human and in economic terms” (para. 432 (1)).

10. That Royal Commission considered that the State itself must accept overall responsibility for rehabilitation and that “. . . through the Health Department the State should take a leading role in laying down a general and co-ordinated programme for the whole country” (para. 423). It advocated the establishment of a Rehabilitation and Compensation Board which, it recommended, should be allocated the sum of \$200,000 for the general purposes of rehabilitation, not to replace any Department of Health responsibility but “to urge forward the rehabilitation concept”. It saw a pressing need for specialised teams of assessors able to make prompt and continuous assessment of disabled persons, and envisaged 15 such teams covering the country.

11. Naturally, many of the 1967 Royal Commission's recommendations relating to rehabilitation concerned medical rehabilitation services. In this regard, it was particularly impressed with the facilities of the Queen Elizabeth Hospital at Rotorua, the Palmerston North Hospital and the Civilian Rehabilitation Centre at Otara, and recommended, among other things, that similar facilities be established in other hospital districts.

12. In the field of social security cash benefits, the Royal Commission supported the introduction of a special social security rehabilitation benefit as an incentive to rehabilitation. We discuss this proposal in paragraphs 34 to 45.

13. The parliamentary select committee established to examine the social and economic implications of the 1967 Royal Commission's Report generally supported the proposals on rehabilitation services.

A NEW REHABILITATION PROGRAMME

14. New Zealand's rehabilitation services have been criticised for their fragmentation, duplication, and lack of co-ordination. Private and voluntary organisations, such as the New Zealand Crippled Children's Society and the New Zealand Intellectually Handicapped

Children's Society, the Disabled Servicemen's Re-establishment League (now the Disabled Re-establishment League), hospital boards and several State departments (including Health, Social Security, and Labour) are all concerned in one way or another with rehabilitation problems.

15. The National Civilian Rehabilitation Committee gave its attention over a number of years to the possible co-ordination of these services, and following lengthy negotiations with the Disabled Servicemen's Re-establishment League, the Committee, in 1968, recommended to the Government that a new rehabilitation programme be put into effect. This recommendation was accepted by the Government, and the new programme began in 1969.

16. This programme meant an extensive reorganisation of the Disabled Servicemen's Re-establishment League which became the official State rehabilitation agency for all types of disablement. The word "servicemen's" was dropped from its title and the organisation became known as the Disabled Re-establishment League. The aims of the League were redefined. It was to act as a State agent to carry out the policy of the Government for assessing, rehabilitating, training, giving sheltered employment to, and placing disabled people; and was to establish centres and to maintain such assessment units, workshops, and other facilities as may be necessary to enable the League to carry out its functions.

17. The emphasis of the League's work changed from training the disabled in limited trades to assessing the trainee's work potential. Units for assessment and facilities for work experience and training are provided in the four main centres of the League in Auckland, Wellington, Christchurch, and Dunedin. In addition, a mobile assessment unit operates throughout the country. The assessment units comprise a rehabilitation officer, a medical officer, a liaison officer who has a specialised knowledge of industry and the kind of work disabled people are likely to be doing after training, a psychologist, an occupational therapist, and a social worker supported by such other special services (for example, psychiatric) as may be needed.

18. As part of the new programme, private and voluntary organisations are encouraged to develop sheltered workshops for those whose disabilities are such that return to outside work is remote. To promote the development of these workshops, organisations may receive a 50 percent capital subsidy from the State towards the cost of land, building, professional fees, and hard furnishings. As well, a salary subsidy of 50 percent is made available to some private organisations which employ staff in trade training, sheltered workshops or day centres for the disabled, subject to their facilities being approved by the National Civilian Rehabilitation Committee.

19. The League's assessment units are made available to private organisations to enable them to have the work potential of any of their disabled proteges assessed. If the assessment is favourable, the person remains with the League for training in work experience, skills, processing, and techniques similar to those of outside industry. Wherever possible, those who are assessed as having little or no potential for normal work are provided for in the sheltered workshops of the organisation concerned. In the event of that organisation having no facilities for sheltered employment, the disabled person may be retained in the sheltered workshops which the League itself runs.

20. Those whose assessment indicates that they may benefit from training at a technical institution or by further study or higher education are financially assisted by the Social Security Department to the extent necessary to enable them to take up a job for which they have the necessary skill or aptitude. These cases are kept under close review by the department in the light of regular reports on the trainee's progress.

21. Briefly, then, the primary role of the League now relates to disabled people, whatever the cause of their disability, who have the potential to return to productive work. The role of private and voluntary organisations is primarily to provide for those whose disabilities preclude them from ever being able to compete for normal work, or who can graduate to such work only after a long period of adjustment and work under sheltered conditions.

22. The League has a board of management appointed by the Minister consisting of representatives of ex-servicemen, disabled civilians, and other interested organisations. The National Civilian Rehabilitation Committee continues its role of an advisory body to the Government on the co-ordination of services and the medical occupational and social aspects of rehabilitation. The overall responsibility for rehabilitation of the disabled rests with the Minister of Social Security.

23. Although still in its infancy, the new programme of the Disabled Re-establishment League is, we feel, a major step forward in the rehabilitation of the disabled in New Zealand. While possibly not as extensive as envisaged by the Woodhouse Royal Commission (which proposed, for example, 15 teams of assessors operating throughout New Zealand compared with the League's five assessment units), the programme certainly goes some way towards what was contemplated by that Commission.

24. The importance of getting as many as possible of the disabled and handicapped back into productive work cannot, however, be over emphasised. It is essential that the State should accept the

general responsibility for this. Experience will no doubt tell whether it is best achieved by using the League as the principal State agent, and in any event this is not a matter on which we wish to offer specific comments except to emphasise that the programme will have to be kept under close scrutiny to ensure that the best possible results are attained.

25. We consider that the final aim should be a completely co-ordinated rehabilitation service using the most modern techniques to give all disabled people in the community, whatever the cause or extent of their disablement, every chance to rehabilitate themselves into productive work as quickly as possible. We still see a place for the rehabilitation activities of private and voluntary organisations and hospital boards, the role of which we discuss below; but in the end the main responsibility for rehabilitation must remain with the State.

Medical Rehabilitation

26. Local hospital boards are responsible for the medical rehabilitation of those patients who need only a relatively short period of physical rehabilitation. This work is as socially and economically important as is the rehabilitation of long-term disabled persons. Medical and physical rehabilitation is often an essential preliminary to vocational and social rehabilitation. In addition, the pressure for hospital beds, the increasing costs of hospitalisation, and the social implications of people spending long and unproductive periods in hospital, add to the importance of this part of the rehabilitation services given by hospital boards.

27. Therefore we agree in principle that the development of the medical and physical rehabilitation work of hospital boards should be encouraged. We hope that hospital boards will be able to develop their work in this field and that the importance of integrating them within the overall rehabilitation process will be fully recognised.

Role of Department of Labour

28. Special placement officers are employed by the Department of Labour to help find positions for those difficult to place in the work force because of some disability. In addition, the Disabled Persons Employment Promotions Act 1960 enables the department to subsidise employers willing to employ disabled people who, because of their disability, are not fully productive. The subsidy paid is equal to the difference between the economic value of the disabled person to the employer and the appropriate award wage.

29. The liaison officers attached to the assessment units of the Disabled Re-establishment League work closely with the Department

of Labour in finding suitable work for disabled people. We were informed that the department is developing its employment services, including its facilities for the placement of the disabled. It is intended that the department will provide a central information service on placement opportunities in general, and that this will be a focal point for co-ordinating placement activities.

30. It was suggested that there be vocational training courses for widows and others in a similar position, to enable them to become self-supporting when their children become less dependent. The Department of Labour at present does not run such training courses nor indeed has it any present programme for retraining under-employed or redundant workers. While it is true enough that in many districts jobs are not at present hard to come by, we should also be concerned to ensure that the latent skills of people are assessed and developed, especially after lengthy absence from the work force, redundancy of earlier skills, or physical disability. It is important not only that people should be employed, but also that their employment should fully extend their talents.

The Co-ordination of Rehabilitation

31. There are thus three main elements in rehabilitating those who have been disabled by sickness or accident—medical and physical rehabilitation, assessment and retraining and re-employment.

32. Different agencies are chiefly responsible for different elements or stages, and clearly there must be contact and co-operation between these agencies. It is not for us to say what co-ordinating machinery is needed, but the assessment teams are instruments which are available and seem to be admirably suited for the fullest possible use in this field.

33. If the programme is expanded to include those whose need arises from causes other than physical disability, the first element will not apply, but the two others will, and our comments on the need for co-ordination will also be relevant.

MONETARY BENEFITS IN A REHABILITATION PROGRAMME

34. The present position is that disabled people who have some potential for normal work, and who undertake an approved course for assessment, work experience, or training, may be eligible for a rehabilitation allowance. This allowance is paid in addition to any social security benefit which may be received. The present rates (September 1971) are up to \$6 a week for people under 20 years of age, and up to \$8 a week for others, depending in each case on what

other income the beneficiary may have. It should be noted that these allowances are paid only to those who are disabled. They are not paid to those who are employed in sheltered workshops, and each case is kept under review to ensure that satisfactory progress is being made.

35. We considered whether the present system of paying an allowance in addition to a sickness or other benefit should be replaced by a rehabilitation benefit for those on a rehabilitation course. The idea had some attractions, but we have come to the conclusion that the allowance system is equally effective and more flexible than a special rehabilitation benefit would be, especially as the allowance can be paid to people not receiving any benefit.

36. The main purpose of the allowance is to cover the additional expenses which anybody—and especially a disabled person—must incur in going to work or to training. The allowance could possibly be regarded as serving an additional purpose as an incentive to undertake assessment and training. But clearly it would then need to be significantly greater than is needed to cover the expenses referred to above. We are not convinced that any weight should be placed on this incentive aspect so far as the allowance is concerned. We assume that those who are disabled will have a very powerful incentive to overcome their disability to the greatest possible extent, and to become contributing rather than dependent members of the community. The community's responsibility is to provide whatever facilities are necessary, and to enable the disabled person to take advantage of them.

37. The maximum allowances payable are prescribed in the fifteenth schedule to the Act. We have no reason to consider that the amounts are inadequate, but they should of course be reviewed from time to time as benefit rates are reviewed. Within the maxima there needs to be, as there is now, the widest discretion about the amount allowed because of the varying circumstances which have to be met and in line with our recommendations about sickness and other benefits, the higher maximum of \$8 could perhaps be applied to those 18 years of age and over.

38. The Schedule also prescribes maximum amounts which may be received "from all sources (including a rehabilitation allowance and any such benefit)". These maxima are arrived at by adding the "allowable other income" in each case to the relevant benefit. Thus the intention is clear that the allowance is to be regarded as "other income". The result is that if a beneficiary has other income equal to or greater than the "allowable other income", he cannot receive a rehabilitation allowance.

39. We do not think that this should be so. If a married invalidity beneficiary is fortunate enough to have \$10 a week other income—being perhaps his wife's earnings—he should not be denied an allowance which is designed to cover the additional expenses he will incur through undertaking a rehabilitation course. Otherwise his standard of living, and that of his family, must be reduced for his period of training, which may extend to 2 or even 3 years. This would constitute a positive, and in some cases a significant, disincentive to rehabilitation.

40. We conclude, therefore, that the rehabilitation allowance should be freed from this condition. This would also enable the allowance to be used more freely for people who are not social security beneficiaries. This was clearly contemplated by the legislation.

41. In submissions made to us, special emphasis was laid on the disincentive effect on people undergoing rehabilitation training, of reducing benefits by other income (including earnings) which exceeds the allowable limit. It was contended that the system should give positive incentives to increase earnings, and thus to rehabilitation.

42. We have dealt with this argument generally in chapter 15 but we will stress here that social security benefits cannot in general serve equally the conflicting aims of replacing income for unemployed people and at the same time encouraging them to earn money by working. The less adequate the benefit levels are for the first aim, the greater will be the incentive to work. The more adequate they are, the less the margin will be between the benefit level and the wage level, and thus the smaller will be the work incentive.

43. However, we have not allowed this to deter us from recommending what we believe is a reasonably adequate level of benefit. The financial incentive is not all-important. Self-respect and independence are the chief motives which will impel disabled people to undertake rehabilitation courses in the hope of eventually returning to work. In the meantime, freedom from financial want may well contribute to rehabilitation.

44. When rehabilitation has been taken as far as it can go, and the beneficiary is able to go to work again, the benefit (if any) and the allowance will cease. Admittedly, in some cases, a person may not be very much better off financially than he was during his training period, but we cannot accept the alternative of continuing payments which were specifically designed to meet circumstances which no longer exist. Both the benefit and the

allowance will have served their purpose, to the advantage of both the recipient and the community.

45. As we have mentioned, the rehabilitation allowance is at present restricted to those who are disabled. We have also expressed the opinion that the scope of rehabilitation assessment and training programmes should be widened to cater for others who need this preparation for entry or re-entry into the work force. It follows that the rehabilitation allowance should be available for such people where it will enable them to take advantage of the rehabilitation facilities.

Permanent Partial Disablement

46. We have said that social security benefits cannot, in general, serve equally the conflicting aims of replacing income for unemployed people and at the same time encouraging them to earn money by working. But we think that an exception can and should be made in respect of people who are very severely and permanently but not totally incapacitated.

47. These people present a very special problem. From the time that they have suffered the disability—by accident or otherwise—they will have become aware that their chances of ever supporting themselves are negligible. This must induce psychological reactions of despair or resignation which can only be harmful to the patient himself.

48. The conditions under which such a person received an invalidity benefit do nothing to counteract such feelings. If, by the exercise of great determination and ingenuity he does succeed in developing an earning capacity beyond what could be expected of him the financial benefit he can derive from doing so is very much limited by the loss of earnings rule and the allowable other income rule.

49. The position may be otherwise in respect of accident victims if the scheme now under consideration by Government is put into effect. We understand that the proposal here is that once a disability has been assessed as being permanent, and compensation has been awarded on this basis, such compensation will not be reduced if the victim subsequently exceeds his anticipated earning capacity or his physical capacity improves more than was expected.

50. With a view to serving the objective of rehabilitation, and having regard to the effort that is needed on the part of severely handicapped people to develop earning power, the beneficial results for them and for their families—and indeed for the community—if they do so, we would favour a similar arrangement being made in respect of social security invalidity beneficiaries. Indeed, there is already a

precedent in respect of those totally blind whose personal earnings do not reduce the benefit.

51. We do not pretend that a great proportion of invalidity beneficiaries would be able to benefit from such an arrangement. Nor do we think that it would be easy to institute or operate. But we believe that it would be possible and beneficial.

52. The system would, of course, depend on competent and reliable assessment of incapacity, but the rehabilitation assessment units which we have mentioned would appear to be admirably suited for this purpose.

53. It would also need to be restricted to those whose incapacity is regarded as permanent, and is so severe that it is expected to reduce their earning capacity very considerably—we have in mind by at least 75 percent.

54. We envisage that in dealing with an application for an invalidity benefit where, for example, the incapacity has been assessed as total for 1 year and permanently at 80 percent, the Social Security Department would grant full benefit (subject to other income, etc.) subject to review, and would determine an amount of earnings (greater than the allowable income) which the particular beneficiary could earn without his benefit being abated.

55. The amount originally determined could be proportionately increased as wage levels rise. Income other than earnings would always remain relevant to the abatement of benefit.

56. Our suggestion cuts across the normal rules and we justify this on the grounds that the special concession is not designed so much to serve the objective of relieving financial need, as it is to serve the quite different social security objective of rehabilitation.

57. What we have said here is only a broad indication of what we envisage. We realise that there will need to be closer examination and specification. But if the principle is approved we are sure that the National Civilian Rehabilitation Committee and the Social Security Commission can, without undue difficulty, work out the details.

RECOMMENDATIONS

We recommend that :

- (76) Whatever form of organisation be adopted, the State continue to accept the overall responsibility for rehabilitating those who, for whatever reason, are unable to undertake productive employment, and who have the capacity to benefit from the programme; and for co-ordinating the medical, assessment, training, and re-employment elements of rehabilitation.

- (77) As the rehabilitation facilities are built up, consideration be given to making them available to people whose incapacity for work arises from causes other than disability.
- (78) As rehabilitation facilities become available to other categories of people needing them, the rehabilitation allowance system be also extended to cover such categories.
- (79) The existing rehabilitation allowance be not regarded as "allowable other income" of social security beneficiaries (but be payable in addition to "allowable other income"), and to this end Part 2 of the Fifteenth Schedule of the Act be amended to exclude the amount of the allowance from the maxima specified, and to apply these maxima to all trainees and not only to social security beneficiaries.
- (80) The Department be given authority in cases where a person is assessed as being severely and permanently incapacitated to determine a special individual level up to which the beneficiary's earnings will be disregarded in the assessment of "other income" so that the beneficiary will have a positive incentive to rehabilitation.

Chapter 40. SOCIAL SERVICES AND THEIR NEED FOR CO-ORDINATION AND STATE AID

1. Social services are given in New Zealand by various statutory bodies and voluntary organisations. The former include the hospital boards and the Departments of Health, Education, and Social Security. The voluntary organisations are very numerous, and most diverse in their activities. The social services of both statutory and voluntary bodies have come into existence in a rather piecemeal fashion. As particular groups' special needs have become identified, State institutions and private organisations have been established to meet them. Furthermore, the roles of these different bodies have often changed under the impact of new discoveries, particularly in medicine, and the consequent development of more specialised interests.

2. It is unnecessary for us to explain or even catalogue the present activities of the different social service bodies, statutory and private. It is sufficient, we believe, to make some points which seem of importance in the context of our inquiry.

3. Social services are very much wider than social security proper and include aspects of education, health, justice, and other functions of the State. In many of these different areas, social services are not delivered by monetary grants but by personal services to individuals or groups. Even in the limited area of social security the granting of monetary benefits is not always sufficient. Beneficiaries often need in addition other attention and advice. Thus social workers in their different specialties have become an increasingly important part of the machinery of social security, as well as of social services generally.

4. The importance of voluntary organisations in social services is not easily over-stressed. No matter how the activities of statutory organisations may develop and be extended, there will always be a need for voluntary services. Voluntary organisations because they are independent of State control have a flexibility and a freedom of action not always possible for a statutory service. They are less bound in their choice of those they wish to serve, and they are more free to vary the level of service among individuals. They are able to attract help from a very much wider spectrum of abilities and sympathies than a statutory body can. They enable citizens to work

in that particular charitable field which attracts them. Their membership allows them to meet the more personal needs of individuals. They thus complement in a most desirable way the work of the different statutory bodies.

5. We have in chapter 28 referred to the need for greater co-ordination among the different State social welfare services, and we have detailed various steps which have been taken in past years to accomplish that. There is also need for a reasonable degree of co-ordination between the State services and those of voluntary organisations, and among the voluntary organisations themselves, if only to ensure that money given by the community, either from taxation or from private contributions, is not wasted, and that the manpower available is used to good advantage. But a strict degree of co-ordination is unlikely to be reached, nor would it necessarily be beneficial. People work in voluntary organisations very often to satisfy a desire to help in a particular field. Motivation could be destroyed by regimentation. Similarly people contribute money because a particular charitable activity attracts them. Again, enforced co-ordination could dry the springs of charity.

6. Despite the large sums which are contributed annually to help the work of voluntary organisations, there is still need for more funds. Indeed, the impression we gained in the course of this inquiry was that the most widespread problem of those organisations today is lack of finance. Not unexpectedly, various submissions were made to us advocating a recommendation for State financial subsidies, whether by way of cash grants, or by meeting the salaries of social workers employed. Already the State supports some voluntary organisations by direct grants, for example, to the Plunket Society, and a number receive grants from the Golden Kiwi lottery on advice given by a special welfare committee appointed by the Minister of Internal Affairs. The fact that some organisations receive help and others do not, understandably leads to discontent.

7. When the State supports voluntary social service organisations, and to the degree to which it does, the case for co-ordination grows. When State funds are supplied, the Government is obliged to ensure that those funds are not wasted by duplicated services or in unnecessary capital expenditure on facilities which are already available elsewhere. State financial support must always be accompanied by some measure of State supervision.

8. From time to time a number of different bodies have been set up to advise the Government on desirable co-ordination and the extent and distribution of the financial support to be given by the

State. In 1961 a Social Welfare Advisory Board consisting of representatives of State departments and voluntary organisations working in the field of social welfare was established for this purpose, but as we have said in another context (chapter 28) its activities were spasmodic. It did not achieve a great deal. In 1968 six major church voluntary agencies formed a New Zealand Council of Social Services for the Christian Churches. This was followed in the same year by the formation of the New Zealand Federation of Voluntary Welfare Agencies, including those belonging to the Council of Christian Churches. More recently the Social Council of the National Development Council has been formed. This is an 18-member social council whose duties are to keep social policies and social aspects of development under review, to help social research by the assessment of priorities and the promotion of research, and to advise appropriate Ministers on necessary changes in social policy and measures and the resources and administrative arrangements which may be needed. The establishment of this body could lead to better co-ordination within the whole social services field, but its terms of reference are extremely wide, and we foresee the need for some more specific advice from an independent organisation whose activities and membership qualifies it to advise the Government on the particular needs of the social services, what co-ordination is necessary, and how funds available for disbursement among private organisations should be distributed.

9. We see our proposed Social Security Commission as a most suitable body to do this work and we have recommended in chapter 30 that the Commission should assume this role. Having made that recommendation, we see no need for further more specific recommendations relating to the different matters brought to our attention for co-ordinating, and giving State aid to, voluntary organisations.

Chapter 41. PUBLIC RELATIONS

Present Situation

1. Each year the Social Security Department draws up a public relations programme to inform the public of its functions, responsibilities, activities, and policies, so that the public may be made fully aware of the benefits and services it gives.
2. The department distributes booklets and leaflets, organises talks and lectures, continues and expands the field service to areas where there are no full-time social security officers, releases news to the press, and conducts staff training programmes.

Summary of Submissions

3. Submissions contended that the department's present means of communication with the public are inadequate; that there is a tendency to overestimate the public's knowledge of social services; and that social workers not infrequently encounter situations where there has been needless deprivation, only because members of the public have been unaware of the help available.

Public Knowledge

4. Booklets and leaflets are at present the main means of informing the public about social security. These have many drawbacks especially if they are couched in legalistic or complicated language, and if too much ground is covered in the one leaflet. Nevertheless they are necessary and should be made as attractive and simple as possible. Their production is a highly skilled job. One of the main purposes of leaflets and pamphlets is to encourage beneficiaries or potential beneficiaries to seek expert advice and help from the department, not necessarily to spell out all the fine (and confusing) print. However, if this information is available only at social security offices many people will not come into contact with it. Post Offices could give a wider effective distribution. Even if booklets reach all households, or are otherwise readily available, they tend not to be read unless they appear to be directly relevant to the person concerned at the time they are received. Furthermore, some people may not easily understand them.

5. People in need or anxiety often prefer some more personal communication. Thus it seems desirable that doctors, lawyers, social workers, district nurses, ministers of religion, and others in touch

with people should have the necessary information. It is already available to them on request, but methods of keeping them in closer touch with developments should be investigated.

6. It was also suggested that there be a continuous campaign to educate people about the benefits to which they are entitled and the permitted amounts of other income and of capital. This will be by no means easy to do. But we think more could and should be done to inform school children about the evolution of social security in New Zealand, and its basic concepts and features. We hope this report will be useful in this direction.

Public Relations

7. We heard criticisms of young and inexperienced counter staff being the first contact applicants had with the department, and of inadequately experienced people taking interviews involving difficult problems of a personal nature. The evidence by no means indicated that this was a common feature of the administration and we are well aware that it is very difficult always to have the right people available to do this sort of work.

8. Nevertheless we would stress that it is in these early contacts that the relationship between the beneficiary and the department is established, and it is on this that the department's public reputation and standing is largely based. In our opinion it is of paramount importance that officers dealing directly with applicants and beneficiaries should be well trained and well experienced and should have an aptitude for dealing with people whose need for assistance is often matched by their need for understanding and guidance.

9. It was suggested that public relations would be improved if the social welfare work now done by the department were entirely divorced from the responsibilities of ascertaining or assessing the incomes of applicants to test their eligibility for benefits. Because beneficiaries tend to resent inquiries about income or related matters, it was contended that they did not give the department their full trust or confidence.

10. We are not persuaded that the proposal would be beneficial, or even practicable. In the first place, while we do not doubt that in some cases the resentment does exist and does have an effect, we do not believe that it is a major impediment to good relations. We believe that most people accept the fact that these inquiries must be made and co-operate accordingly.

11. In the second place, the allocation of the different functions to separate departments would necessitate duplication of interviews and inquiries, with neither officer fully appreciating the other's aims

and point of view. This, we think, could lead to confusion on the part of the beneficiary, and to antagonism between the two departments. It seems to us to be far better that whatever officer may be handling a matter, whether a clerical officer or a social worker, he should be fully aware of the policy considerations on which the Commission's decision will be based. In other words he should act as a member of a team.

12. The present position is not perfect. We have detected a tendency for social workers and administrative officers to be mutually critical of one another. This is understandable, the one identifying with a personal case, the other with policy considerations. But harm can be caused if beneficiaries become aware of such criticisms. We feel that every effort needs to be made to ensure that all concerned in social welfare know and appreciate the problems and policies of the other voluntary and State organisations with whom they must work.

13. Having said this, we hasten to add that we have been impressed by the very good relations which exist generally between the department and the many voluntary organisations which have interests in this field. We are convinced that a great deal depends on these good relations continuing, and hope that the proposals we have made about the Social Security Commission will help in this direction, and will lead to even closer co-operation.

Chapter 42. MISCELLANEOUS MATTERS

RECOVERY OF OVERPAYMENTS

1. At present when a social security benefit is paid above the rate to which the beneficiary is entitled by law, the Social Security Commission must by section 86 of the Social Security Act seek recovery of the amount overpaid whatever the cause of the overpayment. The Commission has discretion in the method of recovery, whether by a lump-sum repayment, by regular instalments or, if the person concerned is still receiving a social security benefit, by regular deductions from the benefit. Under the Public Revenues Act and the Treasury regulations and instructions, debts may be written off by the Audit Office and Treasury (subject to final parliamentary authority under the Appropriation Act) where they cannot be recovered, or where it appears to be in the public interest for them to be remitted.

2. The question of whether an overpayment should be recovered is relatively clear-cut when it occurs as a result of the beneficiary giving false or incomplete information, or failing to notify a change in circumstances. Where this happens we consider it right and proper that a debt be established and the amount of overpayment be recovered. On the other hand, some overpayments occur through administrative error to which the beneficiary in no way contributes. The incorrect payments are received by the beneficiary in good faith, and repayment may cause hardship. It was this aspect which prompted some submissions.

3. The Ombudsman submitted that the Social Security Commission should have discretionary authority to decide whether an overpayment should be recovered and that

. . . without limiting the factors to be taken into account when exercising this discretion, the Commission be required to have regard to the following:

- (a) Whether the overpayment was innocently received by the beneficiary.
- (b) Whether the overpayment resulted from an official error to which the beneficiary did not contribute.

This proposal was, in essence, supported by the Salvation Army. But the Social Security Department opposed any liberalisation of the law maintaining that irrespective of the cause of an overpayment, financial hardship is the only real ground on which recovery should not be enforced and that this aspect could be dealt with by adopting a more

liberal approach to the writing off of debts. At the time of our inquiry, the department was discussing this matter with the Treasury and the Audit Office.

4. We were informed that most overpayments are relatively small, and that only about 6 percent are a result of administrative errors. The problem is therefore not large, but when small overpayments occur solely from administrative errors the department's public image must suffer from any insistence on repayment. We see no reason therefore why a responsible body like the Social Security Commission should not be entrusted with a discretion to waive recovery of such overpayments at least up to a certain figure, say \$100. Such waivers would of course be reported to the Controller and Auditor-General.

RECOMMENDATION

We recommend that:

- (81) Section 86 of the Act be amended to provide the Department with an explicit discretion to waive recovery of an overpayment of up to \$100 which occurred as a result of an administrative error and to which the beneficiary in no way contributed.

METHODS OF PAYMENT OF BENEFITS

5. At present sickness, unemployment, and related emergency benefits, and some supplementary assistance grants are paid weekly by postal warrant. All other benefit payments are made by order book at 4-weekly intervals. Order books normally contain 13 orders, and new books are issued each 12 months. Family benefit recipients have the option of payment of the full benefit to a Post Office Savings Bank account, credits being made at 8-weekly intervals. The only other variation is that in certain circumstances part or whole of a benefit may, at the beneficiary's request, be paid direct to the State Advances Corporation or the Maori and Island Affairs Department.

6. Some submissions asked that the frequency of benefit payments be changed from 4-weekly to fortnightly. It was maintained that it is difficult for many beneficiaries to budget from month to month and that fortnightly payments would, at least in part, overcome this problem. Other submissions suggested payment of benefits by cheque or direct to bank accounts.

7. The Social Security Department is aware of the advantages, particularly for income-tested beneficiaries of paying benefits fortnightly. It is therefore at present making a study to establish the

practicability not only of this proposal, but also of paying benefits by cheque, and extending bank-account crediting. In these circumstances we consider that this is an administrative matter best left to the department. We have no specific recommendation to make, but would certainly favour more frequent payments if this is feasible.

INCOME FROM BOARDERS

8. A number of social security beneficiaries supplement their benefit income by taking in boarders. Several submissions criticised the present basis on which income from board is assessed for income-test purposes. The normal practice is to disregard any amount up to \$6 a week or less received for full board from each boarder. If it is more than \$6, the amount of board assessed as income is 20 percent of the total board paid or the excess over \$6, *whichever is the lesser*. For example, if a boarder is paying a beneficiary \$10 a week, the income from board would be assessed at \$2 a week, that is 20 percent of the total board. This means that in addition to the actual board payments, the beneficiary could, in this example and under our proposed rules, receive other income of up to \$8 a week (income exemption of \$10, less \$2) without reducing the amount of benefit.

9. It was clear from the submissions that many beneficiaries are either unaware of this policy or do not understand it. A common misapprehension is that the department exempts the first \$6 a week of board paid and regards the balance as profit to the beneficiary in all cases. As we have explained, this is done only if the balance over \$6 is less than 20 percent of the total board paid. In practice this is only so in those cases where the boarder is paying less than \$7.50 a week. In other cases profit is assessed at 20 percent of the total board paid.

10. The present basic figure of \$6 a week used to assess board was last adjusted in 1968. We consider that a further review to take into account rises in living costs since then, is needed. However, this aspect apart, it seems to us that, in general, the department's approach to income from board is reasonable and generous enough not to deter people from supplementing social security benefits by taking in boarders. There is, nevertheless, clearly a problem of communication, and we believe the present policy should be made more widely known and understood among beneficiaries.

CHILD CARE CENTRES

11. The need for more child care centres was raised in a number of submissions. It was said that they could free mothers for work. In particular, they could enable solo parents to become self-supporting and to give up a benefit. Thus the economy would be helped.

12. Although many people consider that women should not leave their young children and take outside work, many do so from necessity or choice, and the need for child care exists as a fact quite apart from any consideration about what may or may not be to the best advantage of the community.

13. In this country there are kindergartens and play centres which take children within a limited range of ages for a limited time each week. There are also some privately run kindergartens. But at present there are only 116 child care centres (registered under the Child Care Regulations) which can care for children for the full day over the working week. Of these, 90 percent are privately run. Although there has been a steady increase in child care facilities, many do not last for a long time as it is difficult for them to be financially self-supporting. In this connection it is interesting to note that last year 40 new centres opened but 50 closed.

14. There are many problems associated with child care. For example, women have normally cared for children as part of the unpaid duties of a mother, so people are reluctant to pay enough for the care of children to give those minding them adequate wages. Few women earn sufficient wages to enable them to pay realistic fees. It is a matter for debate whether it is better for the State to pay a benefit to mothers without other support so that they can be at home to care for their own children, or for State subsidies to be paid to centres so that mothers can go to paid work.

15. Overseas there is considerable diversity of views on the proper role of the State in this area. We found no general country-wide schemes in operation. In fact, some countries which had been encouraging all women to enter the work force are now encouraging them to stay at home to mind their own young children.

16. There are a number of factors to be taken into account in any consideration of child care, among which are the social implications, employment opportunities for women and their contribution to the economy, factory creches and their effect on women's freedom of choice of work, organisation and financing of centres, including payments made by the Child Welfare Division.

17. There has recently been an inquiry into pre-school education, and the findings will be released shortly. However, the custodial care of infants and very young children is a different problem from that being examined in that inquiry and it may need separate examination.

18. There may well be good grounds for some form of State support for child care centres, but we were unable to see that these grounds relate closely to social security monetary benefits. They may be more closely related to education, to the strengthening

of the work force, or to child welfare. The whole question seems to be well beyond our terms of reference, and we have no recommendation to make.

STATISTICAL DATA AND RESEARCH

19. The Social and Cultural Committee and the Technical Committee on Statistics of the National Development Conference both commented on the need for more and better data to guide social policies. The same point was made in a number of submissions to us.

20. We have referred to this need in the course of this report, and particularly in our recommendations for a pilot study aimed at constructing a "Scale of Living Standards", and for surveys of household expenditure.

21. It is noted that the terms of reference of the recently formed Social Council include the following:

In the field of social research to assist with the assessment of priorities, the promotion of research and the speedy application of priorities. This acknowledged need will therefore now receive attention. We have also specifically referred to it in recommending an independent Social Security Commission which we think should be enabled to initiate and pay for special research projects or surveys.

OTHER SCHEMES OF INCOME MAINTENANCE

22. Item 6 of our Warrant requires us to consider the relationship between social security monetary benefits "and other schemes of income maintenance".

23. We have dealt in other parts of this report with such matters as occupational superannuation, accident insurance, war and overseas pensions. Only one other such scheme—and that only incidentally related to income maintenance—seems to require mention here.

24. The State Advances Corporation lets houses and flats on rent and lends money to people seeking to build or buy houses for their own occupancy. We accept that the main purpose of the schemes is to enable people of limited means to obtain suitable housing accommodation. Local authorities also operate in this field, frequently with the aid of finance provided by the State.

25. These admirable schemes have an income maintenance element in that rentals and interest rates are related to incomes. Those with incomes below certain levels pay lower rentals or lower interest than are required of other people.

26. The aspect which impinges on our inquiry is that the income level which determines eligibility for these forms of State monetary

assistance is higher than the income levels which disqualify applicants from receiving social security benefits and is calculated on a different basis.

27. We are, of course, aware that some social security beneficiaries also benefit from these housing schemes—for example, by securing pensioners' flats at low rentals.

28. But many beneficiaries are not in a position to obtain such advantages, and we find it somewhat anomalous that their benefits are reduced because of comparatively small "other incomes", while non-beneficiaries with considerably higher incomes are able to obtain from the State valuable monetary concessions.

29. We consider that the implications of this situation warrant some study by the departments concerned.

ASSESSMENT OF INCOMES

30. We have mentioned elsewhere the need for co-ordination between taxation and social security policies. It is possible too that there may be opportunities for co-ordinating the techniques used. For example, a widow whose "other income" consists of net rent from a flat has to file one return of income for the year ended 31 March for tax assessment, and another for a year ending on some other date for social security. Moreover income is assessed on quite different bases. For taxation, capital payments (as for purchase of replacement furniture) are irrelevant, and depreciation is allowed. For social security depreciation is not allowed but capital replacement payments are. We think that this must be confusing to people who have little or no accounting experience and suggest that the departments concerned may be able to find ways of avoiding or at least reducing this confusion.

PART VIII

HEALTH

This Part of our report complies with item 7 of our Warrant by which we must inquire into and report upon "Any changes considered to be desirable to the nature and extent of medical, specialist, and pharmaceutical benefits, and the criteria for determining entitlement thereto".

It begins by drawing attention to the strictly limited field of this part of our inquiry, makes some general comments on health and medical benefits and then deals with the specific benefits mentioned in the item—medical, specialist, and pharmaceutical.

Next, to comply with our statement (28 October 1970) about the breadth of item 7, it considers certain supplementary benefits prescribed by the Minister pursuant to section 116 as being necessary for the effective operation of the benefits expressly provided for in the Act. We confine ourselves to those supplementary benefits which seem to us to be intended as supplements to the three specific benefits mentioned in the Warrant.

Then it outlines certain representations for further supplementary benefits, with our views about them. But, though some submissions referred in passing to maternity benefits, we do not consider these, as our Warrant, on our reading of it, deliberately excludes them, along with hospital benefits.

For convenience in this Part, we abbreviate the common term general medical services benefit to "G.M.S. benefit".

Chapter 43. HEALTH AND MEDICAL BENEFITS

GENERAL COMMENTS

1. We have already, in chapter 1, drawn attention to our limited terms of reference in this field, but the boundaries are so important that we must mention them again. We are to consider changes—and only changes—to the nature and extent of three specific benefits, medical, specialist, and pharmaceutical. By nature and extent we take the Warrant to mean first the coverage of the services to which the benefits relate, and second, the extent or degree of the cost, whole or part, of the services which the benefits are intended to meet. We are also to consider the criteria for determining entitlement to the three benefits.

2. Thus we are not concerned with the design of our health services or their efficacy; for example, whether we should have both public and private hospitals, both salaried medical practitioners and doctors in private practice entitled to charge their patients fees, or whether the quality of the overall delivery of medical and health services is high or low. Nor are we to inquire whether public hospitals should be “free” or how they should be financed, nor whether it would be better if we departed from paying medical and health benefits out of general taxation in favour of some contributory public insurance system, as in the United Kingdom. In short we must accept the existing system under which our health and medical services are supplied and under which the State provides certain benefits to assist people to meet the costs of those services which would otherwise fall wholly on them. We must see our task as being only to consider whether changes should be made in the coverage and the size of and criteria for those particular benefits, plus any other existing or needed benefits which, on a liberal approach, we can say are complementary to or necessary for the effective use of the three specified ones.

3. This appraisal of our right to inquire and recommend in the health and medical field disappointed many. We were addressed on a wealth of subjects outside these limits. Because we sympathised with many who had obviously spent time in preparing their submissions without a precise awareness of our permitted areas, we heard most submissions in full, while endeavouring to make it clear that much of the material presented—interesting and even perhaps persuasive though it might be—was not relevant for us.

4. Despite the limits on our inquiry it is helpful to the discussions in later chapters of this Part of our report to give now the main features of our system. They may be summarised thus:

- The private practice of medicine by general practitioners and most specialists (rather than an entirely State-salaried service) enables patients to choose their own doctor.
- Patients are charged a "fee-for-service" for private medical care; there are no "capitation fees".
- The State contributes specified sums towards the cost of each medical service given by general practitioners and various specialists.
- The State pays specified fees for the full cost of private pathology services.
- The State pays, usually in full, for medicines and drugs supplied by pharmacists on medical prescription.
- The State pays in full for accommodation and treatment in public hospitals and subsidises them in private hospitals.
- Payment by the State of prescribed fees for hospital and medical services meets the full costs of maternity except certain specialist charges.
- Certain free dental services are made available for children up to age 16.
- All State costs and charges are financed out of general tax revenue.
- Benefits and free services are universal without regard to the means of the patient, with higher benefits for certain categories of patients.

5. It is, we think, also helpful to give a very short outline of the historical development of this system since the date of the first Labour Party proposals in the early 1930s.

6. Long before the election of the Labour Government in 1935 there had been a growing feeling in New Zealand that medical care and health services should be more widely available to everyone in the community irrespective of their ability to pay, and that New Zealand was not matching the advances in the availability of medical services made by other countries. Attempts from as early as 1882 to improve matters through health insurance schemes of one form or another had not done enough. By 1935 public opinion was ready for sweeping changes.

7. The Labour Party manifesto of 1934 had proposed, among other things, a service which would "give to every citizen the right during ill health to call in his own medical practitioner, to consult and receive the services of specialists when required . . . [and] make

available all other services that are necessary for the restoration and maintenance of health. The service will be available to every family". The keynote of this approach was that service and care would be provided by the State according to the medical needs of individuals without regard to their ability to pay.

8. The architect of the proposed changes was Dr D. G. McMillan who later chaired the first Health Committee of Labour members of Parliament. In April 1938 a further step was taken when the National Health and Superannuation Committee of Parliament was set up under the chairmanship of the Hon. A. H. Nordmeyer. The relevant proposals considered by this committee, and on which the health provisions of the 1938 Social Security Act were based, were stated in these terms:

(1) The Government proposes to provide:

- (a) A universal general practitioner service free to all members of the community requiring medical attention.
- (b) Free hospital or sanatorium treatment for all.
- (c) Free mental hospital care and treatment for the mentally afflicted.
- (d) Free medicines.
- (e) Free maternity treatment including the cost of maintenance in a maternity home.

(2) The Government further proposes that these services should be supplemented, when the organisation and finances are available, by the following additional services:

- (a) Anaesthetic.
- (b) Laboratory and radiology.
- (c) Specialist and consultant.
- (d) Massage and physiotherapy.
- (e) Transport service to and from hospital.
- (f) Dental benefit.
- (g) Optical benefit.

(3) It is also proposed to institute a free home nursing and domestic help service when the necessary staff has been trained to make such a proposal practicable.

(4) Complementary to the foregoing proposals, the Government contemplates an extended education campaign for the promotion of health and the prevention of disease.

9. Appendix 13 traces the introduction of many of these benefits over the 30 years from 1 April 1939 to 1 October 1969. The new system was based on the revolutionary concept that the State should provide health and medical services as an essential like education and justice. Thus universality became the keynote of medical benefits. Hospital care was made free to the patient irrespective of means and, like social security, medical benefits and State health services became financed out of tax revenue. Contributory national health insurance, a feature overseas, was never accepted in this country.

10. It is no part of our function to review the protracted conflict between the Government and the medical profession over the manner in which medical practitioners should be paid for their services to the public. Suffice it to say there was a compromise, and in November 1941 the G.M.S. benefit was introduced on a "fee-for-service" basis. This was confirmed and formalised in the 1948 report of the Medical Services Committee (Cleary Committee) which recommended (among other things):

That there be only one fee-for-service method of payment from the [Social Security] Fund, namely, a method by which the medical practitioner shall be required to claim on the Fund on behalf of the patient the appropriate amount payable from the Fund for the service, and apply that amount in full or part settlement of his charge for the service.

In the next chapter we consider in more detail the G.M.S. benefit and its implications for giving medical care.

11. Without discussing the desirability or otherwise of our system as it has developed, we feel entitled to make two observations: first, the pragmatic approach which New Zealand has followed here, as in so many other fields, has allowed a dual system to develop—State and private side by side. Given limited community resources, there is an inherent danger that enhancement of the private sector may enable it to claim too great a share of these resources and so weaken the State sector that it cannot operate as it was intended to. The result could well be that an adequate health service would not be available to all who need it, but only to those who could afford it.

12. Our second observation is that monetary health benefits do not make up a health service. Improved services will not come from them alone if, for example, staff and facilities are scarce. Indeed, higher benefits may increase demand and intensify present shortages, and thus cut down services to parts of the community.

THE GROWTH OF VOLUNTARY PRIVATE HEALTH INSURANCE

13. In the next chapter we shall describe how the gap between what the State pays to the private practitioner (the benefit) for certain services and what that practitioner charges his patient (the fee) has widened considerably with the result that people have to meet a part, often substantial, of the cost of some health and medical services out of their own resources. This has no doubt contributed to the growth in New Zealand of what is a common feature of many countries where private practice is open to medical practitioners, namely, voluntary health insurance. There are in New Zealand today several private insurance schemes where people (or their employers)

pay premiums to cover themselves and their families for part of the medical costs not borne by the State health, hospital, and social security systems. These schemes are becoming more popular. One society alone claims a membership of over 120,000.

14. We see no philosophical or other objection to people insuring themselves and their families to cover the additional medical costs in this way. They have a right to avail themselves of such insurance if it is available, and it is natural for them to do so if they can. Moreover, we doubt whether the medical services which the State can guarantee to everyone will ever completely satisfy every individual. Some people will always wish for and be able to afford something more. We must therefore expect that there will always be an insurable "gap".

15. The connection between these insurance schemes and the State health benefit systems may at first sight appear to be somewhat tenuous. However, the insurance societies and their international organisation made submissions to us asking for certain State assistance which we discuss later. And it is clear that the operations of such schemes have implications not only for the State health system as a whole, but for some of the specific issues which we are required to consider. For example, any increases or extensions of the various medical benefits may only marginally help the many people who can claim from their insurance society a substantial proportion of any medical costs falling on them.

16. The upward surge of private medical-care insurance stemmed from several factors, in particular that some people prefer to be cared for in a private hospital rather than a public hospital; some non-urgent surgery can be done in private hospitals more quickly and more conveniently for the patient than it can in public hospitals where there are waiting lists for such operations. It is understandable that the latter consideration would also appeal to employers. It is also understandable that the preference for private hospitals would also appeal to members of the medical profession who would find work in private hospitals more congenial or remunerative, or who would be able to treat their patients in private hospitals but could not do so in public hospitals. But these factors might not of themselves have created what may be described as a boom over recent years in the sale of this insurance. It was an amendment to the Land and Income Tax Act passed in 1967 making premiums paid for such insurance deductible for the purposes of income tax as part of the insurance exemption which made such insurance especially economical and attractive.

17. The Southern Cross Medical Society, however, seeks even more assistance from the State. It submitted that claims under their policies

and those of like institutions for medical and surgical fees should be subsidised by the State to the extent of 50 percent, and further that the present limitation on the medical care insurance premium exemption be removed so that the full premium paid would be deductible in all cases.

18. A direct subsidy would enable premiums to be reduced, and more people would be able to join the schemes. But we must look further than this. If even more people did in fact insure, they could only be accommodated and have surgery on demand if there were more private hospitals, staffed with more nurses, and offering facilities for treatment and operations to more specialties. But all of these—hospitals, nurses, surgeons—are already scarce. Finance would no doubt be forthcoming for certain private hospitals, and it is possible that some doctors might be attracted from overseas, and some ex-nurses back into the profession by more lucrative conditions. But there must be a consequent drain of personnel from the public hospitals.

19. The public health and medical services would still have to cater for those who could not or would not insure; for those excluded from the private schemes, such as the old and the bad health risks; and for those who needed the extremely sophisticated or intensive care which only the most elaborately equipped public hospitals can give. Public hospitals would probably have to do this with depleted medical and nursing staffs, and perhaps with depleted financial resources if the health vote had to carry half, and indeed more than half, the cost of maintenance, surgery, and treatment in private hospitals.

20. As we see it, the result could only be that the public medical and health service would become less adequate, and as it did so, more and more people would feel bound to insure, thus aggravating an imbalance between State and private medical care facilities. For these reasons we cannot support the propositions put to us on behalf of the medical care insurance societies.

21. Indeed, we doubt whether the present income tax exemption for medical care insurance premiums is warranted.

22. Another point worth noting is that not a few employers pay the premiums on such insurances for staff insurance contracts, and deduct them for tax purposes as part of operating costs. Thus the present subsidisation of medical care insurance schemes would not be ended merely by removal of the 1967 amendment to the Land and Income Tax Act. Other measures would be needed. We think that this whole question needs examination in the context of the optimum delivery of health services.

HEALTH COSTS

23. In analysing trends in the costs of health services and medical care, two important aspects have to be taken into account. The first is that there was a major administrative and accounting change from 1 April 1964 which had a significant effect on health benefit expenditure figures. From that date the payment of health benefits to hospital boards for public hospital services was replaced by a grant-in-aid system so that total State health benefit expenditure for the year ended 31 March 1965 (see appendix 12) dropped to \$36.5 million compared with \$48.3 million in the preceding year. Total State expenditure on health rose, however, from \$133.6 million in 1963-64 to \$146.1 million in 1964-65. The second aspect to be borne in mind is that to gain a true picture of the total cost of health services and medical care in New Zealand, one should add private sector expenditure (that is private hospital expenditure, fees and drugs not covered by benefits, etc.) to State expenditure. For our purposes we may ignore these private sector costs.

Total State Health Expenditure

24. Total State expenditure on health from 1956-57 to 1970-71 increased thus:

Table 32

TOTAL STATE HEALTH EXPENDITURE

Year	Expenditure (\$ million)	Percentage of National Income
1956-57	81.58	4.0
1960-61	108.55	4.1
1963-64	133.63	4.2
1966-67	175.04	4.5
1968-69	196.47	4.5
1969-70	202.69	4.3*
1970-71	241.95	4.44*

*Provisional estimates of national income.

As a percentage of national income, total State expenditure on health has been remarkably constant during the last 4 years.

Total Health Benefit Expenditure

25. As far as health benefit expenditure alone is concerned (see appendix 12), the 1964 administrative and accounting change makes it impossible to compare total expenditure before 1964-65 with later financial years. Since 1964-65, total health benefit expenditure has risen from \$36.5 million to \$61.7 million in 1970-71. As a percentage

of national income this expenditure rose from 1.05 percent in 1964-65 to 1.14 percent in 1970-71, that is, by 8.6 percent. It will be seen from the following table that the increase in pharmaceutical and laboratory diagnosis (pathology) benefits has been greater than the increase in medical benefit (that is general medical services and specialist consultation) expenditure.

Table 33

HEALTH BENEFIT EXPENDITURE (\$ million)

Year		G.M.S. and Specialist Benefits	Pharmaceutical Benefits	Laboratory Diagnostic Benefit
1942-43	..	2.03	1.12	..
1946-47	..	3.52	2.88	0.12
1956-57	..	7.59	9.15	0.68
1963-64	..	8.63	15.82	2.36
1968-69	..	8.85	24.46	3.63
1969-70	..	9.70	27.31	4.14
1970-71	..	11.76	30.78	5.33

26. Appendix 11A gives details of health benefit expenditure relative to national income and shows that while pharmaceutical benefit expenditure has risen from 0.20 percent in 1943-44 to 0.57 percent in 1969-70, and the range of and consequent expenditure on supplementary benefits has increased, other health benefit expenditures have fallen relative to national income, an expected result of the fairly static benefit levels for many years.

27. It is difficult, however, to draw any general conclusions from the figures set out above. (See chapter 1 for cost implications, and chapters 44 to 48 for individual benefits.) We have seen that, relative to national income, *total* State expenditure on health has not increased significantly in recent years. We are in no position to judge, however, whether this is due to improved health, new treatment techniques, fewer treatments in hospitals, or, indeed, to failure to meet the capital, equipment, or staffing needs of public hospitals. Moreover, the situation could well be quite different if private sector expenditure on health (including costs to patients not paid from public funds) were to be included in the analysis of what health service and medical care cost the community. Perhaps the only reasonable conclusion we can come to regarding health benefit expenditure is that some increase in benefit levels or in the range of benefits is not likely to constitute an unjustifiable extra cost to taxpayers, having regard to the national importance of providing easy access to high-quality medical care to all members of the community irrespective of their incomes.

Review of Health Benefits

28. In considering the various benefits falling within our terms of reference in the following chapters of this Part of our report, we have not always commented specifically on the question of review. Clearly in each case periodic review of the benefit paid will be necessary because of changing economic conditions. However, it will be evident that we believe health benefits to be closely related to the wider question of the provision and organisation of total medical care and health services in the community. That being so, it is important that the periodic review of health benefits which we advocate should be made with regard to these wider implications and not only based on changes in such things as costs, prices, and incomes. We believe, too, that in making such periodic reviews of health benefits, there should be consultation between the State and the medical profession and we suggest that appropriate machinery to ensure such consultation be devised.

CONCLUDING COMMENTS

29. In 1938 the changes which were to occur later in the practice of medicine were unpredictable in quality and magnitude. New and powerful drugs have revolutionised treatment, and their administration calls for the closest medical supervision. Developments have resulted in more specialised hospital disciplines and a demand for expensive equipment and highly trained technologists. All this has led to rising costs and difficulties in providing trained manpower and capital resources. New Zealand shares these problems with other countries, but has its own special problem caused by the fact that the general medical services benefit has not moved with these rising costs. This has shifted more of the burden from public to private shoulders, a situation mitigated only in part by the introduction of new or increased specialist and paramedical benefits over recent years.

30. It is true that additional services and benefits were contemplated in the Nordmeyer Report of 1938, but no one could then have foreseen how important some of them such as X-ray and laboratory diagnostic services would become. Certainly without the benefit being extended in these areas medical investigation and treatment would have been more restricted than it now is. The quality of medical care has benefited considerably from the various extensions which were contemplated in 1938 and have since been made.

31. The first of these was the maternity benefit (May 1939). Its contribution to the welfare of the family is undeniable. The X-ray diagnostic service (1941) has been heavily and increasingly subsidised by the State. A physiotherapy benefit was added in 1942, and district nursing services became freely available in 1944. Perhaps the best

example of what patients have gained at no direct expense to themselves lies in the laboratory diagnostic benefit (1946). In a period of spectacular growth, increasing complexity, and expanding medical application, this diagnostic service has been available without charge both in the home and at the laboratory to everybody. The cost to the State has risen commensurately. Other benefits have been added (contact lenses 1947; hearing aids 1947; artificial limbs 1948; surgical footwear 1951). The important specialist consultation benefit was introduced in October 1969. A balanced perspective takes all these into account as well as the static position of the G.M.S. benefit.

EVOLUTION OF BRASSLIE DEBATE SYSTEM

A capital experiment for each patient in general practice was done in 1969. It was a pilot scheme for the payment of a fee for each patient for the first time. The idea was to test the possibility of a system which would allow the patient to pay for a service in 1969.

An alternative general medical service was introduced on 1 November 1969. The idea was to test the possibility of a system which would allow the patient to pay for a service in 1969. This was a pilot scheme for the payment of a fee for each patient for the first time. The idea was to test the possibility of a system which would allow the patient to pay for a service in 1969.

Chapter 44. GENERAL MEDICAL SERVICES BENEFIT

1. In the structure of New Zealand medical services strong emphasis is laid on the family doctor who will be readily available to patients who choose to seek his services. In some other countries a rather less personal doctor-patient relationship appears acceptable. Nevertheless, though the growth and development of modern medicine and new ways of giving medical care in the face of manpower shortages may reduce the intimacy and significance of the doctor-patient relationship, it is unlikely that the general practitioner's importance in the overall system will seriously diminish in the foreseeable future.

2. Be that as it may, the general practitioner is "the doctor of first contact" and the patient's first point of entry to medical care. In the opinion of the Medical Association of New Zealand, 90 percent of medical incidents are brought to his notice. He is clearly the keystone of any medical service and should have all necessary ancillary services at his command. Because modern medicine rests on early diagnosis and prompt treatment the general practitioner and provision for payment of his fees are of first importance to our kind of medical system if it is to give medical care of a high standard readily accessible to all the community.

EVOLUTION OF PRESENT BENEFIT SYSTEM

3. A capitation scheme for cash payment to general practitioners was introduced on 1 March 1941. Doctors were offered \$1.50 a year for each patient registered, plus a commuted payment for potential mileage. The idea was unpopular and only about 50 doctors joined the scheme which gradually died out, ending for practical purposes in 1960.

4. An alternative general medical services scheme was introduced on 1 November 1941 by the Social Security Amendment Act 1941. This was a "fee-for-service" system, with the benefit fixed at 75c a service, and \$1.25 for night, Sunday, and holiday attendances. The Act denied a doctor the right to sue for fees in excess of the benefit, but did not prohibit the charging of such fees. The benefit could be paid in two ways. The first was a refund system under which a patient paid his doctor, sent the receipt to the Department of Health, and received a refund equal to the amount of the benefit. The second

was direct charge, under which doctors claimed the benefit directly from the department on claim forms signed by patients. At first the benefit came close to meeting the full fee charged by many doctors. Before long, however, more and more began charging patients an extra 30c, thus making up the traditional fee of half a guinea.

5. In 1946 the question of reintroducing a capitation scheme or alternatively a salaried service arose again. A committee presided over by T. P. (later Mr Justice) Cleary was appointed by the Government. It said in its 1948 report that "the committee recognised that the capitation system has certain obvious advantages to recommend it, including the very important advantage of budgetary control, and this report is not to be understood as a condemnation of the system". It said about a salaried system that "a suggestion to adopt a general salaried system of service affords no solution as it does not appear practicable to devise a general system of this kind that is administratively possible and also acceptable to the body of the profession".

6. We noted in the preceding chapter that the Cleary Committee recommended one method of payment to doctors. The doctor would claim the benefit on behalf of the patient. This became known as the "Schedule" system, under which the doctor submitted lists of patients attended. Although the retention of the refund system was not recommended, it has in fact remained, but its use is now confined to about 13 percent of doctors most of whom are specialists. The right of doctors to recover extra fees at law was restored by the Social Security Amendment Act 1949. There was no further change until 1969 when the general medical services benefit was increased to \$1.50 for services given to universal superannuitants, to income-tested social security beneficiaries and war pensioners, and to their dependent wives and children.

7. The total cost of medical benefits for the year ended 31 March 1959 was \$7.9 million, and for the year ended 31 March 1969 (before payment of the additional benefit for special groups) was \$8.8 million. At 31 March 1971 this annual expenditure had risen to \$11.75 million (see appendix 12). Within this sum the G.M.S. benefit (our particular concern in this chapter) cost \$9.78 million.

8. Apart from dissatisfaction at the growing gap between the benefit and fees charged, the general medical services scheme as we know it today, from a difficult introduction in 1941, has come to be generally regarded as an acceptable solution to a tough problem. Although the Government in 1941 was opposed to any scheme which sought to interpose a fee between patient and doctor, and the medical profession was equally opposed to capitation or a salaried service,

later events have shown that a fee-for-service system, with part of the fee being paid by the patient, has worked reasonably well in practice.

9. There has been no significant public pressure for the system to be altered. A survey made in Dunedin in 1968 by the Department of Preventive and Social Medicine, University of Otago Medical School, showed that of 1,004 people over the age of 18 years who were interviewed, 76.8 percent were "completely satisfied" or "well satisfied" with the present financial arrangements with their doctors for general practitioner services, and a further 10.4 percent were "fairly satisfied". Those who were a "little dissatisfied" amounted to 5.5 percent, 1 percent were "most dissatisfied", and 5.9 percent gave no comment. This survey does not necessarily reflect the opinions of people in other places in New Zealand. Moreover, the gap between the benefit and fees charged has widened since 1968.

10. Thus the original idea of a free, universal general practitioner service has given way largely (but not completely) to the idea that most people should pay part of the general practitioner's fee. A survey made by the Society for Research on Women in New Zealand in 1970 showed that of the 400 opinions sampled, 54 percent thought that everybody except social security beneficiaries should pay a nominal charge for medical attention. Nevertheless, even nominal charges may become onerous if frequent medical care is needed, as with the very old and the very young, and this aspect needs attention.

11. The submissions made to us can be grouped under the following broad headings:

- That the general medical service should be universal and free.
- That the present scheme should be retained, the amount of G.M.S. benefit should be raised, and that there should be further benefit increases, or a free service for selected groups.
- That the benefit should be regularly reviewed.
- That the scope of present services covered by the benefit should be extended.

We now consider these main submissions in more detail.

A UNIVERSAL AND FREE SERVICE

12. We received only a few submissions for a completely free general medical service and most of these were based on the premise that this was Parliament's original intention as indeed the Nordmeyer Report confirms. The reason why a free scheme was not introduced after the 1938 election, however, was the firm opposition of the medical profession to the salaried or capitation system which the Government then proposed. Some commentators on the controversy of that time appear to place undue emphasis on the belief that the

medical profession was primarily activated by financial considerations. This is less than fair. Rather, we consider, it was their strong and persistent dislike of any interference with what they considered to be the proper doctor-patient relationship.

13. As in the past, the national organisations representing medical practitioners continue to oppose any scheme in which the doctor is paid by salary, by capitation, or by a fixed total fee-for-service. The Medical Association of New Zealand told us that it “. . . would resist any proposal to alter existing systems of payment. . . .” The New Zealand Medical Association adopted the same stand—“. . . any attempt to change from the present system . . . would meet with the determined and prolonged resistance of the medical profession”.

14. The chief advocate of a free general practitioner service was the economist Dr W. B. Sutch who, in a stimulating paper, saw general practitioner services as one part of a total, free, comprehensive scheme of social medicine based on local health and social services centres. “In a properly conceived health centre the doctor would not be in private practice: he would be a well paid part of the team at the centre with his income and conditions negotiated by the medical profession.” The all-embracing social-health centre envisaged by Dr Sutch is significantly different from the group-practice and health-centre approach at present favoured by many doctors. It would mean a fundamental reorganisation of health-services administration, and thus raises issues well outside our terms of reference.

15. Other proposals for a completely free system were based on three general propositions:

- (a) The inability to pay fees is a barrier to necessary treatment.
- (b) Payment of taxes confers a right to free medical care and treatment.
- (c) A free medical service is essential for the well-being of individuals.

16. Because of the growing gap between benefit and fees, argument (a) would appear to have some force, especially in relation to the aged and families with children whose need for service is likely to be most frequent. On the other hand, much medical treatment is already available without cost to the patient; while for many people on low incomes (that is, social security beneficiaries), a higher benefit is paid. Argument (b) can apply to all social security benefits, and has been discussed in some detail in chapter 14. As for argument (c), we would certainly agree that medical care and health services should be easily accessible to all members of the community irrespective of means, that health benefits should be

universal, and that certain services (for example, hospital treatment) should be available without cost to the individual. Indeed, a strong case can be made for the view that, as medical care becomes more expensive up the scale from general practitioner to specialist to hospital, the patient should have to bear progressively less of the cost. However, we do not consider that all forms or levels of medical care should or need to be free. There are many other necessities of life or essential services for which the citizen has to pay in full or in part. The State does not provide all necessities free.

17. Moreover, if the State supplied a completely free medical service, doctors would have to be paid either by State salary, or by capitation, or by a total fee-for-service fixed by the State. Each of these methods of payment was said to have disadvantages. The Medical Association of New Zealand "is convinced that any form of contract practice to deal with the health risk of unselected populations inevitably and invariably leads to a decline in standards of practice. . . . The health insurance risk is borne by the doctor who contracts for a predetermined sum for an undetermined sickness risk. . . . The terms of the contract tend to take precedence over the exigencies of the case". The New Zealand Medical Association claimed that three possible consequences could follow a salaried service—"freedom of choice by doctors is abolished; a large part of the loyalty and accountability of the doctor is transferred from the patient to the paying agency; the less-conscientious doctors are induced to waste as much time as possible". The same body regarded the capitation system as offering "the greatest reward to the doctor who does the least for the largest number of people" and likely to overload hospital resources by unwarranted referrals.

18. The Department of Health considered that the fee-for-service method if applied so that the *whole* cost was borne by the State would encourage overuse by both doctors and patients and would be likely to result in a greater maldistribution of doctors. Standards of practice would then tend to fall.

19. We return now to the submission we are considering, namely, that medical services should be available to all and wholly free to the patient. The present system aims at universality, and we would not have it otherwise. But it does not follow that the service must be wholly free to all patients. We are persuaded by the evidence that while medical care should be readily accessible to all, this purpose is not frustrated if as a rule patients have to contribute to the costs of general practitioner services.

20. If charges for general practitioner services were wholly absorbed by the benefit, the cost to the State would be very large. The number of medical services for which G.M.S. benefit was paid in

the year ended 31 March 1971, at an assumed average charge of \$2.50 a service, would give a total estimated cost on a fee-for-service basis of about \$27 million for an entirely free general practitioner service. In 1970-71, \$9.78 million was spent on the present G.M.S. benefit. The estimate does not allow for the probability that an entirely free service would result in increased demand by patients, and the further likelihood that doctors' charges are unlikely to remain at the present level.

21. The present system under which the doctor charges the department a fee (which we hereafter refer to as the "benefit") and may make an extra charge on the patient to make up his total fee-for-service, was stated by the Department of Health and the bodies representing the medical profession to have the following advantages over a capitation scheme, or any form of salaried service: free choice for both doctor and patient is retained; the extra charge on patients tends to discourage unnecessary patient demand; the income of doctors is related to the amount of work done; the total fee can be commensurate with the value of the service; there is no financial advantage in referring patients elsewhere for treatment; and the patient-doctor relationship is preserved.

22. But it was said in submissions that there are significant disadvantages in the present system. If the extra charge becomes too high, patients with limited resources might not seek essential treatment. The poorer could be neglected in favour of the richer, thus increasing the possibility of two standards of medical care developing in the community. But if the benefit be increased, the problem arises how to ensure that the increase helps a patient and does not simply lead to a higher total doctor's fee. We come back to this point later.

23. In supporting the retention of the present system, the Medical Association of New Zealand referred to the Cleary Committee's finding in favour of a fee-for-service system rather than capitation or a salaried service. The New Zealand Medical Association, while stating that by far the most New Zealand doctors did not wish to see the system altered, also acknowledged that although this in itself was "not a very pure argument for retention of the G.M.S. in its present form", it was, nevertheless, important to retain the goodwill and contentment of the profession. The Department of Health recommended that an attempt should be made to negotiate between Government and the profession a "usual fee" for general medical services. For some special groups such as the aged and families with dependent children an equivalent benefit would normally be accepted in full settlement of the doctor's fee. For others the benefit could meet an agreed proportion of the total fee. The Wellington Division of the Medical

Association of New Zealand thought that a "usual" or "most common fee" scale could be negotiated and that benefits could be related to this.

24. In one respect New Zealand conditions have changed significantly since the G.M.S. benefit was introduced. Whereas at that time the patient himself had to bear any extra charge made by the doctor, it has become increasingly common for New Zealanders to insure against medical costs. To the extent that they do so, any increase in benefit may appear to benefit the insurance societies rather than the patient. Conversely, an increase in benefit could tend to reduce the need for insurance cover, although we think that general practitioners' fees would not be very significant in this. However, as we have no reason to believe that the majority of New Zealanders are covered by medical costs insurance, we have not allowed this question to influence our judgment as to what changes should be made. But the fact that many people are insured may to some extent reduce the urgency for change.

THE AMOUNT OF THE BENEFIT

25. The Cleary Report stated (para. 25) "The committee contemplates that the amount payable from the fund will in many cases be accepted in full satisfaction for the services rendered". The gap between total fee and benefit has, however, progressively widened so that the present situation is far from what was contemplated by the committee, and (even more so) by the framers of the original Social Security Act.

26. In 1941 the doctor's fee-for-service was the same as, or very little more than, the G.M.S. benefit. Now, however, the benefit represents only a comparatively small part of the total fee. Fees vary among doctors and districts, but estimates indicate that on the average the benefit now represents only about one-third of the total fee. An analysis of a questionnaire completed by 69 general practitioners in the Hamilton Health District in July 1970 showed that for consultations during normal hours, the benefit met 40 percent of the total fee and for home visits in normal hours, 29 percent of the total fee.

27. The amount of the increase in the benefit considered necessary was the subject of varied suggestions and comments. With one or two exceptions, actual figures were not proposed but most favoured an adjustment related to movements in the Consumers Price Index, or to the growth in the gross national product since the benefit was first introduced. Others suggested a fixed percentage of the total fee,

a restoration to the original proportion of the total fee, some relationship to the cost of servicing general practice, or the extending to all the increase in the G.M.S. benefit granted in 1969 to social security beneficiaries.

Special groups

28. The weight of the evidence presented to us clearly endorsed the proposition that while medical service must be readily available to all at low cost, the greatest monetary aid should be granted to those groups who are most likely to have the greatest need for medical services, and who find it hard to pay the fees. These groups include children, the aged, and social security beneficiaries. The last two groups were given an increased G.M.S. benefit by the Social Security Amendment Act 1969, but children were not included (unless they were dependants of beneficiaries or war pensioners). No attempt was made to control the total fees charged by doctors to these groups.

29. The Department of Health quoted from a communication from the Maori and Polynesian Health Committee of the Board of Health in November 1969.

Several medical officers of health reported that with the rising cost of medical services and the fee charged by medical practitioners, many Maoris and Polynesians were not having their infants immunised. They also reported a tendency for them not to seek medical treatment for themselves or for their children until the illness became serious. Also, they failed to keep the medical practitioner informed as to progress of the illness or of the continuity of treatment because of the fees charged by the medical practitioners.

The New Zealand Registered Nurses' Association said "these increased charges [that is, rising fees] have, in turn, caused some families to neglect having their children immunised, which leaves them 'at risk' for many serious diseases". The Auckland branch of the Paediatric Society of New Zealand also said that rising fees and static benefits were acting as a deterrent to seeking necessary medical attention.

30. Some submissions claimed that applying the increased benefit to all receiving the superannuation benefit was not justified because the latter is paid irrespective of income. But against this it has been estimated that approximately 40 percent of those over 65 now receiving superannuation benefit would qualify for the income-tested age benefit, and we must take into account that these older people need medical attention more often.

31. Different views were expressed on the age group of children for whom it was said an increased benefit or a free service should be made available. The Department of Health recommended that this

apply to all children under 15 years. The Medical Association of New Zealand suggested extra care and costs were involved "in the first 10 years of life", and considered that "the pattern of demand falls off quite sharply after the age of 10". The New Zealand Medical Association recommended "under 6". The Auckland branch of the Paediatric Society of New Zealand suggested "up to the age of 16 years or, if this is not practicable . . . at least for the pre-school group (up to the age of 6 years)". Other people and organisations also hold differing views on the age limit. Evidence showed that in one practice in New Zealand the incidence of common infections was highest in the first 8 to 10 years of life.

32. Clearly then, if the medical needs of children are to be given special help, there is difficulty of fixing an upper age limit. It could be argued that as susceptibility to disease is comparatively high in the pre-school years, and as the school medical service of the Department of Health is responsible for discovering defects at the primary school level, the upper limit could well be set at 5 years of age. It was submitted to us, however, that children are still "at risk" well beyond this age, and that although defects found by the school medical service are brought to the attention of parents, those parents often neglect to seek treatment.

33. It was said that many children are not being presented for examination or immunisation: moreover, treatment once begun is being prematurely discontinued. This seems to be apparent especially in Maori areas, but is by no means confined to those areas or to the Maori race. The reasons given were difficulties and expenses of transport (particularly in the country), a reluctance to accept liability for fees, and a general lack of appreciation of the need for health care. The Auckland branch of the Paediatric Society of New Zealand agreed that the liability to pay extra fees was not the only reason and stressed that the public should be educated to make better use of available services.

34. It could be argued that the increase in family benefit which we have recommended will solve the financial difficulties. But notwithstanding this increase, we feel that the extra fee will still in many cases hinder medical consultation and treatment. It is not only in the interests of the child that medical advice should be sought when needed; it is equally in the interests of the community. We do not suggest that an increased G.M.S. benefit, even to the extent of eliminating any extra charge, will completely remove the impediment, but it will help.

35. It seems clear from the submissions that the problem is most acute for pre-school children, thereafter diminishing until the tenth birthday, after which the need for medical attention is not significantly

different from later age groups. There would be no great extra demand for treatment if the upper age limit were to be extended to that of the age eligibility for the family benefit. There would also be the advantage that the cut-off point for extra aid for medical care would then be clearly defined. Nevertheless, it seems to us that a greater benefit can only be justified by the need for more frequent medical attention. Special medical needs do not extend significantly beyond the tenth birthday, and thus it is only up to this point that we can consider children to be a "special group" for benefit purposes.

36. We consider, therefore, that the following classes of people should be regarded as special groups for G.M.S. benefit:

- (a) All people 65 years of age and over.
- (b) All children up to their tenth birthday.
- (c) All income-tested social security beneficiaries and their dependants.
- (d) All people receiving an economic war pension or allowance, and their dependants.

37. It will be observed that we have not included the dependants of those people over 65 not receiving an income-tested benefit. We have included people over 65 in their own right, not because of financial need, but because they need medical help more often, but this does not apply to their dependants. On the other hand, the reason for including income-tested social security beneficiaries does relate to financial need, and does, therefore, extend to their dependants.

The Proper Amount

38. We now consider the appropriate amount of the G.M.S. benefit (standard and for special groups).

39. Submissions observed that the benefit should cover "a reasonable proportion" of the total fee charged by the doctor; that the amount of the contribution to be paid by the patient should not be so great as to discourage him from seeking needed attention; and, on the other hand, that the amount of the benefit should not be so great as to lead to overuse by doctors or patients.

40. What is "reasonable" is always a subjective question. Opinions expressed were that a reasonable proportion could fairly be regarded as something more than 60 percent. The Department of Health preferred not to approach the issue in terms of percentages but said:

... in normal circumstances the public interest is best served if the benefit covers a reasonable proportion of the usual fee, leaving something to be paid by the patient himself. This extra fee helps to discourage patients from taking up the doctor's time without good reason, but it should not be large enough to discourage the patient from

seeking advice when it is needed, or to require too great a sacrifice from the doctor if in particular cases he refrains from making an extra charge.

We think it best to accept this broader approach and not to seek a percentage formula with all its rigidities.

41. A survey made in the Hamilton Health District (July 1970) showed that the greatest charge (over and above the benefit of 75c) for surgery consultations in normal hours was \$1.50, and for home visits in normal hours, \$2.60 (total fees \$2.25 and \$3.35 respectively). We understand that in other districts, and especially in some cities, fees were sometimes higher, while in some they may well have been lower. The Department of Health submitted that "average extra charges in November 1969 appeared to vary from \$1 to \$1.50 for services in the surgery, \$2 to \$2.50 for those in the home, and \$2 to \$4 for a visit outside normal hours. The average would be about \$1.50 (that is a total fee of \$2.25) for all types of service". It is obvious, therefore, that the benefit at its present rate of 75c covered on the average only about one third of the general practitioner's total fee in 1969-70—probably less today. In 1941 it covered practically the whole amount.

42. We have considered whether the benefit payable for a visit outside a doctor's surgery should be greater than that payable for a surgery consultation. Usually, the doctor's total fee is larger for the former than for the latter. There is a case on these grounds for some differential in the benefit. It was also put to us that as more domiciliary care could lessen hospitalisation, home visiting should be encouraged by a differential. But against this, the very young and the aged are the groups most likely to need house visits, and these are included in the special categories for whom we later suggest a higher G.M.S. benefit. There are other disadvantages in paying a differential for home visits. It could encourage patients to demand excessive or unnecessary home visiting. We have been told that there is a growing trend in the profession to concentrate consultations and treatment in the surgery which is equipped for them and that the more time-consuming home visits are only a small percentage of the total. Moreover, home visits are often made between the hours of 8 p.m. and 8 a.m., and where these are urgent a special addition to the benefit is already made. We consider that this addition should be at the higher amount we state later. For these reasons we have decided against suggesting any differential between the benefit payable for consultations outside or within the surgery.

43. But clearly, in our view, the amount of the G.M.S. benefit must be raised to narrow the gap which, especially more recently, has widened extensively between the benefit and fees charged by

doctors. The size of the gap is difficult to estimate. Doctors' charges at present take account of the time spent, but they also vary, as we have indicated, among districts and even within districts for much the same type of attendance. The information available and discussed earlier, does not enable us to make any firm estimate of averages over the whole country. The most we can say is that total fees for a surgery consultation of not unusual length or difficulty seem to vary at the time of writing this report between \$2.25 and \$2.75.

44. We believe that an appropriate increase in the standard G.M.S. benefit would be 50c, that is from 75c to \$1.25 for normal hours. Although \$1.25 probably represents a lower percentage of the average total fee than was suggested to us as being "reasonable", it reaches about 50 percent of the mid point of the range of fees for ordinary surgery consultations, and when this increase is viewed along with the other alterations we propose, we consider it reasonable.

45. Most people should have incomes which permit them without difficulty to meet the difference between that figure and the total charge which the evidence suggests is made at the time of writing. (For the special groups which we have mentioned earlier we will propose, in the next paragraph, a higher figure.) And when it is remembered that from the general practitioner onwards all medical services (except those of private specialists) are available free to the patient, one-half of the general practitioner consultation charge should not deter those needing medical attention from seeking it.

46. For patients in the special groups we think that a higher benefit is desirable, and that the appropriate amount would be \$2. This is less than fees which we have said are now generally charged, but it will give the doctor more money from groups in the community where often it is difficult for him to make any charge above the benefit. We think that the increase will promote the interests of patients and that on balance the incomes of many doctors will rise significantly, especially if the special benefit, apart from being increased, is extended to cover children up to age 10, as we recommend.

47. At present, urgent medical services on a Sunday, a public holiday, or on any day between 8 p.m. and 8 a.m. attract an addition of 50c to the benefit. (Section 11, Social Security Amendment Act 1969.) We think that this addition should be increased to 75c and be paid over and above the standard and special group rates. There is also a further addition if the attendance on the patient extends continuously for more than 30 minutes. Regulation 6, Social Security (General Medical Services) Regulations 1950, authorises the medical officer of health to approve additional payments in such circumstances. Since 1941 the practice has been to pay an extra 50c for every

quarter of an hour after the first 30 minutes. We think that the Department of Health should reconsider this figure. We suggest that the amount be raised to 75c. Such an adjustment would be in line with those which we have suggested for other payments.

48. Table 34 shows present benefits compared with those we think appropriate. We estimate the cost of our proposals to be about \$5.4 million over the amount for 1971.

Table 34

AMOUNTS OF PRESENT AND PROPOSED MEDICAL
BENEFIT

				Present Benefit	Proposed Benefit*
Within normal hours—					
Standard	..	..	..	75c	\$1.25
Special groups	..	..	..	\$1.50	\$2.00
Outside normal hours—					
Standard	..	..	..	\$1.25	\$2.00
Special groups	..	..	..	\$2.00	\$2.75

*Subject to the safeguards and conditions we suggest in the following section.

The State's Part in Fixing Medical Fees

49. Since the beginning of negotiations to introduce a G.M.S. benefit scheme 30 years ago, the medical profession in New Zealand has stressed its conviction that a doctor must be free to fix his fee according to the value of the service he gives. This conviction has been respected within our social security system, and the power to fix fees has been exercised by doctors almost unrestrictedly. But today the question is asked more often than previously—has not the State a duty to take part in the fee-fixing process when it contributes in a substantial way to the payment of charges for professional services?

50. We have had to bear in mind that any increase in the G.M.S. benefit would be of little advantage to patients if it led to raising doctors' charges by a similar amount or a large part of it. If that happened, the doctors' income would grow at the taxpayers' expense, but the patient would be no better off. Let us make it clear that we do not suggest that the medical profession as a whole has been unfair in the past in fixing its charges. Indeed, our personal views are to the contrary. But a Royal Commission has a responsibility when it advocates substantial State expenditure to recommend safeguards against that expenditure failing to achieve its primary purpose. In the New Zealand situation the possibility that there could be such

a failure obviously exists in the instance under discussion. Consequently, we believe that if there is to be an increase in the G.M.S. benefit, some limitation must be placed on the doctor's present almost absolute freedom to determine what his total charge will be.

51. We are satisfied that if the benefit is to be increased to the amounts we suggest the Government must take up a more important role in relation to medical charges than it has in the past. The State's right, in a State-supported community health scheme, to participate in the fixing of fees charged by doctors and to supervise the fees charged seems to us undeniable. Indeed, if the State does not do these things, we think that the subsidisation of a fee-for-service system operated in the context of private practice is difficult to justify. We are not saying that the State should remove the fixing of fees from the medical profession. What we propose is some safeguard of the interests of patients and of taxpayers by the State taking part in the process. It does not do so now though its contribution to the incomes of general practitioners runs to some millions of dollars.

52. The only current statutory provision which could be said to have a remote bearing on this issue is section 98 of the Social Security Act 1964. It provides that "no medical practitioner shall be entitled to recover any fees or charges for medical services . . . until the expiration of 1 month after an account signed by him and showing particulars of the services provided on each occasion for which a fee or charge is claimed and the amount claimed for each occasion has been delivered to the person chargeable". The section further provides that within a month after receiving the statement of account, the person chargeable may apply to the Divisional Disciplinary Committee (established under the Medical Practitioners Act 1950) for an opinion as to what are reasonable fees or charges for the services set out in the account. Any court may on its own motion or on the application of any party refer an account to the Divisional Disciplinary Committee for such an opinion. But apart from this cumbersome and inadequate procedure (which it seems is rarely used), a patient has no opportunity to have the reasonableness of his account independently assessed.

53. Moreover, the Department of Health does not concern itself with the amount charged over and above the benefit. It sees its responsibilities as limited to the payment of the benefit. As a result of recommendations by the Cleary Committee, the Social Security (General Medical Services) Regulations were rewritten in 1950 with the intention of placing upon the medical profession itself a substantial responsibility for the ethical behaviour of its members, and for the general quality of all medical services given in relation to benefits. Provision was made for the Minister of Health to refer complaints to

the Medical Practitioners Disciplinary Committee. These provisions are no doubt adequate to deal with the more serious aspects of alleged default or neglect by medical practitioners in providing professional services, but they seem quite inappropriate in the area of fees and benefits.

54. The problem is not incapable of solution. Two ways are open. First, the State could unilaterally fix the maximum fees to be charged by doctors for particular services. This plainly would be unacceptable to the profession, and, we consider, unworkable in present conditions. Second, the doctors and the Government could, after negotiation, agree upon a scale of appropriate charges with provision for additions covering extended services or unusual circumstances. The State could then agree to pay either all or part of the amounts stated in the scale. This second, the "usual" or "most common" fee approach has been adopted in a number of countries. But it seems that this, too, would not be welcomed by the profession. The leading medical associations made clear their opposition though, as we have said, the Wellington branch of the Medical Association of New Zealand and the Department of Health both thought that there was considerable virtue in it. We are satisfied, having had the advantage of discussions with health administrators in Britain, Canada, Australia, and in a few countries of Western Europe, that the difficulties of constructing a most common fee scale are not as great as many leaders of the profession in New Zealand assert. We observe, too, that no insuperable difficulty seems to have been encountered in New Zealand in fixing a scale, and then a benefit, for the wide variety of pathological services, or in arriving at scales when payment is to be made by an insurance company in the course of a private health insurance scheme.

55. There may be, we concede, better ways than these two approaches. But neither of the bodies which represented the profession on these issues was willing or able to suggest such a way when we raised the question as we did more than once during our inquiry. They insisted on the right of medical practitioners to charge what fee they considered commensurate with the services rendered.

56. But if the benefit is to be increased to the figures we have suggested we cannot concede that the State has no rights and no responsibilities in the determination of the fees. We are firmly of the opinion that adequate machinery must be established, after consultation between the Government and the profession, giving the State the part in the fee-fixing process which we think is made necessary by its contributions to medical charges. We do not propose the form of the required machinery. This, we think, is better left to the parties, and despite the views expressed on behalf of the medical profession we sincerely hope that it will co-operate in designing and operating the machinery.

57. Until adequate machinery is established, we do not favour increases in the G.M.S. benefit except for the special groups.

58. So far as these groups are concerned, the need for an increased benefit is more urgent than it is for the public generally who consult their doctors on the average only about four times a year. We cannot assume that the machinery which we envisage will be established without delay, and we do not wish such delay to affect the special groups.

59. However, we would not feel justified in recommending raising the benefit, even for them, while it is left entirely to the discretion of the doctor to decide what extra charge he will make to the patient. We place considerable weight on the impression we gained from those making submissions on behalf of medical organisations that if the benefit for special groups were fixed reasonably close to the normal total fee most practitioners would be likely to accept the benefit and forego any extra charge.

60. It is with this in mind that we have suggested \$2 as the appropriate benefit for the special groups. But we do not think it right to limit the doctor to the amount of the benefit in all such cases. Some services may well warrant higher fees and many in the special groups will be able to pay more without financial strain. We believe that the best solution is to give the doctor a choice in each case—to accept the greater benefit without extra charge or to make an extra charge to the patient and accept only the lesser benefit.

61. We realise that this arrangement can succeed only if doctors are prepared, in the great majority of cases, to accept the higher benefit. Because it has not inconsiderable advantages for the profession, as well as for the special groups, we feel reasonably sure that they will. In that event the cases where doctors feel it necessary to make an extra charge and thus deprive the patient of the higher benefit will be comparatively few and can be accepted as greatly preferable to postponing the introduction of the higher benefit for the special groups.

62. One member of the Royal Commission, Mrs M. A. Tiller, does not share the views of the other members expressed in para. 57 (postponement of increases as they apply to standard G.M.S. benefit rates) and in para. 60 (restriction of higher benefit for special groups to those instances where the doctor accepts the increased benefit in full payment of his fee). She considers that the G.M.S. benefit should be increased from 75c to \$1.25 immediately. She also considers that the proposed increase of 25c in the amount added to the general benefit for urgent consultation outside normal hours and for extended time of consultations should be put into operation without delay.

She points out that the amount of the benefit has for the most part remained unchanged since its inception some 30 years ago, despite the marked all-round increase in costs over that period. The only increase in benefit has been for the special group created in 1969.

63. She agrees that for the special groups named in para. 36 the special benefit should be increased immediately to \$2, but without any proviso, as suggested in para. 60, for a lower benefit to the patient if the doctor's charge should exceed \$2. In reference to the special benefit it has been suggested in para. 46 that there are groups in the community where often it is difficult for the doctor to make any charge above the benefit. She agrees it is reasonable to assume that with the special benefit raised to \$2 doctors will accept this amount in full payment to the degree that they now do with the existing benefit; and that it could well be that with the higher benefit doctors would be willing to accept the benefit in full payment for more patients in the existing special groups and also for many child patients.

64. It appears, however, to her that the limitation on claiming the full benefit proposed in para. 60 above would involve the doctor in the additional task of judging whether or not the patient could afford such reduction, when the doctor's primary duty is to deal with the patient's medical welfare. In her opinion a potentially abrasive situation could be created when a patient in the special group is faced with an extra cost of \$1.25 (that is, the difference between a benefit of \$2 and one of 75c) which would be additional to any amount the doctor might charge in excess of \$2.

65. While recording the foregoing points of disagreement, Mrs Tiller considers it important that immediate urgent negotiations on "usual fees" should be initiated between the Government and the medical profession.

REVIEW OF BENEFIT LEVEL

66. Lack of change in the benefit rate from 1941 until the partial adjustment of 1969 may well be in part due (as the Department of Health put it during the hearings) to the medical profession's not having sought an increase. Whether this is so or not, we must stress that it is the State, not the profession, which must be responsible for the benefit system and for ensuring that its value to the public is not eroded in terms of total costs borne by the patient. The benefit has been eroded since 1941, and in our view there should be no similar delay in making future necessary adjustments. If the present system is to remain acceptable, and if New Zealand is to retain a readily accessible general practitioner service giving medical care

of a high standard without any significant financial barrier, the benefit should be reviewed from time to time taking into account changes in economic, medical, and social conditions.

67. Most submissions on this point suggested changes allied to annual movements in the Consumers Price Index or the gross national product. We consider, however, that other considerations are equally important, and also that rigid adherence to a fixed interval for review would lead to undesirable inflexibility. We think that it must be left to the Government to review the benefit levels as and when circumstances call for review.

EXTENSION OF BENEFIT COVERAGE

Practice Nurses

68. The extension of the medical benefits scheme to include services given by paramedical staff was one topic which led to considerable discussion during our hearings. The main submissions dealt with a proposal to extend the present rural practice-nurse scheme to towns. There were differences of opinion both on the need for the extension, and how it should operate. Subsidising the salaries of urban practice nurses was suggested and/or the extension of the G.M.S. benefit to services given by them to patients under the supervision of the doctor. This is plainly within our terms of reference.

69. The question with which we are concerned is not whether there should or should not be practice nurses employed by doctors in urban areas. There can be, and doubtless are some. The question is whether the State should subsidise the employment of those nurses in one form or another.

70. The rural practice-nurse scheme began on 1 January 1970 as a "special arrangement" in terms of section 117, Social Security Act 1964. General practitioners in rural areas who employ registered nurses receive from the department 50 percent of the salary paid to their nurses, up to a maximum subsidy of \$25 a week, plus 75c for each home visit made by the nurse, and mileage at G.M.S. rates under the same conditions as apply to doctors.

71. At present there are several categories of nurses engaged in home rather than hospital care—Plunket, public health, district, rural practice, and private nurses. Plunket nurses work within a defined sphere of activity and no patient fee or benefit is involved. Public health nurses are employed by the Department of Health and their work (for which no charge is made to the patient) is mainly associated with the preventive side of medicine. District nurses are employed by hospital boards and are primarily responsible for

patients recently discharged from hospitals. Their services, which are also free, can, however, be requested by a doctor in private practice for his patient, or sometimes, by patients themselves. Evidence was given to show that the work of rural practice nurses can extend at times into all these other nursing fields.

72. Several important factors which are relevant to the need for, and the method of financing, an extension of the rural practice-nurse schemes were developed in evidence. The Department of Health said that the rural practice-nurse scheme took account of the special problems of medical care in rural areas, and in addition was one of a number of inducements designed to encourage doctors to set up practice and to remain in rural areas. If the scheme were to be extended to urban areas, the incentive for rural practice would be diminished. Nevertheless, the department favoured subsidising the employment of nurses and other paramedical personnel in urban practices in such a way as would encourage practice in groups and health centres.

73. The New Zealand Registered Nurses' Association drew attention to the shortage of hospital nurses which they estimated at about 60 percent. They said that "if nurses are taken from one short-staffed system to fill gaps elsewhere, the existing problems will not be solved but only accentuated". Other organisations tended to discount this view.

74. If the view taken by the Nurses' Association is correct, then this would counterbalance to some extent the main reason advanced for the extension—that urban doctors would have more time for work which only they can do, and that this would considerably relieve the shortage of general practitioners, and so improve the delivery of medical care.

75. We consider that decisions on this and the related matters are outside the scope of our inquiry. The best deployment of the available medical and para-medical staff is a significant aspect of the whole structure of the health and medical care system. If we were to make a recommendation on grounds which relate only to the G.M.S. benefit we might precipitate a situation which could do harm elsewhere in the structure.

76. Therefore, we propose to make no recommendation about extending the rural practice-nurse subsidy or benefit to towns.

Group Practice and Health Centres

77. The desirability and organisation of group practices and health centres, though quite outside our terms of reference, were the subject of extensive submissions. They are clearly matters which should be

examined in the context of any full review of the organisation and administration of medical care and health services in New Zealand. Likewise, any proposals for extending the present medical benefits scheme to the services of other ancillary medical personnel, social workers, and psychologists are also part of the problem of organising medical care and health services.

Visits to Hospitals by General Practitioners

78. It was also proposed that the G.M.S. benefit (without the right to make an extra charge) should be paid for a general practitioner's visits to his patients in a public hospital. Such a proposal raises issues of hospital services and administration. While we agree that the closer integration of general practitioners and hospitals, together with an improvement in liaison between the two, should be fostered, the question whether a benefit is to be paid for such services seems to be secondary to the more important questions of responsibility for, and control of, patient treatment. The ramifications of this proposal are well beyond our field.

Immunisation of Children

79. Paragraph 28 above mentions that children are not being presented for immunisation because (among other reasons) of the fees likely to be charged to the parents. The present situation is that the G.M.S. benefit is payable for immunisations; thus the proposed increase in the G.M.S. benefit for children will remove part at least of the difficulty.

80. We are not concerned with who should carry out immunisations, but we consider that where this is done by a medical practitioner in private practice he should be fairly paid for his service; and further, that it is desirable in the interests of children and the community that there should be no avoidable obstacles to an immunisation programme. It seems that the benefit of \$2 which we propose for children up to their tenth birthday, and even the standard benefit of \$1.25 over that age, may be more than is warranted for some immunisations, especially when the material is provided free to doctors.

81. The Department of Health recommended (and we agree) that a special benefit should be negotiated between the Government and the profession to cover children up to age 16, and to be accepted in full satisfaction by general practitioners for services given in immunisation programmes approved by the Department of Health.

Miscellaneous

82. We were told that under present conditions there is little financial incentive for doctors in general practice to seek additional training and experience, that post-graduate training is undertaken at the

doctor's own expense without an improvement in income, and that the lack of a career structure is not conducive to adequate recruitment to this important branch of the medical service. It was proposed that additional training and experience warranted the payment of a higher rate of benefit to those with such training or experience. We have no recommendation to make on this matter.

83. Section 88 of the Social Security Act 1964 and regulation 4 of the Social Security (General Medical Services) Regulations 1950 define a limited number of medical services (for example, examinations for private insurance) which are excluded from "general medical services" for which a benefit is payable. It was submitted that these exceptions serve no useful purpose, and that any and all medical services given by a general practitioner should qualify for payment of the benefit whatever the purpose of the examination. We think that such an issue as this can safely be left to be decided by the organisations concerned, and does not need the intervention of a Royal Commission. We suggest, however, that the list of excepted medical services should now be reviewed to determine whether it is consistent with changed conditions since 1950.

RECOMMENDATIONS

We recommend that :

- (82) If the general medical services benefit is to be increased, the State which is carrying an increased share of the cost should take some part in the fixing of general practitioner fees. This will ensure that increases in benefit rates are not paralleled by increases in fees. Appropriate machinery for this should be constructed after consultation between the Government and the medical profession.
- (83) The following classes of people be regarded as special groups for the purposes of general medical services benefit:
 - (a) All people 65 years of age and over.
 - (b) All children up to their tenth birthday.
 - (c) All income-tested social security beneficiaries and their dependants.
 - (d) All people receiving an economic war pension or allowance, and their dependants.
- (84) The basic amounts payable under general medical services benefit (and to specialists under section 97 (3) (b), (4), and (5) of the Act) be as follows:
 - (a) Standard benefit \$1.25.

(b) Special group benefit \$2, provided that the benefit is accepted by the doctor in full settlement. (Mrs M. A. Tiller dissents from the proviso.)

- (85) The amount which is added to the benefit for urgent consultations with, or attendances by, general practitioners outside normal hours be increased from 50c to 75c.
- (86) The extended-time payments be increased from 50c to 75c a quarter-hour.
- (87) The increases proposed in recommendations (84), (85), and (86) in so far as they apply to the special groups be introduced without delay, but in so far as they apply to standard rates be withheld until the machinery referred to in recommendation (82) above is established. (Mrs M. A. Tiller dissents from the withholding of the increases proposed in recommendations (84), (85), and (86) from the standard rates and would have them also introduced without delay.
- (88) The amounts payable under the general medical services benefit be reviewed from time to time by the Government.
- (89) An appropriate benefit payable to doctors in full satisfaction of charges for immunising children up to age 16 be negotiated by the Government with the medical profession.

Chapter 45. SPECIALIST BENEFIT

INTRODUCTION

1. The 1938 Select Committee on National Health and Superannuation proposed that the general medical services benefit proposals be supplemented, when practicable, by others, including a specialist* and consultant benefit which was not, however, introduced until 1969. The need for help to meet specialist charges was not entirely forgotten for those 30 years. Limited benefits were soon introduced (maternity 1939, X-ray diagnostic services 1941, laboratory diagnostic services 1946).

2. In 1948 the Cleary Committee spoke about a specialist benefit and the recognition of specialists in these terms:

That the benefits in respect of specialist medical services not already the subject of benefits be made available under a method by which the specialist will be required to claim on the fund, on behalf of the patient, a prescribed amount for the particular service and apply it in full or part settlement of his charge for the service. That legislative provision be made for the official recognition of specialists of different kinds, somewhat similar to that already provided for the recognition of obstetric specialists.

The committee considered, too, that the patient should be reimbursed not only for the cost of an "initial" consultation, but also for later specialist treatment.

3. Doctors were not of one mind on the desirability of specialist registration, and succeeding Governments ignored the recommendations of the Cleary Committee. In 1963 a Special Committee on the Availability and Distribution of Medical Practitioners (set up in 1959 and including Government, medical, and university representatives) partly supported the Cleary Committee by recommending a specialist benefit for consultations only "to assist patients to pay the consultation fee, when referred by their own doctors for a consultant's opinion, and to promote consultant practice".

4. Eventually, on 1 October 1969, a specialist consultation (as distinct from treatment) benefit came into force on the following conditions:

- (a) The patient must be referred to a recognised specialist by another doctor, either a general practitioner or a specialist.

*In New Zealand the words "specialist" and "consultant" are interchangeable, the latter being rarely used.

- (b) When the referral comes from a specialist, the accompanying letter must state that the doctor who referred the patient in the first instance has concurred.
- (c) The benefit is payable only for the first consultation under any one referral to a particular specialist. Where this first consultation is given by a recognised specialist physician, psychiatrist, neurologist, neuro-surgeon, or paediatrician, a maximum benefit of \$5 is payable irrespective of the actual fee. For other recognised specialists, the maximum benefit is \$3.50. (There is no extra payment for services outside normal hours, or for extended time.)

5. In May 1971 there were 1,150 specialists registered under Part II of the Social Security Act. Of these 556 were claiming benefits, the remainder being in full-time hospital service, or in salaried public health and preventive medicine. For the year ended 31 March 1971, the specialist consultation benefit cost \$764,553. It must be noted that specialist maternity and related services are excluded from the specialist consultation benefit, and form a separate system.

6. The New Zealand system of medical benefits has been based on the general practitioner. The specialist consultation benefit is a limited extension of the G.M.S. benefit. The main aim was to make it easier for the general practitioner to get a specialist opinion without undue extra cost to his patient, hence the restrictions on referrals from one specialist to another, the limiting of the benefit to the first consultation, and the exclusion of specialist treatment. Though the evidence indicates that, in general, a referred patient is seen by the specialist more than once, the specialist services after the first attract the same amount as the G.M.S. benefit only. (The "extended time" supplement is not payable for specialist services.)

7. Most specialists (other than full-time hospital staff) combine private practice with public hospital work, but the time given to each varies among districts. In some districts public hospitals cover outpatient as well as inpatient services fairly completely, with specialists in private practices also holding hospital appointments. Patients can obtain specialist consultations or treatment free of charge at such hospitals, whereas only part of private consultation fees, and 75c (or \$1.50) for private specialist treatment, are met by benefits.

8. In some other districts the coverage by public hospital outpatient services is far from complete, with outpatients being able to get neither consultations nor treatment in various specialties. But because inpatients receive specialist treatment, there exists a cadre of private specialists from whom consultation, and in some cases treatment, can be obtained privately.

9. In yet other, smaller districts, the public hospitals cannot give a complete specialist cover for inpatients, although a limited service for inpatients and outpatients may be given by visits from a metropolitan specialist. There are usually no private specialists practising in the district in specialties not catered for in the hospital. The would-be patient may then have to go out of his district for specialist consultation or treatment, either as an inpatient or outpatient.

10. The distinction between consultation and treatment seems clear only in theory. There is much practical interdependence, a fact to be remembered in considering the specialist benefit system.

11. The need for both specialist consultation and treatment is growing with the complexity of medicine. The patient pays more of the cost of specialist services than he does for those of a general practitioner, and the cost is rising. If the patient is to receive high-quality medical care, there is need for good specialist facilities both private and public. The specialist consultative benefit strengthens the private sector. We have to consider whether further extension is desirable, and, if so, whether we can be sure that it will not prejudice necessary developments in the public sector.

12. The present variety of conditions among districts raises the problem that what may be appropriate to one may not be appropriate to another, either generally or for particular specialties. Such problems are related primarily to the organisation of the medical services rather than to the payment of benefits.

SUBMISSIONS ON SPECIALIST BENEFIT

13. The submissions on specialist benefits are discussed in this order:

- (a) The scope of the benefit should be extended.
- (b) The benefit should cover the full cost of specialist services.
- (c) The benefit should cover more of the full cost, both generally, and for special classes of people.
- (d) The amount of the benefit should be regularly reviewed.
- (e) Miscellaneous.

SCOPE OF SPECIALIST BENEFIT

14. The scope of the specialist consultation benefit is at present limited to consultations (not treatment or investigations), on referral by another doctor, and to the first consultation only. For some excluded specialist services, an amount equivalent to the G.M.S. benefit can be claimed. Various submissions sought the relaxation, in whole or in part, of these limitations.

Specialist Investigation Benefit

15. The Central Specialists Committee of the Medical Association of New Zealand said:

The value of the consultation benefit to the patient is limited by the fact that investigative procedures (other than those provided by laboratory and radiological services) are not in any way covered. This can produce hardship and delays in the efficient treatment of the patient. There should be extended investigation benefits to cover the cost of such necessary investigations as ECG, EEG, bronchoscopy, cystoscopy, sigmoidoscopy, gastro-camera investigations and the like.

16. A specialist investigation benefit could be regarded as a departure from the traditional prime importance given to the general practitioner in that the specialist who was to perform the investigation would also initiate it. There is, however, a precedent for this. Both the laboratory and X-ray diagnostic services benefits provide for payment where the pathologist or radiologist considers that further examinations, in addition to those specified by the referring doctor, are advisable in the interests of the patient. Specialist investigations would serve the same purpose, which is to give the general practitioner the diagnosis on which the best possible treatment may be based.

17. There are other considerations to be taken into account. Some specialists charge consultation fees which include special investigations, while others charge for investigations a fee additional to the consultation fee. A common pattern of charging would clearly need to be established before full consideration could be given to introducing an investigation benefit. Again, while some of the investigatory procedures are properly the sole prerogative of specialists, others are within the competence of, and are carried out by, general practitioners with the necessary training and experience. Should general practitioners and specialists then receive the same benefit?

18. It would be difficult, too, to distinguish investigations from "follow-up" consultations. The specialist may be unable to decide what investigations are needed until after the first consultation. Alternatively, he may be able to decide that a consultation in the usual sense cannot be fruitful until an investigation has been made and its results appraised.

19. Two other considerations appear to be decisive in preventing us from coming to a firm conclusion on this matter. While we might be satisfied that the scope of the benefit could well be widened to cover some investigatory procedures, we could not express any opinion as to whether this should extend to all of those referred to in the submission. This could be decided only by medical experts. We are also unable to judge—and our terms of reference do not require this of us—how the payment of a specialist investigation benefit might

affect the provision of adequate public medical services. It is quite clear to us that there could be some effect, and that it might be adverse.

20. We therefore consider that the issue is not one on which we should make a recommendation. This would need a different kind of inquiry specifically directed to the provision of medical care, including the part that should be played by public hospitals.

Specialist Treatment Benefit

21. The Central Specialists Committee also submitted that "A treatment benefit should be provided and for this purpose a schedule of benefits (such as used in Canadian medical services) should be drawn up for individual types of service". The Medical Association of New Zealand considered "that the time is ripe for the introduction of some form of specialist treatment benefit". It went on to say:

The association is of the opinion that the level of these benefits should be essentially related to the time expended. Professional opinion is divided as to whether these benefits should be categorised broadly into (say) four categories, relating to time spent and expertise required, or whether they should be subject to a schedule for individual types of service.

22. The New Zealand Medical Association was more reserved about a specialist treatment benefit in that its recommendation applied only to anaesthesia, surgery, and radiotherapy—specialties which involve a greater degree of "treatment" than of "consultation".

23. The administration of an anaesthetic and a surgical operation in a private hospital are at present both regarded, for benefit purposes, as general medical services for which the benefit payable is only 75c (or \$1.50 for the special groups presently defined). If the administration of an anaesthetic extends beyond half an hour, the "extended time" benefit at the rate of 50c for each additional complete or part quarter-hour is payable. Because of the cost of equipment, radiotherapy is available outside public hospitals only in a few privately-endowed hospitals.

24. Although specialists are primarily "consultants", their services in New Zealand involve a substantial element of "treatment", the incidence of which varies among specialists and among specialties. In general, the number of patients treated is smaller than the number seen for consultation. Moreover, some patients regard a specialist as their general practitioner. Others consider that they should have specialist attention for all ailments and others again have no regular general practitioner. In the smaller centres particularly, a general practitioner with an interest in a specialty in which he has obtained specialist qualifications may spend part of his time practising his

specialty, yet continue in general practice, while some registered specialists give "treatment" which is not necessarily "specialist treatment". All of these complicating factors have to be taken into account.

25. In considering a benefit for specialist treatment the pivotal specialty is surgery which at present in New Zealand is done in both public and private hospitals. Private medical insurance schemes paying benefits for surgery do so on the basis of a schedule of fees for different types of service. The Southern Cross Medical Care Society schedule, for example, lists approximately 500 surgical procedures. The complexities and complications of specialist treatment, especially in surgery, are so diverse that it is an extremely involved process to cover every contingency.

26. As with the question of specialist investigations, however, we cannot ignore the possibility that introducing a specialist treatment benefit might have adverse effects on providing medical care for all in public hospitals, through which the State mainly discharges its responsibility for specialist treatment. There may be some kinds of specialist treatment which for various reasons are, or should be, regarded as exceptions. We discuss one such exception, psychotherapy, below, but do not go beyond this. Subject to this reservation we see no justification for paying an additional benefit to those who use private facilities. We recognise that the continuation of the present position means that the responsibility of the State to provide adequate public hospital specialist treatment facilities must be maintained and assume it can be discharged.

Psychiatric Treatment

27. Psychiatrists in private practice give psychotherapy as an appropriate treatment for some patients. Treatment is prolonged over several weeks or months, and may need repeated sessions of up to an hour each. Any doctor may give psychiatric service and it is not always evident which type of patient should have specialist psychotherapy. A general practitioner would be influenced in making such a decision by knowledge of the probable duration of treatment and its likely costs. From the patients' point of view the expense of private specialists' fees may be a barrier to treatment. It seems illogical that patients can at present receive a higher benefit for psychiatric treatment given by a general practitioner through the payment of the "extended time" supplement, than they can for therapy by a specialist. This situation rarely arises with other specialties. The Special Committee on the Availability and Distribution of Medical Practitioners (1959-1963) considered the unusual position of the psychiatric specialist, and the possible financial difficulties of patients undergoing private specialist psychotherapy, and recommended that "extended

time" payments should be allowed for prolonged attention. The Department of Health has suggested that there should be a specialist, rather than a general practitioner, rate of "extended time" for specialist psychotherapy.

28. We have suggested that the G.M.S. benefit be increased to \$1.25 and the rate of "extended time" payments be increased from 50c to 75c for each complete or part quarter-hour after the first 30 minutes. For a 1-hour session with a general practitioner, the benefit payment would then be \$2.75, or for patients in the special-group category, \$3.50.

29. We consider that the same benefits should apply to treatment by a specialist psychiatrist. The extended time payments do not at present apply in such circumstances, but it seems clear that this at least should be done. The benefit for 1 hour's psychotherapy would then be substantially increased from the present 75c or \$1.50 to \$2.75 or \$3.50.

30. We doubt, however, whether even this would meet the case. There are, we think, grounds for a specialist psychotherapy benefit, or for a higher rate for extended time, or possibly for both. But we do not feel competent to decide on amounts or conditions. We think that these are matters which could best be settled by negotiation between the Government and the profession, and furthermore that this need not wait for any full-scale investigation into the organisation of medical care.

31. Nevertheless, even the negotiations which we suggest will take some time, and in the meantime we are prepared to recommend that the equivalent of the relevant G.M.S. benefit and the G.M.S. extended time addition be paid when a patient has been referred to a psychiatric specialist for treatment.

32. As to the special groups we do not recommend the condition which we have suggested in respect of the G.M.S. benefit—that the higher benefit be paid only when it is accepted as the total fee. In this case—and pending the negotiations which we suggest—we recognise that the maximum benefit payable—say \$3.50 for an hour's treatment—may even for the special groups represent only part of the total fee.

33. No doubt the negotiations will take into account what effect the institution of a specialist benefit may have on the State's psychiatric hospital services. In this respect we do not fear any adverse effects from the limited changes which we have recommended because it seems clear that the State psychiatric hospitals and the psychiatric wards in public hospitals do not at present offer generally the out-patient treatment which is the subject of the recommendation.

Specialist Follow-up Benefit

34. The Central Specialists Committee of the Medical Association of New Zealand submitted that "follow-up benefits should be available, especially to those who suffer from certified chronic illnesses where continued specialist supervision is required". Such a proposal would, we consider, need careful planning and definition, particularly in regard to the extent that "supervision" might include "treatment", and also the circumstances in which specialist, rather than general practitioner, supervision is indicated. There are cases, no doubt, where a general practitioner considers that specialist supervision would be in the best interest of the patient. If a benefit were available in these instances, the patient would be relieved, to some extent, of the attendant financial worry which prolonged supervision would otherwise entail.

35. It is generally accepted that, wherever possible, a patient referred to a specialist for consultation should be returned to the referring doctor for treatment and supervision. It would follow that any specialist supervision benefit should be conditional on the referring doctor having concurred in the arrangement.

36. The definition of "specialist service" contained in section 88 of the Social Security Act 1964 as being a medical service that involves "the application of special skill and experience of a degree or kind that general medical practitioners as a class cannot reasonably be expected to possess" is probably also relevant in the context of a follow-up benefit.

37. We do not doubt that there are cases where hardship is caused by the absence of a specialist benefit for the necessary specialist supervision of chronic illnesses. However, we do not feel competent to make the distinctions which might be necessary between supervision and treatment; to specify what illnesses should be "certified" as needing specialist supervision; to specify levels of benefit; or to determine conditions. These are matters for expert investigation and negotiation.

38. It is obvious, too, that the clinical services offered by public hospitals, and the possible effect on them, have to be taken into account. These are outside our terms of reference. We can therefore make no recommendation on this matter, but suggest that it could be the subject of examination by the Board of Health or the Department of Health.

SUGGESTIONS FOR FREE SPECIALIST CONSULTATIONS

39. Apart from the economist, Dr W. B. Sutch, who saw the role of the specialist as one member of the free, salaried social health centre, most advocates of a free specialist service based their case

on the historical concept of a free public medical service. Not all such advocates were entirely convinced that a completely free specialist service was warranted outside that given in public hospitals. Some were clearly concerned that the ability of a patient to recover private specialists' (for example, surgeons') fees from the State could work against the State priority of ensuring an adequately staffed and well equipped system of public health care.

40. Taking a somewhat different line, the New Zealand Medical Association stressed the position of the general practitioner as the recognised point of entry into medical care. It is here, and only here, that the patient has the discretion of initiating a benefit, and so may be restrained from overusing the service by having to pay a fee. What follows is up to the doctor. By doing what he can for the patient, and as quickly as possible, the general practitioner prevents unnecessary use of the more costly areas of the medical service. He exercises his ability, knowledge, and judgment, and decides whether specialist or other services are necessary; and thus it was argued "that as a general principle these supporting benefits should cover the whole cost of the service".

41. The Association went on, however, to say:

We cannot go so far as to suggest that the right of the people supplying these services to charge a private fee should be done away with altogether. Unfortunately, there is always the danger of the State neglecting its duty to keep these services fully financed, and if this happens it is better for society that the services should be maintained even though the patient has to make a private contribution rather than that they should be wrecked by the inability of the specialists to charge a private fee. However, we submit that arrangements should be made . . . to keep the right to charge a private fee in abeyance. . . . In the field of specialist consultation proper, it may be found impracticable to get rid of the private fee altogether but this should be kept at the lowest possible level.

42. The Medical Association of New Zealand, on the other hand, regarded the specialist benefit "as an extension of existing deployment of medical services for the patient at the point of entry into the health system", but maintained its traditional attitude of opposition to accepting a benefit in full settlement.

43. Other arguments put forward in favour of free specialist services are very similar to those for the G.M.S. benefit, and the contrary viewpoints there expressed also apply in this context.

44. Even if we considered that patients should be relieved of all payment for private consultations with specialists, this would not in present circumstances be feasible. The State could not possibly agree that it would pay the full fee, whatever it might be, and leave to

the practitioner the sole right to name the fee. To say this is no reflection on the medical profession. No profession or trade can expect, or get, a blank cheque for its services.

45. In any case, we are not persuaded that it is either necessary or desirable that specialist consultations outside of the public hospitals should be completely free to the patient. We are not unsympathetic to the idea that the patient should pay only at the entrance to the field of medical service—for consultation with the general practitioner—and that he should not need to pay for subsequent consultations and treatment. But we think that this idea is very substantially realised in so far as public hospitals can give adequate specialist services. Where such services are adequate, we do not see that the State need meet the full costs for the patient who prefers a private specialist to the free service which is offered.

46. Although the specialist services offered by public hospitals vary from place to place and do not always cover all specialties, especially for outpatients, we are not entitled to assume that this will always be so. We should not, therefore, seek to remedy existing deficiencies by making private consultations free. We have also noted that there is much interdependence between public and private facilities in this field. We see the problem, to the extent that it exists, as being a matter primarily for the organisation of medical services, and this is not our task.

THE AMOUNT OF THE SPECIALIST BENEFIT

47. The Special Committee on Availability and Distribution of Medical Practitioners recommended that a specialist consultant benefit "should be limited to half the consultant's fee, up to a maximum benefit of 2½ guineas" (say \$5.25). This recommendation was made in 1963, and we have seen that when the benefit was introduced in 1969 the amounts were \$5 and \$3.50, though we imagine that there probably had been some increase in consultants' fees in the interim.

48. We are unable to say what the present charges are for specialist consultations. This did not emerge in the submissions or evidence placed before us, probably because few wanted the benefit fixed at a proportion of the fee, or because of the necessarily wide variation in fees on account of the range and varying complexity of the consultations.

49. In any case, it is not necessary for our purposes to know what the present range of fees is. It can be assumed that the present benefit probably covers something less than half of the fee in many cases. The question is whether the benefit should be increased.

50. First, it must be remembered that the present benefit was introduced, at the present amounts, only in 1969, when it was welcomed as a considerable step forward. We have heard little to suggest that the benefit is inadequate, apart from the argument that in principle the patient should pay nothing.

51. Second, we have already recommended certain increases: in the G.M.S. benefit, in the payment for extended time, and in the payment for consultations out of ordinary hours. We consider that all of these should increase the benefits which will be paid for specialist consultations in those circumstances where the specialist consultation benefit itself is not payable. To this extent both specialists and patients will be helped.

52. Third, we are unable to judge what effect a specific increase in the specialist benefit might have on the complex systems for giving medical care. We are unable to say that the effect will be prejudicial to the public medical care system because in this area the public and private sectors tend to be complementary rather than competitive. But at least we consider that developments in one sector should be coordinated with developments in the other, and this is beyond our sphere. Even in the private sector there could be undesirable repercussions. The balance between specialist and general practitioners could be upset. We heard a good deal to the effect that there is already a shortage of general practitioners. It is not for us to interfere in the general deployment of medical care resources.

53. For all of these reasons, we have no recommendation to make about the amount of the specialist benefit payable to patients generally.

54. We accept that having to pay about half the specialist fee may deter some patients from recommended specialist consultations. We have allowed a special rate of the G.M.S. benefit for special groups to meet a similar situation arising from hardship or a frequent need for medical help. We have to consider whether like measures are needed for the specialist benefit.

55. One important factor is that free specialist facilities are often available at public hospitals. Another is that there are far fewer private specialist consultations than there are services given by general practitioners. And further, though the very old and the very young need medical help from general practitioners more often than other age groups, they do not necessarily need more specialist care.

56. There remains the important consideration that income-tested social security beneficiaries will not generally be able to afford specialist fees. Because free facilities are already often available, we

cannot recommend that the benefit be increased for such groups in all circumstances. Nor are we competent, with our limited knowledge of what facilities are available, to lay down any formula for increasing the benefit in certain circumstances and not in others.

57. Another difficulty is that, in this case also, it would be of no advantage to the patient to raise the benefit if this were to lead to increases in fees which would offset the increase in benefit. We have no information which would enable us to conclude that specialists would accept an increased benefit in full satisfaction of their fee for special groups of patients.

58. For these reasons we do not feel that we can recommend that the specialist benefit be increased for special categories of patients. Nevertheless, there is a problem in respect of those with very limited resources and we do not think this best dealt with, as it now is, by the availability of supplementary social security assistance benefit to cover exceptional commitments. To our mind it would be better if it were examined by representatives of the State and the medical profession with a view to negotiating a benefit for selected groups which would be accepted as the full fee in those cases.

REVIEW OF SPECIALIST BENEFIT

59. The benefit should clearly be reviewed from time to time to enable the amount to reflect changes in economic, medical, and social conditions, and most importantly to measure its effects on public medical care. We consider that a system of review similar to that suggested for the G.M.S. benefit should also apply to the specialist benefit.

MISCELLANEOUS SUBMISSIONS

60. The New Zealand Registered Nurses' Association argued that there should be help for those families who have to move temporarily to another place to enable one member of the family to undergo specialist treatment available only on a national or regional basis—for example, for cardiac surgery, kidney transplants, or cobalt treatment. It was represented that the support role of the family in some cases was a vitally important part of the patient's treatment. The transfer could cause a great deal of extra expense. The specialist treatment benefit is a patient benefit, and although the reasons for such transfers are medical, giving help to families of patients undergoing treatment is beyond the scope of medical benefits. We therefore have no recommendation to make.

61. The New Zealand Foundation for the Blind sought relaxation of the condition that the specialist consultation benefit is payable only in referred cases. The foundation considered that blind people should be able to go directly to their ophthalmologist because most of the treatment relates to an eye condition. The same argument could be applied to other illnesses. If exceptions are to be made, we think that they should be carefully thought out by those with expert knowledge of the conditions which may justify such an arrangement. It would, we think, be difficult to make clear distinctions here among consultation, supervision, and treatment; and the facilities available at public hospitals would be an important factor to be taken into account.

62. For these reasons we do not feel able to make any recommendation except to suggest that this is a matter which could well be examined by the Department of Health. Indeed, we see this matter as being part of the problem discussed under "specialist follow-up benefit".

CONCLUSIONS

63. Our conclusions are briefly:

- (a) Whether there should be a specialist investigation benefit is a question for an inquiry which specifically covers the provision of medical care, including the part that should be played by public hospitals.
- (b) We see no justification for paying specialist treatment benefit for the kinds of services which are, or should be, available through the public hospital system.
- (c) We consider there are grounds for a specialist psychotherapy (treatment) benefit, and that amounts and conditions should be negotiated between the Government and the medical profession. In the meantime, the G.M.S. benefit, including the higher benefit for special groups, and extended time additions, should apply when a patient has been referred to a psychiatric specialist for treatment.
- (d) The question of paying a specialist "follow-up" benefit for the supervision of certain chronic illnesses could be decided in principle only by an inquiry which is able to take account of the effect on the clinical services offered by public hospitals; and in detail by expert investigation and negotiation.
- (e) We are not persuaded that it is either necessary or desirable that specialist consultations outside of the public hospitals should be completely free to the patient.

- (f) We are unable to recommend that the amount of the specialist benefit should be increased to patients generally at the present time.
- (g) The possibility of increasing the specialist benefit for special groups of patients (as we have recommended in respect of the G.M.S. benefit) could best be dealt with by negotiation between the Government and the medical profession.
- (h) The amount of the specialist consultation benefit should be reviewed periodically.

RECOMMENDATIONS

We recommend that:

- (90) The present system under which the specialist benefit is paid generally for consultations and not for treatments, which are or should be available through the public hospital system, be retained.
- (91) The amount of the specialist benefit remain for the present at the existing levels but the amounts payable under section 97 (3) (b) (4) and (5) of the Act be the same as may be payable as general medical services benefit with the same additions where relevant.
- (92) The possibility of instituting a specialist psychotherapy (treatment) benefit be negotiated between the Government and the medical profession; in the meantime when patients are referred to psychiatric specialists for treatment the higher benefit under section 97 (5) be payable without restriction as to the fee that may be charged.
- (93) The possibility of paying a specialist follow-up benefit for the supervision of certain chronic illnesses be investigated by the Board of Health, or some other expert body, having regard, among other things, to the effect on the clinical services offered by public hospitals.
- (94) The possibility of increasing the specialist consultation benefit for special groups of patients be investigated and negotiated between the Government and the medical profession.
- (95) The amount of the specialist consultation benefit be reviewed periodically, taking account of all relevant considerations.

Chapter 46. PHARMACEUTICAL BENEFIT

INTRODUCTION

1. The provision of "free medicines" was one of the proposals submitted by the Government for examination by the 1938 Select Committee on National Health and Superannuation. In its report, the committee recorded that "the proposal of the Government is to provide free medicines on the prescription of a doctor and such other appliances or materials as may be defined by regulation". The committee stated that there would be no great difficulty in introducing such a proposal, that the Pharmaceutical Association would co-operate with the Government, and that in practice medicines and certain appliances had been given free for many years through the Friendly Society movement. No specific recommendation was made by the committee which merely suggested that "the Minister should be empowered to make arrangements for the supply of proper and sufficient drugs and medicines and prescribed appliances to persons resident in the Dominion".

2. The pharmaceutical benefit began on 5 May 1941, and has not basically changed since. Very briefly, it enables a patient to obtain free, or subject to a part charge in some cases, pharmaceutical requirements which are prescribed by his doctor "in the course of providing any benefits" under Part II of the Act (section 88). Although the definition of "pharmaceutical requirements" in the Social Security Act 1964 still contains the word "appliances", emphasis has always been on medicines; no appliances (as the word is generally understood) have in fact been included under these arrangements although some are provided as an extension of hospital services. The system has never been entirely free because a part charge has always had to be paid in respect of some drugs.

3. The cost of the pharmaceutical benefits system has been continually debated in New Zealand and several committees have studied and reported on the question during the last 20 years. The Medical Services Committee (Cleary Committee), for example, reported in 1948 that:

The principal factors which . . . have caused the heavy annual increase in the cost to the fund of these benefits may be summarised as follows:

- (i) The general medical services benefits have encouraged the public to resort to doctors for trivial complaints, with the

result that there has arisen a "patient-pressure" on the doctor which can only too easily be satisfied by prescribing medicine, towards the cost of which neither the patient nor the doctor contributes. This financial irresponsibility in the seeking of medical advice and the obtaining of prescriptions has undoubtedly led to a large measure of unnecessary and over prescribing:

- (ii) In recent years the use of new and expensive drugs has become much more general:
- (iii) There have been many instances of the unnecessary selection by doctors of the more expensive forms of medication, and there have likewise been instances of irresponsibility on the part of some practitioners in prescribing excessive quantities of drugs:
- (iv) There has been much unnecessary waste of medicine through loose methods of sanctioning repeats of prescriptions:
- (v) The wholesale cost of drugs has increased, and the greater duty and sales tax payable have resulted in proportionately increased prescription prices. In addition, the rate of sales tax has itself been increased.
- (vi) Many items previously bought over the counter from chemists are now prescribed.

4. This 1948 report went on to say that a number of the factors contributing to increased costs were beyond the control of the medical profession, and to recommend the devising of a pattern for economy in prescribing with a view to its general adoption, and the investigation of all cases where there appeared to be reasonable evidence of over-prescribing by doctors. So far as the public was concerned, "the committee could see no method whereby the position could be improved other than the adoption of the principle of part payment by the patient of the cost of prescriptions". It was accordingly recommended that, except for specific cases (for example, the supply of insulin to a diabetic), the principle of part payment by the patient be adopted.

5. This, however, was not done, and in the middle fifties a very sharp increase in the average cost of prescriptions provoked an inquiry by a Special Committee on Pharmaceutical Benefits which reported in 1957. This committee, although it did not consider that the "patient-pressure" referred to by the Cleary Committee was a major factor at that time, supported the recommendation for a part charge on prescriptions. It recommended, however, that the charge should be a flat rate for each prescription, not a percentage of the cost, and that exemptions from the charge should be granted on economic grounds, not for specific ailments. Again the recommendation was not adopted.

6. Another Special Committee on Pharmaceutical Benefits was set up in 1961 and reported in 1963. One of the terms of reference

of this committee was "to review the operation of the pharmaceutical benefits scheme since its inception in 1941, with special reference to costs, and the various measures which have been adopted from time to time with the object of controlling costs". In an interim report submitted at the end of 1961, the committee considered that the only measure likely to have an immediate effect in curbing the rising cost of pharmaceutical benefits would be a charge on prescriptions and recommended the introduction of a system in which there would be a basic flat rate charge of 10c for the less expensive drugs, and a part charge of approximately 20 percent on the others. Certain expensive but essential drugs should, it considered, be subject to charges at lower than normal rates.

7. The reports of these committees contained many other recommendations dealing with the administration of the scheme. We see no point in summarising these here. We should note, however, that the Public Expenditure Committee of Parliament which investigated the pharmaceutical benefits scheme in 1968 had no recommendations to make about the basic principles of the existing system.

THE PRESENT SITUATION

8. The Drug Tariff, which is a ministerial direction issued in terms of section 99 of the Social Security Act 1964, sets out the conditions for providing drugs, and the basis of payment to chemists. A schedule to the tariff, which lists the official titles of drugs which may be prescribed under benefit, is reviewed three times a year by the Pharmacology and Therapeutics Committee, some members of which are specialist physicians in private practice. The chairman is the Director of Clinical Services, Department of Health.

9. Factors taken into account in considering applications for additions to the schedule of drugs are therapeutic value, safety and side effects, and cost, but the medical considerations are paramount. Many new drugs, for example, are restricted to supply through a hospital board dispensary until more is known about them, or until they have been shown to be relatively free from side effects. Some drugs may be further restricted to supply through a hospital board dispensary on the recommendation of a specialist. Occasionally, a drug may be retained on the hospital board list because of its very high cost. This indicates that it should not be used as a drug of first choice, but it will still be available if needed. But even a very expensive drug will be added to the tariff if its medical qualities warrant this being done.

10. Where there is a wide range of drugs of a particular type (for example, anti-histamines), a maximum acceptable price for the whole group is usually fixed. Drugs within the group which exceed

the acceptable price may be added to the tariff, but any excess over the acceptable price is payable by the patient. So far as is practicable, wherever a part charge applies there is an equivalent free preparation available. The number of items carrying a part charge has increased in recent years because it is considered better to maintain a wider range of available drugs, even if some carry a part charge, than to restrict the tariff to those which are entirely free and so require patients to pay the full cost for those not included.

11. The Pharmaceutical Advisory Committee, comprising representatives of the Department of Health, chemists, pharmaceutical manufacturers, commercial interests, and the medical profession, is concerned mainly with the detailed operation of the scheme. It has liaison with the Pharmacology and Therapeutics Committee which we have already mentioned. A separate Pharmaceutical Benefits Negotiating Committee, which comprises equal representation from the Department of Health and the Chemists' Guild, under an independent chairman, deals with factors which materially affect the payment of chemists.

12. Expenditure on pharmaceutical benefits is set out in appendix 12. For the year ended 31 March 1971, expenditure totalled \$30.78 million, an increase of \$3.47 million over the preceding year. The average cost per prescription was \$1.52 in 1970-71 (\$1.44 in 1969-70), and 19,026,626 prescriptions were passed for payment. Expenditure in 1960-61 was \$13.60 million and in 1950-51, \$4.2 million. Expenditure has more than doubled in the last 10 years, and the rate of increase is rising. It must be noted, too, that the cost of drugs provided free by hospital board dispensaries for inpatients or for outpatients is not included in the pharmaceutical benefit expenditure figures.

13. Undoubtedly, the existence of the pharmaceutical benefit scheme has enabled the advantages of modern methods of drug treatment to be readily available to all members of the community irrespective of ability to pay. The high cost of some drugs may otherwise have influenced prescribing. Patients may have been reluctant to call in a doctor, or to collect prescribed medicines if a large cash payment was involved. Efficient treatment with modern remedies often keeps patients out of hospital, and even at work, saving public funds and increasing productivity. A greater lifespan has raised the number of aged people who frequently need long-term drug therapy, possibly with newer, more expensive preparations. Moreover, worldwide experience shows that pharmaceutical costs are increasing everywhere, and it must be expected that unless the public is to be deprived of the advantages of progress in the development of new, more effective and more costly drugs, expenditure on the benefits

scheme will continue to rise. But because of the undoubted value to the health of the community, the avoidance of hospitalisation and the increased national productivity, some increased expenditure will be worth while.

14. Because the rise in costs has been spectacular, the pharmaceutical benefit has drawn much public attention, and indeed criticism. The expenditure, obvious and measurable, has been stressed at the expense of the less-perceptible humanitarian and economic advantages accruing from it. In this context, the British Report of the Committee on Cost of Prescribing (Hinchliffe Committee) in 1959 contained this pertinent observation :

We were concerned to note the totally inadequate publicity given to the remarkable saving in life, improvement in health, increase in efficiency and saving on expensive institutional treatment which all stem from, among other things, the use of new drugs. We urge the Minister of Health to consider ways and means of publicising these facts in a telling manner.

It is just as important in New Zealand as in Britain that the admittedly high cost of the pharmaceutical benefit should be seen in its proper perspective so that criticism of cost can be tempered by a rational overall view.

15. Be that as it may, available evidence does not suggest that the cost of the pharmaceutical benefit in New Zealand is out of line with expenditure on drugs and medicines overseas. International comparisons of costs are notoriously difficult to make, but the following have some relevance:

- (a) An analysis prepared by the United States Department of Health, Education, and Welfare in May 1971 indicates that the prices paid in New Zealand for a range of drugs compared, on the whole, favourably with those paid in other countries (see appendix 18).
- (b) From 1950 to 1968 the average total cost of a prescription rose by 3.5 times in Britain, but the average cost of a prescription benefit rose only 2.2 times in New Zealand.
- (c) It is stated that in 1968 the average American spent US\$17.07 on prescribed medicines. In the same year the cost of the pharmaceutical benefit in New Zealand was NZ\$8.17 per head of population.

16. So far as our inquiries have gone, it appears that those responsible for operating the pharmaceutical benefit system have been diligent and successful in keeping the cost to the community within proper bounds, considering the general aim of ensuring that those medicines which should be available to the public are available. This does not mean, of course, that the New Zealand system

itself cannot be improved. But it has to be remembered that the system has to deal with a very complex problem in which the interests of many different sections of the community are involved—not only citizens as patients and taxpayers, but doctors, pharmacists, wholesalers, and manufacturers. It must be remembered, too, that the New Zealand system has evolved to deal with conditions as they exist in New Zealand, which differ in many respects from those elsewhere. It has withstood a number of critical inquiries, it is well thought of by overseas health authorities, and in general it is supported by the sections of the community in closest contact with it—the pharmacists and the medical profession.

17. Nevertheless, there were submissions seeking to have the system changed in different ways. Many of these dealt with aspects of the organisation or administration of medical care and health services which are beyond our terms of reference, but were yet so closely related to the pharmaceutical benefit itself that it has not been possible for us to maintain as complete a separation as we might have wished. We now consider the submissions under four general headings:

Patient contributions

Extension of the scheme

Restrictions

Medicines Commission

PATIENT CONTRIBUTIONS

18. A variety of proposals was received ranging from the free supply of everything for everybody to a payment by everybody for everything. It can certainly be argued that no obstacle should be placed in the way of a patient to deter him from obtaining treatment which has been prescribed by his doctor, but on the other hand the free supply of all available drugs goes too far and is not essential to the nation's health. Some of those who advocated a general charge on prescriptions did so on the grounds that people are more likely to value that which costs something than that which appears to cost nothing. Others looked to a charge as an offset against Government expenditure, and a deterrent against overprescribing and wastage. It was generally acknowledged, however, that if any general charges were to be imposed, exemptions on the basis of need or for specific illnesses would have to be granted and that these could be quite extensive.

19. As we have already mentioned, part charges are already imposed for drugs which are priced at above what the Department of Health considers "reasonable". This is done in the public interest, and

yet enables patients for whom these particular drugs are prescribed to obtain them at a comparatively moderate cost.

20. Some submissions sought to do away with these selective part charges, but we are unable to agree with this. The system allows doctors to prescribe from a wide range of preparations without control over costs being entirely lost. To remove these particular drugs from the tariff could save money for the State, but patients would have to pay more for them and doctors might feel unduly restricted in prescribing what they considered best in particular cases. The alternative course of accepting prices above what is considered reasonable would result in a considerable increase in expenditure, and suppliers would be encouraged to charge the highest prices possible. The present pragmatic approach appears therefore to be satisfactory.

21. It must also be noted that by applying in writing to the Department of Health, a doctor can obtain free supplies of any drug (including those not listed in the Drug Tariff or which normally carry a part charge) needed by a patient who cannot afford to pay for it.

22. While some people have opposed part charges on some medicines, others have advocated the imposition of part charges on all medicines. In their submissions, the Department of Health, the Medical Association of New Zealand, the Registered Nurses Association, and the Associated Chambers of Commerce all considered that a general charge on prescriptions should be imposed. Strong opposition to such charges was expressed by the New Zealand Medical Association, the Federation of Labour, a section of the National Council of Churches, and a number of other organisations and individuals. The Chemists' Guild had strong reservations "on part charge systems" (particularly variable charges) and opposed their introduction. The members of the Pharmaceutical Manufacturers Association were not unanimous about imposing a part charge on prescriptions, but strongly preferred a flat rate rather than a percentage-of-cost system.

23. The Department of Health recommended "a variable percentage charge on prescriptions with exemption from charges in the case of patients under the age of 15 years or over 65 years and those social security beneficiaries and pensioners, and their dependent children, who at present qualify for the higher rate of G.M.S. benefit", and expressed the view that "such a charge should provide positive incentives to doctors to prescribe less-expensive drugs and in smaller quantities".

24. In this context it is interesting to examine the result of the British flat-rate part-charge system, bearing in mind that general-practitioner services there are free. In December 1956 the charge

of 1s. a form was changed to 1s. a prescription. It was expected that this change would produce an extra £5 million a year in revenue. Compared with 1956 (which had 11 months of the 1s. a form system), revenue did increase by about £3 million, but the cost of prescriptions rose by over £4 million despite a reduction of 20 millions in the number of prescriptions. Commenting on these figures, the Hinchliffe Committee stated "... it must cause everyone to wonder whether the change in method of charging was worthwhile and whether, in fact, the State would have fared better if the Government had left the charges as they were".

25. The Hinchliffe Committee, however, considered the possibility of imposing a charge which varied in proportion to the cost of individual prescriptions. It thought that this method would remove some of the defects of the flat-rate system while still encouraging economy in prescribing, and curbing manufacturing and advertising costs. The committee foresaw a number of practical and administrative objections to this method which seem to us relevant in New Zealand. A doctor might refrain from prescribing the most effective cure because it was expensive, or a patient might not present for dispensing an expensive prescription which a doctor had given him. Those needing very expensive drugs would be the hardest hit. The collection of a percentage charge by chemists would impose an extra burden on them. Not only would the amount have to be calculated, the charge would possibly have to be explained and substantiated with consequent delays in dispensing. Checking and collecting the charges would make extra work.

26. The Hinchliffe Committee concluded that charges on prescriptions tend to be resented by patients and doctors as a tax on illness and, as with all taxes, stimulate the desire to pay as little as possible for the greatest return. A more effective method of control in the committee's opinion lay in restricting quantities to be supplied on a prescription with exceptions in chronic or particular cases.

27. Part charges for prescriptions have nevertheless continued in Britain in recent years with the amounts payable by the patient varying from time to time. It is our understanding that while this system has resulted in reduced State expenditure on pharmaceutical drugs, and has produced some initial reduction in the demand for them, administrative costs have increased, the demand for drugs has quickly returned to previous levels, and overall expenditure (that is State and private) on pharmaceutical drugs has continued to rise. As a means of reducing waste or overprescribing, it would appear that the British part-charge system has not been demonstrably effective.

28. To summarise then, the arguments in favour of a part charge on prescriptions are that:

- (a) It will reduce the cost to the State ;
- (b) It will help to control the prices charged for medicines, and thus the total cost;
- (c) It will deter waste.

Reduction of Cost

29. As to the first argument, in New Zealand there is no doubt that a charge of say 20c a prescription on about 18 million prescriptions could theoretically bring in the very substantial sum of about \$3,600,000 in a year. But in practice this could not be expected. It would, we think, be necessary to exempt social security beneficiaries, and perhaps others, from the charge, as the Department of Health has recommended. We do not know what the effect of this would be, but we understand that in Britain some 40 percent or more of the population are exempt from the prescription charge, and we know that old people tend to have more than the average number of prescriptions. Thus the saving would certainly be very much less than \$3,600,000, probably no more than half of this amount.

30. The saving would also be offset by the increased costs of administration, including, most probably, a payment to pharmacists for the extra work in collecting charges.

Control of Prices

31. The argument for controlling prices would apply more to a percentage than to a flat charge, because patients would presumably prefer the less-expensive medicines carrying the lower charge. But it is the doctor, and not the patient, who should decide what is needed in each case. We consider that the present system has been at least reasonably successful in controlling the prices charged, and we would not like to see these methods relaxed in favour of the very dubious alternative suggested.

Deterring Waste

32. As to a part charge deterring waste, it has first to be remembered that it is the doctor who prescribes, and there is no evidence that overprescription is significant in the cost of the pharmaceutical benefit. Undoubtedly it does occur, and will continue to do so, both in the sense of prescribing too liberal quantities, and in the sense of prescribing more expensive medicines where a less expensive one would be equally effective. But we have no doubt that most doctors are as conscientious in this matter as they are in others.

33. Instead of deterring waste, the imposition of a flat charge might encourage it by leading to prescription of larger quantities.

British experience was that greater quantities were prescribed following the imposition of charges. This would, we think, be a very natural reaction.

34. We doubt whether a part charge would deter waste by the patient. Again, it is certain that there is "wastage" in the sense that medicines are not all used up, and we were told of the large accumulation so often found in homes. But again this should be expected. When the desired effect has been gained, people stop using the medicine. Prescribing cannot be an exact science. It could possibly be better, and in the end less expensive to the State, to have a degree of overprescribing rather than of underprescribing.

35. It must also be remembered that the "large accumulations" would almost certainly include quantities of proprietary remedies which have been paid for in full by the patient.

36. It is true that in Britain and some other countries it is fairly generally accepted that there is some deterrent value in imposing a part charge. But even if this is so in these countries, it is not necessarily so in New Zealand. Our deterrent, if deterrents are needed, and if a user-pay component can properly be so-called, lies in the sum paid by the patient as his part of the doctor's fee. It is surely more soundly exercised at this initial point than after diagnosis at the point when a prescribed medicine is needed for treatment.

37. It seems to us, too, that a part charge would be at best a very imprecise method of reducing waste. Twenty or 30c would not deter the well-to-do. It could not deter that large part of the community who were exempted from it. It could only deter those in the "middle" section of the community who pay most of the taxes which support the system, and who need to be fairly budget-conscious. To the extent that it did stop these people from "wasting" drugs and medicines, it would mean that they might refrain from obtaining for themselves and their families medicines which had been prescribed by their doctors. We cannot convince ourselves that this would be to their advantage or to the advantage of the community.

38. Consequently, we must conclude that the imposition of a part charge would reduce the cost of the pharmaceutical benefit to the State by less than is generally supposed, and that the savings won would not justify the risks and disadvantages of departing from the present basically "free" medicine system. We should continue to rely on the professional competence and integrity of our medical practitioners, supported by the checks and safeguards which are now in operation. For these reasons we do not favour the imposition of a general part charge.

EXTENSION OF THE SCHEME

39. One basic feature of the present scheme is that the list of drugs available under full benefit is not unlimited. Decisions are made from time to time about which drugs should be free, which drugs should carry a part charge, and which should be excluded from the tariff and thus from the benefit. This is a rational approach in terms of safeguarding public health and controlling costs, and one which does not appear to cause hardship or prejudice full medical care and treatment. The criteria to be met in considering applications for additions to the Drug Tariff are that the drug is safe, that it has therapeutic value, and that the proposed cost is fair and reasonable. In our opinion, therefore, the selective free tariff system (that is, the "limited list") should be retained. However, among the classes of material currently excluded from the Drug Tariff are preparations prescribed as foods, or for contraceptive purposes or for pregnancy tests, and certain proprietary articles (such as bandages and dressings). It was suggested to us that some relaxation for these and other items might now be justified.

Special Foods

40. At present for certain specified and rare illnesses or conditions, the cost of special foods prescribed for any patient may be met at public expense by the Department of Health. Applications for supplies of special foods for other conditions not specifically authorised are referred to the Social Security Department for a recommendation based on the financial need of the patient. If a favourable recommendation is made, the special foods are supplied free to the particular patient. This procedure seems to us adequate to deal with the supply of special foods, provided the list of illnesses and conditions is kept up to date, and there is a reasonably liberal policy for other non-specified conditions in individual cases of hardship.

41. We are convinced that there must be a tight rein on accepting responsibility for the cost of special foods. The emphasis must be on "special" foods, or "special" cases. Thus no formula will suffice; there must be expert and flexible organisation, and this we have.

Contraceptives

42. Drugs which act as contraceptives sometimes have therapeutic uses as well. If they are needed for such uses they are available under pharmaceutical benefit if the medical practitioner endorses the prescription with the words "approved condition". The Drug Tariff definition of "approved condition" is a pharmaceutical requirement "ordered for therapeutic purposes but neither for contraceptive purposes nor as a pregnancy test". In such cases no problem arises.

43. The position is quite different when the drug is to be used as a contraceptive even when the prevention of conception is considered to be medically necessary. The Department of Health submitted that it had "no authority to approve special supplies as a supplementary benefit even where a doctor has submitted a strong case for recommending supplies on grounds of medical need and hardship".

44. The New Zealand Family Planning Association submitted evidence that there is a correlation between poor standards of child care, higher rates of perinatal mortality, nutritional and psychological defects in children, lack of opportunity for children, and financial deprivation arising out of uncontrolled population growth especially in the "lower socio-economic groups". The association proposed that the knowledge and means of spacing the arrival of children should be provided for by the health services not as an encouragement to parents to limit the number of their children for frivolous or selfish reasons, but to promote maternal and child health. In particular, the association submitted that contraceptives should be available under benefit for family planning purposes in those cases where the medical need and financial hardship was substantiated by a doctor. The Department of Health supported this submission.

45. We are here faced with a problem which, in one sense, comes within our order of reference, and in others goes far beyond it. It is best met, we think, by focusing our attention on the wording of the Social Security Act which, in defining "pharmaceutical benefits", refers to "such pharmaceutical requirements . . . as are ordered . . . by any medical practitioner in the course of providing any . . . benefits in accordance with this Part of this Act". The key to the problem is that the medical practitioner must make a decision about the health of his patient. It seems to us that if, in his opinion, it is essential in that interest that conception should be prevented, he is entitled to prescribe the pharmaceutical necessities of that purpose.

46. It is not, we think, within the province of the doctor in prescribing for his patient's health to take account of the factors mentioned by the New Zealand Family Planning Association and we wish to make it quite clear that any recommendation which we make is based on health considerations alone. Our opinion is that if a doctor prescribes drugs for contraceptive purposes, and certifies that the prevention of pregnancy is medically necessary, the prescribed drugs should attract the pharmaceutical benefit.

47. It is not unlikely that the acceptance of this responsibility may result in doctors being put under pressure to authorise supplies under benefit when the medical necessity does not, in fact, exist. It would be desirable, therefore, that any amendment to the Drug Tariff or regulations should be discussed with the medical profession before any change is made.

Pregnancy Tests

48. The situation regarding contraceptives applies also to pregnancy tests, which are often sought for other than strictly medical reasons, and accordingly, have been excluded both from the pharmaceutical benefit and from benefit under the Laboratory Diagnostic Services Regulations. Again, we consider that medical necessity should be the criterion, and when that is established by certification by a doctor, pregnancy tests should attract the laboratory diagnostic services benefit. Our recommendation on this matter is in chapter 47.

Bandages, Dressings, etc.

49. It was urged that certain proprietary articles should be added to the Drug Tariff—in particular bandages and dressings, drugs used by anaesthetists and saccharin tablets. We consider it unnecessary for us to discuss these items. There are appropriate expert committees constituted under section 121 capable of advising the Minister about how much these items are needed for proper medical care of patients, and what safeguards should be imposed against overuse. Such matters are best left to those committees.

Drugs Prescribed by Dentists

50. The New Zealand Dental Association submitted that registered dentists be “authorised to prescribe, as pharmaceutical benefits, those drugs necessary for the treatment and therapy of patients in the practice of dentistry”. The Department of Health supported this proposal. Dentists are permitted to prescribe drugs for the treatment of oral conditions, but the patient has to pay the full cost. To overcome this charge, some dentists request a doctor to prescribe the drugs. The association submitted that this procedure had the following disadvantages: responsibility for treatment became divided; it is time wasting; cost to patients and the State is increased; delays can occur; the doctor may prescribe without being fully conversant with the patient’s condition.

51. The necessity for adequate consultation between dentist and doctor when drugs are prescribed was emphasised in cross-examination by the New Zealand Medical Association. The Dental Association confirmed that their members were very conscious of the need to maintain a close liaison with a patient’s doctor but considered that the reverse situation was equally important because a patient could be taking drugs prescribed by a doctor which could influence a dentist’s treatment. The Dental Association also acknowledged the willingness of dentists to accept the disciplinary provisions of

the pharmaceutical regulations as now apply to medical practitioners, and to prescribe within the present limitations of the pharmaceutical benefits scheme. We favour the proposed extension.

RESTRICTIONS ON THE SCHEME

52. Apart from the operation of the "limited list", the pharmaceutical benefits scheme is controlled by limitations on periods of supply, quantitative restrictions, special endorsements, supply through public hospital dispensaries, and supply on "recommendation" only. The one control which provoked the most discussion during our inquiry was the restriction placed on some drugs for supply only through a public hospital dispensary. The Department of Health stated that this restriction was originally adopted in order to save money, but the primary, and generally the sole, reason now is one of safety.

53. The main objection to restricting supply through a hospital dispensary is the inconvenience to patients. From the chemists' point of view, of course, there is a loss of trade, and this would also apply to wholesalers and manufacturers who could expect a greater turnover if the drugs were unrestricted. The Department of Health stated that it "dislikes this method of supply and considers that the only justification for continuing to use it is that it is believed to safeguard health".

54. The number of drugs restricted to hospital dispensaries is 123, of which 103 need the additional recommendation of a specialist. Three times a year the restricted list is reviewed by the Pharmacology and Therapeutics Committee.

55. The Department of Health proposed that when the Specialist Register has been compiled by the Medical Council the drugs now requiring the additional recommendation of a specialist be available from pharmacies on that recommendation. The Chemists' Guild suggested that the use of the "Approved Condition" endorsement on prescriptions for the restricted drugs would be a satisfactory alternative to hospital supply.

56. It is clear that there must be adequate safeguards, but there is at present adequate machinery for determining matters such as this and this machinery should be used. We see no reason to make any other recommendation.

Restriction on Dispensing Contracts

57. The Public Expenditure Committee 1968, recommended "That the Minister of Health be empowered to withhold dispensing contracts subject to a right of appeal to the independent pharmacy authority

appointed under section 6 of the Pharmacy Amendment Act 1954". (Now section 33, Pharmacy Act 1970.) The Department of Health stated that the Minister of Health had asked that this matter be referred to the Royal Commission on Social Security for its consideration. We are firmly of the view, however, that this matter is quite outside our terms of reference or our competence to consider.

MEDICINES COMMISSION

58. The Public Expenditure Committee in 1968 recommended the establishment in New Zealand of a Medicines Commission, and this recommendation was supported in several submissions made to us. The Medicines Commission proposal appears to have been based on a recommendation of the British Report of the Committee of Inquiry into the Relationship of the Pharmaceutical Industry with the National Health Service 1965-67 under the chairmanship of Lord Sainsbury. How relevant this committee's conclusions are in New Zealand conditions we are not qualified to judge.

59. The proposed Medicines Commission would have functions which are primarily related to administration, and only indirectly affect the pharmaceutical benefit. We consider that the issues of whether and how such a body should be constituted are also outside our terms of reference and competence.

RECOMMENDATIONS

We recommend that:

- (96) The present substantially free pharmaceutical drug system be retained and no general part-charge (either flat rate or proportional) be imposed on the patient.
- (97) The Department of Health and the medical profession discuss the conditions under which contraceptive drugs should attract a pharmaceutical benefit when prescribed by a doctor who has certified that the prevention of pregnancy is medically necessary for the patient.
- (98) Dentists be authorised to prescribe drugs necessary in the practice of dentistry, under the pharmaceutical benefit system, and the administrative details of this extension be negotiated between the New Zealand Dental Association and the Department of Health.

Chapter 47. SUPPLEMENTARY HEALTH BENEFITS

1. The benefits considered in this chapter are laboratory diagnostic services (both medical and dental), X-ray diagnostic services, physiotherapy, dental, and artificial aids.

LABORATORY DIAGNOSTIC SERVICES BENEFIT

(A) *For Medical Purposes*

2. This benefit began on 1 April 1946. The original intention that the laboratory service would be based in public hospitals is indicated by the Nordmeyer Committee's recommendation that the Minister be empowered "to enter into an arrangement with hospital boards to provide free of cost to patients . . . such . . . examinations and treatment as may be generally available in laboratories . . . of the hospital . . .". The Social Security (Laboratory Diagnostic Services) Regulations 1946, however, recognised pathologists in private practice for benefit purposes, and required the Minister of Health to have regard, among other things, to "any considerations that in the opinion of the Minister would make the recognition of the applicant contrary to the public interest". There was no similar clause in the X-ray Diagnostic Services Regulations. The reason for the "public interest" reference was presumably to restrain the transfer of pathologists from hospital to private practice.

3. Originally, the benefits paid to private pathologists were higher than those paid to hospital boards but, in 1949, the hospital rates were applied to private practice. At that time, also, the payment of benefits to public hospitals for examinations of inpatients was cancelled. Until 1 April 1951, payments to hospitals were made for each test at the schedule rate, but from that date until 1 April 1964 the payments were assessed annually as a lump-sum, adjusted for any increase or decrease in the number of examinations carried out year by year. From 1964, payment of benefits as such to hospital boards was discontinued and the cost of public hospital services was financed out of general maintenance grants. No charge is made by hospital boards for laboratory services given to inpatients or outpatients.

4. With some exceptions, laboratory diagnostic benefits are payable for laboratory tests done by or under the direct supervision of a

recognised pathologist on the written recommendation of a medical practitioner other than the pathologist. The amount of the benefit is the total fee for the service. The patient can be charged nothing extra.

5. The schedule of fees for various services has been extended on several occasions since 1941, annually in recent years, to keep it in line with the vast increase in the scope and number of tests in all aspects of laboratory medicine. The 1954 schedule contained approximately 70 tests drawing benefit; the present schedule contains 140.

6. There are at present 43 private pathologists practising in 17 laboratories, and 21 of them also hold part-time appointments in hospital laboratories. It is estimated that 3 million tests were done in 1970 in private laboratories, and the average yearly increase from 1962 to 1969 was 15 percent. Public hospitals, on the other hand, made over $6\frac{1}{2}$ million tests in the year ended 31 March 1970, 80 percent of which were for inpatients. Again the average annual increase from 1962 to 1969 had been 15 percent. Cost of the benefit has increased from \$2,062,344 in 1964-65 (after hospital board payments were discontinued) to \$5,334,798 in 1970-71.

7. The Medical Association of New Zealand and the New Zealand Medical Association both recommended that the existing services be maintained in their present form. In a well-documented submission, the New Zealand Society of Pathologists supported this recommendation. They argued that all patients have ready access, free of cost through general practitioners and specialists, to any reasonable modern laboratory test; some laboratories provide a collection service, thus strengthening the practice of domiciliary medicine; the standard of medical practice has increased considerably through the availability of laboratory medicine and consultation with pathologists; specialist physicians and surgeons especially would otherwise be seriously handicapped in their practice; patients can be discharged early from hospital and continue to have the best laboratory supervision for long periods, if necessary, in their own homes; hospital laboratories could not cope without the private laboratories because of the volume of work and the domiciliary nature of services given. The society gave evidence to show that the unit costs per test in New Zealand are considerably lower than in comparable laboratories in Australia, England, and the United States of America.

8. The Department of Health, however, urged strongly that a variable part-charge scheme for services done in private laboratories should be imposed. This proposal was advanced expressly to reduce overall expenditure on the benefit (by about 25 percent), and was seen as desirable especially because expenditure has doubled in

the past 5 years. The department also argued that if the principle of extra charges to the patient for other medical benefits is sound, it should also apply to laboratory benefits, and that there is an increasing risk of excessive use of the services without sufficient medical justification especially as at present the benefit is paid at individual rates for each test forming part of a series on modern automated equipment.

9. The New Zealand Society of Pathologists strongly opposed the Department of Health's proposal. The conflicting points of view are now considered under four headings—costs, constraint on use, excessive use, and automation.

Cost Aspects

10. In 1949 the benefit schedule for private pathology was reduced to conform with the benefit paid to hospitals. In 1961 the benefit for cervical cytology was halved. All other adjustments to the schedule have been by way of additions of new tests to the schedule. The amount payable for individual tests has not been increased. The larger overall expenditure, therefore, has been the result of a growing use of private laboratory facilities following, and at the same time stimulating, technical advances in pathology. These factors also apply in the public hospital service where the increase in laboratory testing closely parallels that of the private sector. Overseas experience shows a similar pattern, and it seems that the increasing expense of laboratory diagnostic services is largely unavoidable unless the present high medical standards achieved in New Zealand (partly as a result of this benefit) and further advances in pathology are to be curtailed. We feel there can be no doubt that giving laboratory services (whether private or public) free to the patient has been a very valuable aid to diagnosis and treatment. Plainly, the system should not be changed without a thorough examination of the likely effects of such a change on the overall provision of high quality and readily accessible medical care to all people regardless of means. But we should not hide our concern at the immense growth in total payments which this benefit has necessitated, and our uncertainty whether the public purse has received all the adjustments justified by economies which should result from greater use of pathological tests and greater use of modern equipment.

11. During the inquiry we were informed that the 17 private laboratories (43 private pathologists) in this country employ 430 technical staff, 138 nurses, and 133 clerical and other workers. The

total costs involved in giving the service are met almost entirely from benefit payments which were stated to form 95 percent of private pathologists' revenue.

12. Although at first sight a part charge would reduce expenditure on the laboratory benefit, the Society argued that there would be no saving in total cost to the State. The partial transfer of demand from private laboratories to public hospital laboratories would require hospital boards to appoint more staff. To the extent that the demand for services was simply transferred from the private to the public sector, there would be no saving as the Department of Health proposal was that services would continue "to be free of charge when given in public hospital laboratories".

13. It was also said that a part charge would create quite substantial administrative difficulties for the medical profession. At the point of time when a general practitioner, having examined a patient, considers that some laboratory investigation is needed, he is often uncertain what tests and how many are likely to be ultimately needed. It would be difficult for him at that time to estimate the cost which he will be imposing on his patient in the way of part charges. The general practitioner, or the pathologist, could find it difficult to collect these amounts at a later stage.

14. Some of the arguments against a part charge appear to assume that many patients would then choose to go to public hospitals for tests, or forgo tests altogether. This, of course, would depend on the amount of the charge. Tests apparently cost on the average something like \$2 each. If the charge on the patient were, say, 20c a test, it is possible that most patients would be prepared to pay this, in which case the saving could be about \$500,000 a year. The greater the charge, the greater would be the resistance, and the more relevant would be the arguments against a charge. The department's aim of saving 25 percent of the benefit cost would presumably require an average charge of from 40 to 50c per test. We have reservations about the savings which are likely to be made by a part charge.

Undesirable Constraint on Use

15. It is significant that the Medical Association of New Zealand which recommended that patients should pay part of the cost for all other services attracting a benefit did not make a similar recommendation for the laboratory benefit. The justification for this seeming inconsistency was said to be that free availability of laboratory services was essential to maintain adequate standards of medical care; that the value of routine screening tests, a developing trend both here and

overseas, would be diminished; that continued investigation would be inhibited; and that laboratory services were materially different from other services.

16. The Society of Pathologists said that some of these differences were that:

- (a) There is no patient pressure for laboratory tests—on the contrary, patients often resist doctors' suggestions for them;
- (b) The patient often does not need to attend the laboratory and does not know what has been done for him;
- (c) Through large technical advances in laboratory medicine, many tests are available at a very low unit cost;
- (d) Because of the low cost and the non-attendance of some patients, fee collection would be more difficult than with, say, radiology, where patients must attend for the service, and where frequent services are unusual.

17. The Department of Health in reply to the assertion that a part charge would undesirably reduce use said that "Experience in the United Kingdom has shown clearly that the restraining influence of charges on services of various kinds is seldom more than transitory". The Society did not agree with this conclusion for laboratory services. It pointed out correctly that there has been no experience anywhere in the world on which to back such a judgment because no other western country has a system similar to ours. It considered that patient resistance to a part charge would be real and lasting with the result that some tests would not be undertaken; some incipient conditions which now come to light following routine tests might well remain undetected; routine testing of pregnant women would probably not be maintained at the present high level; added strain would be placed on hospital resources involving delays in reporting results to private practitioners, and inadequately diagnosed cases would be admitted to hospitals without waiting for results of tests. It also pointed out that for some chronically ill patients not in hospital, frequent tests are necessary as a precondition to treatment prescribed from day to day or week to week, and general practitioners rely on prompt reporting from private laboratories to keep these patients at home. It considered, too, that country patients and those confined to bed at home could not be provided for adequately by a hospital service; while a fall in the income of private laboratories because of fewer tests, increased costs in collecting small fees and bad debts, would have a deleterious effect on the scope of the services and on the practice of medicine generally.

18. We must also express our own doubts about whether the public hospitals could rapidly and efficiently build up their own resources

of manpower and equipment to cope with the large extra demand which could, under certain circumstances, result from imposing a part charge on tests made by private pathologists.

Excessive Use of Services

19. During our inquiry, no effective method of determining what is or is not excessive use of laboratory services was advanced. The evidence suggested that the indiscriminate requests for tests which are not the most direct or properly related to the investigation is one feature which can, and is, being overcome by the pathologists in consultation with doctors. In any event, it is by no means certain that control of so-called "excessive use" (if it in fact exists) by a part charge would be effective. To the extent that it was effective in reducing use, the result, for all that we are able to say, might be undesirable "under use".

Payment at Individual Rates for Tests by Automated Equipment

20. The Department of Health submitted that "With automated equipment, 12 tests (or more) can be carried out on a single specimen as readily as 1, and at no greater expense. Such equipment is costly, but with sufficient demand for tests its use is inexpensive in practice. . . . As time goes on, more and more tests will be done with automated equipment and the demand for batteries of tests ('profiles') will increase". The department considered that introducing a system of part charges now could restrain abuse and encourage pathologists to find "an acceptable economic solution to the problems posed by the swing towards the use of laboratory profiles in clinical medicine". The Society of Pathologists countered this submission by affirming that it "has always been conscious of the need to provide services at reasonable costs, and indeed, the fees and services subcommittee of the society is currently investigating ways and means by which costs can be held with increasing automation". This investigation, together with a report being prepared by a committee of the Board of Health covering all aspects of diagnostic laboratory services, both public and private, will no doubt indicate the area in which negotiations about fees for automated services can be carried out. In its main submission, the society also proposed that "increased use be made of groupings of tests so that various profiles can be costed separately from individual tests".

CONCLUSIONS

21. In our opinion, a system of part charges for laboratory services would not markedly reduce community expenditure or curtail unnecessary demand without affecting the standard of medical care. The

following quotation from Task Force Reports on the Cost of Health Services in Canada, 1969, is relevant:

If there is evidence that certain physicians or certain members of the public are guilty of overuse or abuse, the services should be paid for by the plan [that is, the health services plan] at a lower rate. This is better than for the plan to cut all payment indiscriminately through the introduction of general patient participation [in meeting the costs]. It is also better than for the plan to refuse to accept a reasonable increase in a fee schedule because of increased costs through excessive utilisation.

22. The quotation is also relevant to the possibility that the State is paying more than it should for the services rendered by private laboratories. If payments are excessive, what should be done is obvious. There is in existence a committee set up by the Minister under section 121 of the Social Security Act, the Laboratory Services Advisory Committee. One of its duties is to advise the Minister upon the appropriate payments to be made under the scheme of benefits. If current payments are too high, then that committee should recommend their reduction. We have been told that it is very difficult to determine for a particular service what the appropriate fee should be, and especially to say that a particular fee is too high. We do not accept that it is so difficult that it should not be tried. Some committee, if not this one then some other, is surely capable of a proper investigation and an objective determination. It may be that by these means, rather than by partly charging the patient, the costs to the community as a whole can best be controlled.

23. Be that as it may, it is our opinion that the present laboratory diagnostic benefit system is of major importance in giving high-quality medical care to all New Zealanders.

24. Over the past 20 years a number of extensively and expensively equipped private laboratories have been set up to meet the growing demand for laboratory diagnostic services. Private doctors and their patients greatly rely on these laboratories which give a mobile, readily obtainable, domiciliary service, which we have been told in many submissions is unique in its coverage and of great value. It seems most unlikely that public hospital facilities could be extended to meet the present demand for laboratory tests to say nothing of expected increase in demand, and even more unlikely that they could give the domiciliary services given at present by the private laboratories. Therefore, the case for the retention of a laboratory diagnostic benefit is a very strong one, and for the reasons which we have stated already, we favour a benefit which meets the whole cost rather than part.

25. We acknowledge the risk in continuing such a benefit, namely, that it could lead to yet further extension of the private laboratory system, and a failure to develop, or even erosion of, public hospital

facilities, especially in terms of manpower and money. The manning of public hospital laboratories in the face of private laboratories' competition for staff has in the past been a special problem although we understand that the position has changed materially in recent years and that private laboratories now generally accept a much greater share of the training of technical staff. We think however that the position should be safeguarded by building appropriate provisions into the regulations to ensure that all private laboratories, as a condition of entitlement to receive benefit payments, assume a reasonable share of the training for this division of medical services. The details of this requirement will need to be negotiated and drawn up by an expert committee appointed for that purpose.

26. We doubt whether the possibility of introducing substantially lower benefits for multiple tests (whether automated or not), especially those normally carried out by technicians rather than professional pathologists, has been investigated in sufficient depth. We recommend that this be done without delay. It may well be that substantial savings could be made in this way.

(B) *For Dental Purposes*

27. The New Zealand Dental Association proposed that laboratory services and benefits should be made available for dental purposes on the written requests of registered dental practitioners in exactly the same way as for medical practitioners. The association argued that the diagnosis and treatment of many diseases and conditions of the mouth and jaws (in addition to dental decay) are accepted as the responsibility of dentists, and that for the proper diagnosis and treatment of these conditions, certain laboratory tests are as essential as for other conditions elsewhere in the body. At present, however, when these essential tests are done by a private pathologist at the request of a dentist, the patient must bear the full cost. It was maintained that this is illogical and inequitable. In some cases the dentist seeks the help of a doctor who signs the necessary forms. Apart from being a waste of a doctor's time, this procedure (which we would not suggest is in any way underhand or illegal) was said to impose additional costs on the patient and State by way of a doctor's fee and G.M.S. benefit.

28. The association submitted that the most frequent and important investigations needed by dentists were histological examinations, certain blood tests, and microbiology tests, but it appears that they desire access to laboratory services on a broad basis, not restricted to these tests. We were informed that dentists are well aware of the obligation to keep a patient's doctor informed of any treatment being given, but considered that it was better to regard this obligation as an ethical matter rather than have it imposed by regulation.

29. The Department of Health and the New Zealand Medical Association both favoured the proposal. The New Zealand Society of Pathologists had some reservations about the delineation of responsibility between dentist and doctor where treatment was needed; moreover it often happens that a dental patient has no doctor. It had no official opinion about whether dentists should be entitled to use laboratory diagnostic services.

30. We consider that inclusion in the pathology benefit system of laboratory services given at the request of dentists is justified. We were advised that the number of such examinations should not be large although they are important, especially when histological examination of excised tissue is necessary. We therefore consider that the payment of a laboratory diagnostic benefit for services requested by dentists should be approved in principle, and that the New Zealand Dental Association and the Department of Health with the New Zealand Society of Pathologists should be authorised to draw up a satisfactory scheme and to agree on any limitations or restrictions considered necessary to safeguard the interests of all concerned, including the taxpayer.

RECOMMENDATIONS

We recommend that:

- (99) The laboratory diagnostic services benefits at present provided for medical purposes be continued at levels which meet the whole cost of the services.
- (100) A properly qualified and experienced committee investigate the scale of fees paid under the laboratory diagnostic services benefit scale, with particular attention to the economies in rates for individual items to be expected from increased turnover and automated operation.
- (101) Private pathologists as a condition of entitlement to benefit payments be required to take a reasonable responsibility for training specialised staff under a scheme designed by an expert committee appointed for that purpose.
- (102) The extension of the laboratory diagnostic benefit to services requested by dentists be approved in principle; the New Zealand Dental Association, the Department of Health, and the New Zealand Society of Pathologists to draw up a satisfactory scheme with such limitations and restrictions as are necessary to safeguard the interests of all concerned, including the taxpayer.
- (103) For the reasons given in chapter 46, para. 48, pregnancy tests where needed for medical purposes, and so certified by a doctor, attract the laboratory diagnostic services benefit.

X-RAY DIAGNOSTIC SERVICES BENEFIT

31. This benefit was introduced on 11 August 1941. The Nordmeyer Committee Report of 1938 had recommended "That the Minister be empowered to enter into an arrangement with hospital boards to provide free of cost to patients under the care of general practitioners serving under the scheme such X-ray examinations and treatments, radium treatment, and other examinations and treatment as may be generally available in laboratories, clinics, or other departments of the hospital and as may be determined". The Social Security (X-ray Diagnostic Services) Regulations 1941 recognised radiologists in private practice and the payment of benefits for their services, notwithstanding the services available in public hospitals. Two kinds of recognition were specified—specialist radiologists, and non-specialists using basic radiographic equipment for a limited range of examinations.

32. The scale of benefits for examinations by radiological specialists is higher than for examinations made by those with limited recognition. At present, the schedule of benefits ranges from \$1.50 to \$8, the variation reflecting to some degree the differences in complexity of various examinations. The extra fee which radiologists could charge a patient was, until 1967, limited to an extra amount not exceeding the benefit payable for that particular examination. This limit was removed in January 1967.

33. Until 1 April 1951, payments to hospital boards for X-ray services were made at the same rate of benefit as applied to radiologists with limited recognition. From that date payments to hospital boards were paid annually as a lump sum, taking account of any increase or decrease in the number of examinations carried out from year to year. From 1 April 1964, payment of benefits as such to hospital boards was discontinued, and the cost of the services given free to the patient was financed out of general maintenance grants to boards.

34. Radiological benefits in the private sector are payable for services given by, or under the direct supervision of, a recognised radiologist on the written recommendation of a medical practitioner other than the radiologist. Some minor exceptions are allowed for in the regulations.

35. Apart from small adjustments, the schedule of fees has not been changed since it was introduced in 1941. The removal of the limit which radiologists could charge the patient has been the only major change to take place. Since payment of benefits to hospital boards ceased, expenditure on radiological benefits increased from \$571,124 (1964–65) to \$787,114 (1970–71).

36. The Medical Association of New Zealand told us that "the ready availability of X-ray diagnostic services to the general practitioner and private specialist in New Zealand has been of inestimable value, broadening the base of diagnostic services available to the ambulant patient". The association added, however, "Falling money values, together with a static X-ray diagnostic benefit, have made inevitable an increase in the private fraction of the total fee; this trend will continue at an accelerated rate if only because of the increased complexity of radiological practice and the cost of its equipment".

37. The New Zealand Medical Association, commenting on the lack of adjustment to the X-ray benefit since 1941, stated "The result has been a grave erosion of the benefit so that many X-ray investigations which, a few years ago, were free to the patient now attract a substantial private fee". It regarded the 1967 removal of the limit on the amount chargeable to the patient as "another example of undermining standards of general practice care. . . ." The association submitted as a general principle that supporting benefits should cover the whole cost of the service. It could not, however, "go so far as to suggest that the right of the people supplying these services to charge a private fee should be done away with altogether". It thought this right "should be kept in abeyance" because of the danger of the benefit not being kept to an adequate level, with a consequent breakdown in the service through the inability to charge a private fee.

38. When the national health scheme was being promoted in the 1930s, such supplementary services as X-ray were envisaged as more or less completely based on public hospitals, and free to the patient. And so when the benefit was introduced in 1941 it was essentially designed to cover services given by hospital boards. At that time only about 20 specialist radiologists were in private practice, and most held part-time hospital appointments. Patients referred for X-ray examinations had the option of a readily available hospital service without charge, or a private service with a small fee. In theory, the same option is available today. But we have been told that in practice, particularly in some metropolitan centres, hospital X-ray services for outpatients are greatly restricted by the increasing load of inpatient requirements generated by rapid advances in new techniques, more sophisticated equipment, and general progress in basic diagnostic services. Patients must increasingly use private facilities at increasing cost.

39. The schedule of benefits devised in 1941, and essentially unchanged since, was based on contemporary hospital practice

and costs. The total fee (benefit plus extra charge) for simple examinations was generally more than enough to meet the costs of patients using private facilities, but even then not for the more complicated and time-consuming procedures. Fees for simple examinations subsidised the time-consuming ones. The private practice of radiology was thus enabled to continue and to expand substantially without any change in conditions of payment until 1967, when the limit on the additional charge to the patient was removed. Since then this charge has, of necessity, increased. A revision of the benefit schedule requested by the College of Radiologists of Australasia has recently been carried out and we understand that the recommendations arising from negotiations are now awaiting Government decision.

40. In these circumstances it is undesirable that we should recommend any specific change in the amounts of the benefit. Doubtless, the time has come for some increase. But we must again stress the need to keep constantly in mind in such areas as this, the inter-relationship of the level of benefits paid for private services, and the maintenance and improvement of facilities given free at public hospitals.

41. It is plainly difficult to differentiate in principle between laboratory diagnostic services and X-ray diagnostic services. The purpose of both is to obtain information on which diagnosis and treatment may be based. Both forms of investigation are made on the recommendation of a medical practitioner. Therefore, it might be thought that the relief from cost given a patient by the social security system should be the same in each case. In theory that may be so, but in fact the two situations are different.

42. We have already pointed out that private doctors and their patients rely greatly on private pathologists rather than on public hospitals for laboratory services. How much this shift from the public to the private sector has been due to the fact that the laboratory benefit has covered the whole cost of the tests, we are not able to say; but it is obvious that there is a connection. There has not been the same shift in the X-ray field. There the public hospitals are able to meet the demand better than they can for laboratory services. Moreover, there is not the same need for the domiciliary services which modern pathological investigation seems to call for.

43. The lesser shift from the public to the private sector in X-rays may be in part due to the fact that the X-ray benefit has not covered the whole cost. But whether that be so or not, there is today a fine balance between the two sectors, a balance

which we believe could be disturbed to the disadvantage of the public sector, if the benefit were now increased to cover the whole cost.

44. It is not for us to say whether such a shift in balance would be desirable or otherwise. The decision whether the public hospital system can or should be affected in this way without seriously undermining its capacity to meet its essential needs, can only be made after a wide ranging inquiry into the organisation and delivery of health and medical care services, and this, as we have repeatedly said, is not our responsibility. But we are reluctant to recommend any step which might bring about a situation which such an inquiry might find to be contrary to the best interests of the country.

45. Thus, while there is a case for increasing the X-ray benefit so that this will cover the whole of the fee if a satisfactory arrangement can be negotiated with the practitioners, we are not prepared to make any recommendation now which could lead to further erosion of the public hospital services. It may, however, be possible in the course of negotiations to devise safeguards against this happening.

46. We must say again, as we said about the G.M.S. benefit, that the interests of patients would not be served by increasing the amount of the benefit if this led to increases in fees which in effect transferred the benefit increase from the patient to the practitioner.

PHYSIOTHERAPY BENEFIT

47. Originally called "the Massage Benefit", this was introduced on 1 September 1942. It was payable to any registered physiotherapist in private practice who undertook, in writing, to give physiotherapy services according to the terms laid down in the regulations. The amount of the benefit was 35c a treatment, a rate which continued until 1 December 1962 when it was increased to the present 50c. The amount which a private physiotherapist could charge a patient, over and above the benefit, was limited to 35c a treatment in the physiotherapists' rooms, and 70c a treatment given elsewhere. In 1951 these limits were raised to 65c and \$1.15 respectively, in 1957 to 80c and \$1.30, and again in 1965 to \$1 and \$1.50. From 21 February 1969 the limit on extra charges was removed. Group treatments were included as a benefit on 1 October 1954. A group was defined as a number of patients, not less than 2 nor more than 10, receiving treatment collectively. The maximum size of a group

was raised from 10 to 15 in February 1969. The benefit payable for group treatment has not changed since it was first fixed at 25c a patient. The limit on the extra charge to patients receiving group treatment which was originally set at 35c per patient was removed in 1969. Group physiotherapy treatment is usually confined to routine ante-natal exercises. The present regulations controlling the benefit are the Social Security (Physiotherapy Benefit) Regulations 1951.

48. Physiotherapy benefits can be claimed only for services given on the written recommendation of a medical practitioner who must specify the kind of treatment and the period for which it is recommended, up to 6 weeks. The maximum number of treatments which can usually be claimed on one recommendation is 24. The regulations allow (in the case of certain illnesses, diseases, or disorders to be specified by the Director-General of Health) for weekly treatment to be given on medical recommendations for periods not exceeding 6 months. In other cases, a Medical Officer of Health may authorise treatments for a period of up to 6 months if he is satisfied that it is not practicable for the treatment to be completed within the normal 6 weeks.

49. Hospital boards provide free physiotherapy services for in-patients and outpatients. In the year ended 31 March 1970, hospitals gave slightly more than 1.55 million physiotherapy services, of which about one-third were for outpatients. Expenditure on physiotherapy benefits for the same year covered approximately 400,000 private services. In addition, about 40,000 treatments were given for injuries covered by workers compensation payments.

50. The New Zealand Society of Physiotherapists argued that the State should bear a greater part of the present cost of physiotherapy services, that the benefit should at least be the same as the G.M.S. benefit, and that for the aged, children, and social security beneficiaries the benefit should meet the full cost of treatment. The society pointed out that whether the fee was paid by the State or by the patient did not really affect the pockets of its members. There was a shortage of physiotherapists and it was not possible to treat more patients unless excessive hours were worked, or more physiotherapists went into private practice. Their main concern was that patients who needed it were not receiving physiotherapy because of cost. Although this should not be so when free public hospital facilities are available, the society asserted that doctors often avoid prescribing physiotherapy where it is the treatment of first choice, solely on cost grounds, and tend to prescribe less-efficient forms of treatment or drugs. The free nature of the latter was said to be a very important factor in influencing a doctor's decision about the treatment of his patient. In the

society's opinion the benefit was too low "because it does not bridge the gap between the people who require it and the treatment they need". The New Zealand Medical Association supported the proposal for "a substantial increase in the physiotherapy benefit".

51. The greatest number of physiotherapy services are given to patients suffering from fractures, dislocations, sprains, strains, and joint derangements. In general, workers are most likely to suffer these disabilities. For such patients it is obvious that a prompt return to employment with a minimum loss of productivity is in the national interest.

52. The Society of Physiotherapists also said that "The profession will fail to attract sufficient suitable persons if conditions are not made more favourable for practice in private capacity. Without increased recruitment in the next few years this profession is faced with the similar situation at present existing in relation to medical services". The association considered that the tendency to refrain from making the fullest use of physiotherapy both by doctors and patients, largely for financial reasons, has a considerable impact on the private practice of physiotherapy, especially in the smaller centres where the number of patients being treated was not enough to maintain an economic practice. Hospital resources for outpatient physiotherapy treatment are said to be overcommitted through shortages of qualified staff, and a primary responsibility for inpatient treatment. Where no hospital outpatient service is available, the number of patients recommended for treatment is often inadequate to support private practice, and patients therefore have to travel to get treatment, or have to accept less efficient forms of treatment.

53. The present fee for private physiotherapy is about \$2, of which the benefit portion paid directly to the physiotherapist by the Department of Health is 50c. The patient contribution, which was originally half the total fee, is now three-quarters. Nobody should be denied physiotherapy, if this is the treatment of first choice by a doctor, solely on account of financial considerations or the lack of reasonably convenient public hospital facilities. For most patients an extra charge over and above the benefit should not normally be a burden.

54. We consider that the standard physiotherapy benefit should be increased to \$1 a treatment. We have in mind that this would represent somewhere about 50 percent of the total charge, about the same proportion as the G.M.S. benefit. Again it will be necessary to ensure that the increase in the benefit does not produce a growth in charges which would defeat the advantage which it is intended the patient should receive from the increase in the benefit rate. It would be possible to apply somewhat the same type of control as we advised for the G.M.S. benefit, but we doubt whether in this instance such a

detailed form of control is necessary. A far simpler way, and one which we would think satisfactory, would be to reimpose a limit on the extra charge which a physiotherapist is entitled to make to the patient over and above the benefit.

55. We do not see any need to make special provision for those groups for which such provision has been recommended in respect of some other benefits. There is inadequate evidence to justify us concluding that there is any dramatic shortage of physiotherapy services available to outpatients in public hospitals. Nor are we satisfied that the very old or the very young have any unusual need for frequent physiotherapy.

56. We believe, too, that it is unnecessary to make any special benefit provision for domiciliary services. It seems that the general pattern is for physiotherapy to be done by private physiotherapists in their rooms rather than in the patient's home, and that this pattern is likely to grow.

57. The Christchurch Parents Centre sought to have ante-natal and post-natal physiotherapy services given free as a maternity benefit. The main reason for this request, apart from recognising the desirability of education, exercises, and training for childbirth, seemed to be to remove the inaccurate and possibly offensive connotation of the regulation which includes "ante-natal exercises" among "such illnesses, diseases, or disorders" specified by the Director-General of Health for which treatment may be given for up to 6 months (instead of the usual 6 weeks) on one recommendation from a doctor. It was not intended that ante-natal exercises are for the alleviation of an "illness, disease, or disorder". The objection seems easily met by amending the regulation to make ante-natal exercises qualify in their own right.

58. Ante-natal physiotherapy exercises are available in some hospitals in conjunction with ante-natal clinical facilities. Post-natal physiotherapy is given in the lying-in period, and if considered necessary by a doctor, can be continued after this period by referral to a physiotherapist. There does not appear to be any strong case for these services to be given universally and free by way of a maternity benefit.

RECOMMENDATIONS

We recommend that:

- (104) The physiotherapy benefit be increased to \$1 a treatment.
- (105) Control of fees be reintroduced, preferably by the reimposition of a limit upon the additional charge which a physiotherapist may make to the patient over and above the benefit.

DENTAL BENEFIT

59. In 1938 it was intended that a dental benefit should be provided "when organisation and finances are available". However, the 1938 report of the Select Committee on National Health and Superannuation recommended that "the most suitable way of meeting the dental needs of the people will be to extend the dental clinic system until ultimately all children of school age shall be included". This has been the basic approach ever since.

60. The dental clinic system originated in 1921. It is known today as the School Dental Service, details of which do not need to be spelled out here. Sixty percent of pre-school children from 2½ to 5 years of age, and almost all primary school children, receive treatment free at dental clinics, or in special cases are referred for private dental treatment.

61. Dental benefits, which began in 1947, are paid to dentists in private practice who contract with the Minister of Health to give treatment on a fee-for-service basis for children up to 16 years of age who have left primary or intermediate school, or who need treatment beyond the scope of the school dental nurse. Dental benefits are not payable for orthodontic and specialist treatment, but all other treatment is free.

62. The Social Security (Dental Benefits) Regulations 1960 provide that "dental benefits shall be available for all persons who are enrolled as patients under these regulations". The procedure for, and conditions of, enrolment are detailed in the regulations which also specify that ". . . no person shall be enrolled as a patient unless he is under the age of 19 years and is within the appropriate age group appointed by the Minister. . . ." At the inception of the dental benefits scheme in 1947, the then Minister of Health specified that benefits would be available for children up to their sixteenth birthday, an age limit which has not been altered since.

63. There are two types of fees to cover treatments under benefit given by dentists:

- (a) *Schedule Fees*—for specified procedures set out in a schedule to the regulations. These fees are paid on claims for the treatments given, and range from \$1.60 for a simple filling to \$6.25 for the treatment of septic root canals, and subsequent fillings.
- (b) *Non-schedule Fees*—for the more complicated treatments not covered by (a). The rates are determined by the

principal dental officer for the district depending on the circumstances in each case.

The schedule of fees has been reviewed in 1955, 1965, and 1970.

64. A number of submissions concerning this benefit are now considered.

A Universal Free Service

65. Advocates for this major proposal asked variously for the general application of free dental treatment for everybody, for a progressive extension of age groups until all treatment is free, or for a sectional approach for groups such as the aged. The main argument for a universal free service was based on the fact that the health service as originally conceived was to be free and complete. As stated above, however, the 1938 Select Committee recommended that the best dental approach was to concentrate on the needs of children. Statistics support the success of this approach from the point of view of health. The 1970 report of the Department of Health says:

The youth of this country enjoy a good standard of oral health and surveys show that they retain their natural dentitions to a later age than was previously the case. Between 1952 and 1963 the number of young men aged 18 to 21 recruited for military service wearing some form of denture had fallen from 29 percent to 8 percent. In the age group 20-24 the percentage of denture wearers in the community at large had fallen from 45.16 percent to 26 percent.

The effect of fluoridation is evident in the younger age groups, and in 1970, although 14,845 more children were treated by the School Dental Service than in the previous year, the total fillings fell by 66,481. In 1950 the ratio of extractions to a 100 fillings was 7.6. In 1968 it was 3.1.

66. In addition the Social Security Department gives supplementary assistance to those who cannot meet the costs of necessary dental treatment. Some public hospitals and the Dental School, University of Otago, also give dental treatment free to those in need.

67. The Dental Health Committee of the Board of Health in its 1965 report on hospital dental services said:

When hospital dental services were first introduced (1913), the conception then was that a public hospital should provide medical and allied services for the underprivileged section of the community. If this were still the position, the number of persons for whose dental care the hospital dental service should accept responsibility would be relatively few. . . . Regarding the hospitals' responsibility for outpatient dental care and bearing in mind that the State cares for all children between the ages of $2\frac{1}{2}$ and 16 years, it is the view of the committee that there should be relatively few people who could not afford their dental treatment from a private practitioner.

68. In 1965, five of the 37 hospital boards had dental departments with full-time dental officers, and 16 had visiting dental surgeons. The remaining boards appeared not to provide for dental services. At 31 March 1970, the Department of Health's publication *Hospital Statistics of New Zealand* lists five hospitals—Auckland, Wellington, Lower Hutt, Christchurch, and Timaru—which have dental departments. Although the Board of Health Committee stated in its report that "it is now the accepted opinion that hospital services should include dental services in order to provide the comprehensive health care to which patients are entitled", there would seem to be very little change since 1965. The committee recommended that the scope and standard of dental care for inpatients be developed, and outpatient treatment be limited to those who are not able to pay the full cost of their own dental treatment, or to those for whom treatment was not available from a private dentist.

69. Had these recommendations been implemented by all hospital boards, some of the problems which we are concerned with would have been solved. But it is clear that the public hospitals are not generally able at the present time to offer free dental treatment even to those outpatients who cannot pay for private treatment. Whether this service should be available, or whether it can be made available, is not for us to consider, but the present situation has implications for our inquiry.

70. The lack of dental establishments in public hospitals implies that the only practical avenue for moving towards a free dental service at present is by extending the dental benefit system. We do not think that a complete extension of the benefit, to cover all dental treatment for everyone, can be contemplated at the present time. We have not tried to estimate what the cost might be, but it would quite obviously be very great. In any case there was no substantial support for such a proposition in the submissions made to us, and we have no evidence to indicate that such a change is needed.

71. Nor is there a strong case for extension to those special groups which qualify for higher G.M.S. benefit. Children are already covered. We doubt whether the aged need dental treatment more often than do other sections of the community. In these circumstances, we believe that it would be better to rely on public hospital facilities, to the extent that they exist and can be extended, and on supplementary social security assistance, rather than to attempt to extend the dental benefit to cover the remaining special groups.

Extending Age Limit for Children

72. There was substantial support for extending the present age limit for dental benefits with most favouring the same conditions of

eligibility as apply to the family benefit. We think that this would be logical. Therefore, we recommend that dental benefits be available to children up to 18 years of age if they are still attending school. The age criteria should be the same as for the family benefit.

Orthodontic Treatment

73. A number of organisations and individuals asked that orthodontic treatment for children be covered by the benefit. The cost of this can be considerable but, even without financial help, most parents accept this often heavy responsibility in the interests of their children. Orthodontic services are especially necessary for children who are physically and emotionally handicapped by their dental disability, or where such services are an integral part of surgery—for example, in cleft palate operations. The Board of Health Committee on Hospital Dental Services recommended that for the latter (surgery cases) the public hospital should give a free service irrespective of parents' means. It considered, however, that in other cases free service should be limited to parents who could not meet the cost of a private dental surgeon's treatment. Hospital boards have a discretion in accepting the recommendations of the committee.

74. In many cases, no doubt, the orthodontic irregularity will be relatively minor and the cost of remedial action can be accepted by parents without difficulty. We consider, however, that where the cost is beyond a fixed amount, say, \$50, some provision by way of a benefit should be available irrespective of the means of the parent. The suggested figure of \$50 may be too high or even too low but it should be possible, after investigating orthodontic fees actually being charged, to arrive at a reasonable figure.

75. We recommend, therefore, that the Dental Association and the Department of Health negotiate an orthodontic benefit for children under 16 (or 18 if still at school) generally along these lines.

Anaesthetic Benefit for Dental Procedures

76. The New Zealand Society of Anaesthetists submitted that a benefit should be paid for anaesthetics given by medical practitioners for dental procedures done outside public hospitals. It was said that at present the administration of dental anaesthetics by medical practitioners qualifies for a G.M.S. benefit (plus the "extended time" supplement if applicable), but that dentists giving an anaesthetic to a dental benefit patient under 16 years of age can claim \$5 by way of a benefit as a non-schedule fee. We think that if the dentist calls in a doctor, there should be a like fee paid to the doctor as is now paid to the dentist. We were told that doctors are frequently asked to administer anaesthetics when handicapped children are receiving dental treatment and our recommendation will cover these cases.

RECOMMENDATIONS

We recommend that:

- (106) The present dental benefits scheme be extended to include children up to 18 years of age still attending school.
- (107) An orthodontic benefit be introduced for children up to the age of 18 years if still at school, the amount and conditions of the benefit to be negotiated between the Dental Association and the Department of Health.
- (108) When a doctor rather than the dentist himself gives an anaesthetic in a dentist's surgery, the doctor receive a benefit of the same amount (\$5) as is at present paid to a dentist for giving an anaesthetic.

ARTIFICIAL AIDS

77. The supply of artificial aids is part of hospital outpatient treatment approved by the Social Security (Hospital Benefits for Outpatients) Regulations 1947. Regulation 4 authorises the Minister from time to time to impose conditions on the supply of these aids for outpatients, and in particular to provide that a portion of the cost shall be recoverable from the patient. Only a limited number of artificial aids can be so provided, and various suggestions were made to us for the list to be extended to include such item as wheelchairs, artificial eyes, wigs for persons suffering from alopecia, breast prostheses following mastectomies, metal implant prostheses (hip joints, etc.), spectacles, and dentures. In addition, the Department of Health made a representation about hearing aids, as did the Department of Education, for deaf children.

78. As the name of the relevant regulation signifies, the supply of artificial aids and the payment for them are matters supplementary to hospital benefits. Therefore we have been forced to conclude, in spite of the representations made to us, that we are not free to make recommendations about them. There is, however, an exception to this general statement. We feel justified in discussing the supply of wheelchairs because the Social Security Department is administratively involved in their supply.

79. At present, when a patient needs a wheelchair before he is discharged from hospital, the Social Security Department will arrange for the free loan of one for as long as it is needed, provided that: (a) the patient will be discharged within a reasonable time and will continue to need the wheelchair after his discharge; and (b) the patient's condition is such that he should have the wheelchair at that stage

rather than use one of the hospital's own wheelchairs; and (c) the patient could not reasonably be expected to meet the cost of a wheelchair from his own resources.

80. Presumably the Social Security Department has been the agency supplying wheelchairs for patients because it was best equipped to apply the income test. We consider, however, that supplying wheelchairs should properly be the function of the public hospital, and that they should be made available regardless of the patient's means. In the case of amputees who are unable to be fitted with an artificial leg, for instance, the present situation is illogical. Ordinarily an amputee is supplied with at least one, but often two, artificial legs for each limb amputated, free of charge and without a test of means. If for some reason artificial limbs cannot be worn, a wheelchair becomes the only means of locomotion, but this can be provided free only if the patient has insufficient means to buy one for himself. There are other illnesses and diseases resulting in patients being confined to wheelchairs which, besides providing a measure of independence, contribute psychologically to the patient's welfare.

81. We see no reason why wheelchairs should be treated differently from other necessary artificial aids. We recommend that they be issued on loan by hospital boards solely on the basis of medical need. Whether a person has the means to pay for it is as irrelevant to the supply of a wheelchair as it is to public hospital treatment. Supply through the Social Security Department is cumbersome, involving another agency in a function for which it has no more than an administrative facility for applying an income test. Such a procedure must inevitably add to delay, cause frustration, and remove from the hospital part of the responsibility for overall patient care at a time when the patient's interests are psychologically most important.

82. Although the need for a wheelchair normally arises while a patient is in hospital, it may well happen that people not in hospital develop conditions which make the use of a wheelchair medically desirable. We consider that hospital boards should supply these, too, if the patient's doctor so recommends, subject, of course, to the concurrence of the hospital authorities.

RECOMMENDATION

We recommend that:

(109) Wheelchairs be issued on loan by hospital boards in all appropriate cases, including patients not in hospitals, solely on the basis of medical need, and independently of any question of financial means; and that the present practice of supplying wheelchairs through the Social Security Department be discontinued.

Chapter 48. PROPOSALS FOR NEW BENEFITS

1. The more important of the proposals put to us for new health benefits related to the following treatments: chiropractic, optical, chiropody, anaesthetic, psychological.

CHIROPRACTIC BENEFIT

2. The New Zealand Chiropractors' Association proposed that we should recommend a chiropractic benefit, but this was very strongly opposed by the medical profession, physiotherapists, and the Department of Health.

3. The Chiropractors' Association said "It is thought that the Commission will not wish to embark on an inquiry into the efficacy of chiropractic or, indeed, of any other method of healing or treatment, for such an inquiry would go far beyond the scope of the New Zealand Social Security system". This is so, but if chiropractic consultation or treatment is to become eligible for benefit, it must, in terms of section 116 of the Social Security Act 1964, be considered "necessary for the effective operation of the several classes of benefits expressly provided for by the foregoing provisions of this . . . Act (that is medical, pharmaceutical, hospital, maternity) or . . . necessary to maintain and promote the public health".

4. The 1967 Royal Commission of Inquiry into Compensation for Personal Injury in New Zealand also considered submissions made by the New Zealand Chiropractors' Association that chiropractic be recognised as an appropriate treatment for some types of injury, and that registered chiropractors be recognised as qualified to administer such treatment. That Royal Commission reported:

No settled conclusion could be reached upon a technical issue of this sort without a prolonged examination of a great deal of medical and other scientific evidence. . . . The basic question is the validity of the treatment, and being unable to judge this issue we have no recommendation to make upon the submissions of the New Zealand Chiropractors' Association.

We are in exactly the same position and consequently make no recommendation on this submission.

OPTICAL BENEFIT

5. Optical benefits are now available in these forms :

- (a) Services by ophthalmologists for which, if patients are referred by another medical practitioner, the specialist consultation benefit is payable. Ophthalmologists prescribe spectacles but do not supply them.
- (b) The supply of contact lenses as an artificial aid benefit for specified conditions of the eye which cannot be corrected by ordinary spectacles.
- (c) Hospital boards may arrange for the supply of spectacles for indigent outpatients.

6. Items (b) and (c) are extensions of the hospital benefit, but in addition the Social Security Department may grant supplementary assistance towards the cost of optometrical services. This is not necessarily confined to social security beneficiaries.

7. The New Zealand Optometrical Association submitted that there should be a benefit payable for the services of optometrists (formerly called opticians), and suggested that if the universal application of such a benefit was not thought to be justified, pensioners and children were the groups most in need of special consideration.

8. It is normal practice in New Zealand for most people, of their own volition, to go to an optometrist for an eye examination. Some may first consult a general practitioner and be referred to an ophthalmologist who may prescribe spectacles which are then dispensed by an optometrist. Optometrists' training includes the recognition of disease or other abnormalities in the eye, and the optometrist refers these patients for treatment to medical practitioners, usually to ophthalmologists. The association claimed that optometrists give an essential health service which should be considered as part of the general health scheme, and that almost everybody will need spectacles or other visual care at some stage of their life, most by the age of 50. In comparison with other forms of health services, the total cost of optical services would be small, partly because attention is needed less often compared with, say, medical and dental services. Nevertheless, the cost of eye care can be a hardship for the aged and for parents of children.

9. At present the Department of Health makes routine screening tests in schools for vision and hearing. In 1970, 189,496 children were tested for vision, 135,699 in primary schools and 53,797 in secondary schools. Of these, 6,127 children had confirmed defects out of a total of 16,767 with suspected defects. Parents are informed of suspected defects and advised to seek the advice of an ophthalmologist, or attend the eye department of a public hospital.

10. The Optometrical Association stated that the fees charged by optometrists for an examination of the eyes formed the main source of their income and that little profit was made on materials supplied. The average examination fee was approximately \$4, while a single-vision pair of spectacles cost approximately \$15, and an ordinary pair of bifocal spectacles about \$25. It is apparent, therefore, that from the patient's point of view an optical benefit would be much more valuable if it were related to the cost of spectacles and not merely to the examination fee. The association explained, however, that its proposal for a contribution by way of benefit towards the examination fee was to encourage people to have their eyes examined more often and regularly rather than postponing attention until absolutely necessary. More frequent checks, not necessarily involving a change of lenses, would, it considered, ensure early detection of abnormalities and prompt referral for medical advice and treatment before the condition seriously interfered with vision.

11. Several other organisations proposed optical benefits particularly for children and the aged.

12. We have no doubt at all that the assumption by the State of the cost of optical services, or even a part of that cost, could be seen as an attractive further step towards a complete and free health service. But we do not view it as one of high priority, especially with the help available from hospital boards and the Social Security Department for those in financial need. We consider that there are areas of higher priority now needing attention, and therefore make no recommendation for a benefit for optometrical services.

CHIROPODY BENEFIT

13. The New Zealand Society of Chiropodists, supported by other organisations, especially the Registered Nurses' Association, proposed a chiropody benefit. The main supporting arguments were that foot comfort is essential to good health; the elderly find it difficult to care for their feet because of restricted limb movements; discomfort through lack of care results in a loss of mobility and self-sufficiency; self-treatment can be dangerous and lead to hospitalisation; financial help is necessary for some sections of the community to enable prompt and regular treatment to be given; chiropodists are no longer able to reduce their charges for the aged because of rising costs.

14. Chiropody services are becoming increasingly available in hospitals, and the Social Security Department will accept applications for supplementary assistance to meet the cost of necessary private chiropody treatment. Although no evidence was produced to show that there is a widespread demand, or that the cost precluded patients

from seeking necessary treatment, there are no doubt circumstances where a benefit for the elderly would enable necessary treatment to be given by chiropodists and so retain comfortable mobility without recourse to hospital inpatient services.

15. We favour the introduction of a chiropody benefit for people aged 65 and over who are referred by a medical practitioner to a registered chiropodist for treatment. The amount of the benefit, the conditions and method of payment, are, we think, matters for consideration and negotiation among the Society of Chiropodists, the Department of Health, and the medical profession.

16. The Society of Chiropodists also proposed that we should recommend that part of the cost of appliances specifically made to an individual patient's clinical requirements, both palliative and corrective, should be covered by this benefit. We take a different view. To what extent the supply of such appliances is justifiable and under what circumstances, involves questions of medical experience and judgment. The Minister has power to extend the coverage of the notices issued by him for artificial aids and surgical footwear, pursuant to regulations made under section 116, to include all necessary appliances, and he has access to expert advice relating to them. The matter is better dealt with by him than by this Royal Commission.

ANAESTHETIC BENEFIT

17. The New Zealand Society of Anaesthetists proposed the payment of an anaesthetic benefit for all patients receiving an anaesthetic from a medical practitioner elsewhere than in a public hospital. The association estimated that medical practitioners administered 80,000 anaesthetics each year to patients outside public hospitals. Although the anaesthetic fee may be only a small proportion of the total cost of treatment, the association felt that the patients should receive some financial help towards it. The proposed anaesthetic benefit would be in lieu of the G.M.S. (and extended time) benefit at present payable for administering an anaesthetic, but would be additional to the usual G.M.S. and/or specialist consultation benefit payable for consultations or services other than the actual administration. It would be payable for services given by any medical practitioner but, for those who graduate after 1972, only if they are recognised as specialist anaesthetists. The association suggested a benefit of \$5 with an extra \$1 for each quarter-hour after the first half hour.

18. The administration of an anaesthetic forms part of a surgical treatment procedure, and normally the anaesthetists' fees are incorporated with those of the surgeon. The administration of an

anaesthetic does not qualify for a specialist benefit; nor does pre-examination of the patient by the anaesthetist unless the referring doctor has specifically requested the anaesthetist's opinion.

19. In considering the specialist treatment benefit proposal in chapter 45 of this report, we expressed the opinion that the public hospital system should continue to take the main responsibility for specialist treatment. It is impossible to differentiate, for benefit purposes, between anaesthesia and surgery; and as we have not recommended a surgical treatment benefit at this stage we cannot support the proposal for an anaesthetic benefit. The question of anaesthetics given in connection with dental treatment is different in that such treatment is not generally available in public hospitals.

PSYCHOLOGICAL BENEFIT

20. The New Zealand Psychological Society asked that a benefit be paid to qualified psychologists for diagnostic and treatment services given to patients who have been referred by medical practitioners. This proposal was supported by the New Zealand Medical Association "to enable general practitioners to refer patients to suitably qualified psychologists for assessment". The Department of Health also supported the general idea of this benefit for services "afforded at the request of a psychiatrist, neurologist, neurosurgeon, or paediatrician". The department further stated, however, that "no benefit could be instituted until there are satisfactory arrangements for the registration of psychologists and for the recognition or approval of those registered psychologists who are competent in clinical fields".

21. We are informed that a Psychologists' Registration Bill is currently being prepared. This will distinguish between the training and qualification requirements of different branches of psychology. The Society envisaged a benefit for both diagnostic and treatment services and agreed that there may be different training requirements in these fields.

22. There can be little doubt that psychological services are, in these days, an important part of any comprehensive health service. But we think it would be premature for us to make any recommendation for a benefit at this point of time. Whether one should be recommended and to whom it should be paid may be influenced by decisions made relating to the terms of registration of clinical psychologists when the Bill is discussed in Parliament. The matter should stand over until the conditions of registration are finally decided.

OTHER PROPOSALS

23. There were other proposals for new benefits, for reorganisations, and for changes in administration of medical services. These were plainly outside the limits of our Warrant. Nor do they call for specific mention by reason of their inherent importance. However, they helped us to extend our background knowledge of the medical scene. We are grateful to the organisations and individuals who took trouble to bring the different matters to our attention.

RECOMMENDATION

We recommend that:

- (110) A chiropody benefit be introduced for people aged 65 years and over referred by a medical practitioner to a registered chiropodist for treatment; the amount, conditions, and method of payment to be negotiated between the Department of Health, the medical profession, and the Society of Chiropodists.

APPENDICES

Appendix 1

ORGANISATIONS AND PEOPLE WHO MADE SUBMISSIONS

(Most submissions were presented orally at a public sitting and the people who appeared were subject to questioning. Those submissions that were not presented orally are distinguished by an asterisk. The figures in brackets refer to the number of papers presented.)

ORGANISATIONS

Anglican Church Diocese of Auckland	(1)
*Anglican Church Diocese of Wellington and Dunedin	(1)
Anglican Social Services Board, Dunedin	(1)
*Anglican Social Services for the Diocese of Christchurch	(1)
Association of Anglican Women	(2)
Associated Chambers of Commerce of New Zealand	(4)
Association of University Teachers of New Zealand	(1)
Auckland and North Shore Old People's Welfare Councils and the Royal Society of Health (Combined Committee)	(1)
Auckland Provincial Council of Senior Citizens Clubs	(1)
*Baptist Union of New Zealand	(3)
Birtheright (New Zealand)	(1)
Birtheright (Christchurch)	(1)
Canterbury Frozen Meat Company Employees' Sick and Accident Benefit Society	(1)
Canterbury Rubber Workers' Industrial Union of Workers	(1)
Catholic Women's League	(2)
*Catholic Women's League (Panmure Branch)	(1)
*Chemists' Guild of New Zealand	(1)
Christchurch Aged People's Welfare Council	(3)
Christchurch Co-ordinating Council for the Handicapped	(2)
Christchurch Parents Centre	(2)
Christian Science Committee on Publication for New Zealand	(1)
City of Takapuna (Councillor Hutchinson)	(1)
College of Radiologists of Australasia	(1)
Combined State Service Organisations	(3)
Council for Equal Pay and Opportunity	(1)
Cystic Fibrosis Association of New Zealand (Auckland)	(1)
Disabled Citizens' Society (Otago)	(1)
Disabled Citizens' Society (Taranaki)	(2)
Disabled Re-establishment League	(1)
Disturbed Children's Aid Movement	(1)

Dominion Association of the Blind (see New Zealand Foundation for the Blind)	(1)
Druids Friendly Society	(1)
Education, Department of	(1)
Family Guidance Centre, Auckland	(1)
Family Life Education Council (Wellington)	(3)
*Federated Farmers of New Zealand	(1)
Federated Farmers of New Zealand—Women's Division	(1)
Federation of New Zealand Housewives Association	(1)
Finesse Leather Goods Limited	(1)
Government Superannuitants' Association of New Zealand	(4)
Health, Department of	(7)
Hospitals Contribution Fund of Australia	(1)
Hobson Electorate New Zealand National Party	(1)
Hutt Valley Old Folks Association	(1)
Inland Revenue Department	(1)
Interdisciplinary Committee on the Problems of the Unmarried Parent	(1)
Intellectually Handicapped Children Society	(2)
International Federation of Voluntary Health Service Funds	(1)
*Kempthorne Prosser and Company Limited	(1)
Lady Fergusson Family Counselling Service	(1)
Life Offices' Association of New Zealand	(2)
Manawatu Methodist Social Service Centre	(1)
Married Women's Association of New Zealand (Auckland)	(3)
Maternity Services Advisory Committee of the Board of Health	(1)
Medical Association of New Zealand	(4)
Medical Association of New Zealand (Wellington Division)	(1)
Methodist Church of New Zealand	(3)
*Mothers' Helpers Association	(3)
*Municipal Association of New Zealand	(1)
New Zealand Association for Mental Health	(3)
New Zealand Association of Social Workers	(3)
New Zealand Berryfruit Growers Federation	(1)
New Zealand Chiropractors Association	(1)
New Zealand Civilian Amputees Association	(2)
New Zealand Crippled Children's Society	(1)
New Zealand Dental Association	(3)
New Zealand Epilepsy Association	(1)
New Zealand Family Planning Association	(2)
New Zealand Federated Boilermakers, Structural Metal Fabricators and Assemblers, Metal Ship and Bridge Builders, Industrial Association of Workers	(1)
New Zealand Federation of Labour	(2)
New Zealand Foundation for the Blind and the Dominion Association of the Blind (joint submission)	(1)
New Zealand Federation of Paraplegic and Physically Disabled Associations	(1)

New Zealand Haemophilia Society	(1)
New Zealand Homeservicemen's Association.. .. .	(2)
New Zealand Medical Association	(3)
New Zealand Optometrical Association	(1)
New Zealand Psychological Society.. .. .	(1)
New Zealand Registered Nurses' Association.. .. .	(3)
New Zealand Licensed Rest Homes Association	(1)
New Zealand Licensed Rest Homes Association (Canterbury Branch)	(1)
New Zealand Returned Services Association	(3)
New Zealand Society of Anaesthetists	(1)
New Zealand Society of Chiropodists (Inc.)	(1)
New Zealand Society of Pathologists	(2)
New Zealand Society of Physiotherapists	(2)
New Zealand Society for Protection of Home and Family	(1)
New Zealand University Students Association	(1)
*New Zealand Wholesale Druggists Federation	(1)
National Advisory Council on the Employment of Women	(1)
*National Council of Churches—Maori Section	(3)
National Council of Women of New Zealand	(4)
National Marriage Guidance Council of New Zealand	(1)
National Multiple Sclerosis Society of New Zealand	(1)
North Canterbury Hospital Board—Department of Psychological Medicine	(1)
Nurse Maude District Nursing Association	(1)
Oakley Hospital	(1)
Ombudsman	(2)
Otago Old People's Welfare Council	(2)
Paediatric Society of New Zealand	(1)
Paediatric Society of New Zealand (Auckland Branch)	(1)
*Pathologists—private	(1)
Pharmaceutical Manufacturers Association of New Zealand	(1)
Presbyterian Church—Public Questions Committee	(3)
Presbyterian Social Service Association (Auckland)	(1)
*Presbyterian Social Service Association (Otago)	(1)
Public Service Welfare Society	(1)
Rangiora Labour Representation Committee.. .. .	(1)
Religious Society of Friends (Quakers) of New Zealand	(1)
Roman Catholic Church, Archdiocese of Wellington	(1)
Royal Australasian College of Physicians	(1)
Royal New Zealand Society for the Health of Women and Children (Plunket Society)	(1)
Salvation Army	(1)
Social Security Department	(26)
Society for Research on Women in New Zealand	(2)
Society of St. Vincent de Paul	(1)
Solo Parents (Dunedin)	(1)
Solo Parents (New Zealand)	(2)
Solo Parents (Wellington).. .. .	(1)
Southern Cross Medical Care Society	(1)
State Advances Corporation of New Zealand.. .. .	(1)

Treasury	(3)
Unilever (New Zealand) Limited	(2)
*Union of New Zealand Women (Auckland)	(1)
Victoria University of Wellington (Department of Social Administration and Sociology)	(2)
Victoria University of Wellington Students Association	(1)
Volunteer Service Abroad	(1)
*Waikohu County Council	(1)
Wellington and Hutt Valley Nurses Bureau	(1)
*Westport Age Beneficiaries' Association	(1)
*Whangarei Home Counselling Society	(1)
*Women's Guild of Services (Auckland)	(1)
*Young Women's Christian Association of New Zealand	(1)
Zonta Club of Auckland	(3)

PEOPLE†

*Abercrombie, M. D. (Miss)	(1)	Easton, B.	(3)
*Aldred, M.	(1)	Farmer, J. A.	(1)
Anderson, D. E. (Mrs)	(1)	*Feeney, Dr D. W.	(1)
Anderson, J. A. D.	(1)	Finlay, Dr A. M., M.P.	(1)
*Annan, J. (Mrs)	(1)	*Finucane, A. (Miss)	(1)
*Anthony, H. J.	(1)	*Ford, W. D.	(1)
*Attwood, D. E. (Mrs)	(1)	Fulcher, A. W.	(2)
*Ayres, J. (Mrs) and associates	(1)	*Furby, B. S.	(1)
*Barton, D. I. (Mrs)	(3)	*Giltrap, J. S.	(1)
Bell, M. C. (Mrs)	(1)	Grieve, G. B.	(1)
Beutow, H.	(1)	*Haliday, A. J. (Mrs)	(1)
*Blois, Dr J. T.	(1)	Hancock, M. W.	(2)
Bouzaid, A. P.	(1)	Harper, Rev. A. R.	(1)
Coles, I. J.	(1)	*Hay, M. J. (Mrs)	(1)
*Colling, A. R. (Mrs)	(1)	Hill, H. Gladstone	(1)
*Clay, Dr W. N.	(1)	Irwin, J.	(2)
*Cox, J. (Mr and Mrs)	(1)	Lind, Dr E. B.	(1)
Craig, L. (Mrs)	(3)	Little, N. F.	(1)
*Cutler, T. G.	(1)	Locke, E. (Mrs)	(1)
*de Abaffy, L. A. J.	(1)	*Logan, R. G.	(2)
*de Valk, H. M.	(1)	Maddock, A. C.	(3)
Dilworth, B. F. (Mrs)	(1)	*McLeod, G. B.	(1)
*Dunn, Dr H. P.	(1)		
*Dwyer, J. E. (Mrs)	(1)		

*McMillan, J. D. . . . .	.. (1)	*St. John, A. P. . . . .	.. (1)
McQueen, E. J. E. . . . .	.. (1)	Sullivan, O. M. (Mrs) . . . .	.. (1)
*MacRae, A. M. . . . .	.. (1)	Sutch, Dr W. B. . . . .	.. (1)
*Main, J. H. . . . .	.. (1)	Szakats, Dr A. . . . .	.. (1)
Milne, A. . . . .	.. (1)		
*Morris, Dr E. A. . . . .	.. (2)	Taaffe, W. . . . .	.. (1)
		*Tatchell, P. M. (In associa-	
Newman, Dr J. L. . . . .	.. (1)	tion with Prof. J. T. Ward) (1)	
Nicholson, W. D. . . . .	.. (1)	*Twhigg, A. L. . . . .	.. (1)
*Parsonage, H. A. . . . .	.. (1)	van Osta, G. J. W. (Mrs) . . .	(1)
*Pike, Mr W. A. J. . . . .	.. (1)		
		Walker, W. H. . . . .	.. (1)
Richards, Dr J. G. . . . .	.. (1)	*Ward, Prof. J. T. . . . .	.. (1)
Richwhite, Dr D. Lloyd . . . .	.. (1)	Watts, K. R. A. (Mrs) . . . .	.. (1)
*Ross, K. C. . . . .	.. (1)	*Watt, T. (Miss) . . . . .	.. (1)
		*Wealleans, C. P. (Mrs) . . . .	.. (1)
Scoular, Dr R. S. C. . . . .	.. (1)	Wright, D. A. (Mrs) . . . . .	.. (1)
Smith, Shirley (Miss) . . . . .	.. (1)	Wyatt, A. G. . . . .	.. (1)
Stanton, A. McM. . . . .	.. (1)		

†In addition to those people listed who lodged formal submissions, we received correspondence from a number of others which was formally read into the records of the inquiry and considered along with all the other representations received.

*Appendix 2***CASH BENEFITS AVAILABLE UNDER SOCIAL SECURITY SCHEME**

Under the Social Security Act 1964 cash benefits free of any means test are payable in respect of children, retirement, and to miners who are able to fulfil the requirements laid down. Cash benefits subject to an income test are payable in respect of age, widowhood, invalidity, orphanhood, sickness, and unemployment. In addition, emergency benefits may be granted where hardship is proved and there is no entitlement to any other statutory cash benefit.

Family Benefit

A family benefit of \$1.50 a week is payable free of income test in respect of each child under the age of 16 whose parents are ordinarily resident in New Zealand. The benefit may be continued to the end of the year in which the child attains 18 years if he is furthering his education or is totally incapacitated from earning a living. In order to qualify a child must:

- (a) have been born in New Zealand, or
- (b) have been born while his mother was only temporarily absent from New Zealand, or
- (c) be likely to remain permanently in New Zealand, or
- (d) have resided continuously in New Zealand for not less than 12 months.

Superannuation Benefit

The superannuation benefit is designed for retirement and is payable to both males and females at age 65 free of income test. Both husband and wife must qualify for benefit in their own right as there is no provision to increase the benefit payable to a married man whose wife has not attained age 65.

Unless he was resident in New Zealand on 15 March 1938, 20 years' residence from a date selected by the Social Security Commission as most advantageous to the applicant is required. Absences totalling not more than 2 years plus a further 6 months for each year of residence over 20 years are disregarded. Persons living in New Zealand on 15 March 1938 may qualify with 10 years' residence in which case absences totalling not more than 1 year plus 6 months for each year of residence over the 10 years are disregarded. In every case the applicant must be ordinarily resident in New Zealand on the date from which his residence is calculated and also on the date of application.

Miners Benefit

The miners benefit is paid free of income test to a male who satisfies the Social Security Commission that, while employed as a miner in New Zealand, he contracted miner's phthisis which permanently and seriously incapacitates him for work or that he has contracted some other occupational disease or heart disease as the result of which he is permanently and totally incapacitated for work.

In order to qualify an applicant must have been employed in New Zealand as a miner for not less than 2½ years and he must have resided continuously in New Zealand for not less than 5 years immediately preceding the date of his application for the benefit. Absences totalling 6 months in the 5-year period are disregarded.

If a married man dies while receiving miners benefit his widow may be granted an income test free miners widows benefit which is payable during widowhood.

Age Benefit

The age benefit, which is subject to an income test, is payable at 60 years but the benefit may be granted to an unmarried woman who has attained 55 years and for health reasons is unable to engage in regular employment. However, an age benefit may not be granted to a male who applies under the reciprocal agreements with the United Kingdom and Australia until he attains age 65.

The residential qualifications and the rates of age benefit are the same as those for superannuation benefit except that the age benefit payable to a married man may be increased when his wife is not qualified to receive a benefit in her own right.

The benefit is reduced if the income received by the beneficiary or, in the case of a married couple, if the income received by the beneficiary and his wife exceeds the allowable income.

Widows Benefit

The widows benefit which is subject to an income test may be granted to:

- (a) A widow who is the mother of one or more dependent children under 16 years of age.
- (b) A widow who no longer has a dependent child but who was married for 15 years or, alternatively, the duration of her marriage and any subsequent period during which she had the care and control of at least one of her children under 16 years of age was not less than 15 years.
- (c) A widow who has been married for not less than 5 years and is widowed after attaining the age of 50 years.
- (d) A widow who is not less than 50 years of age provided she was widowed after she attained the age of 40 years, the duration of her marriage was not less than 10 years and not less than 15 years have elapsed since the date of her marriage.

A child born out of New Zealand does not qualify a woman for widows benefit unless the child was born while the mother was only temporarily absent or both of his parents were ordinarily resident in New Zealand for the 3 years preceding the date of the husband's death or one of the parents was ordinarily resident in New Zealand at the date of the husband's death and had resided continuously in New Zealand for not less than 5 years. Except where a widow has a child which qualifies her for widows benefit, both she and her husband must have been ordinarily resident in New Zealand for not less than 3 years immediately preceding the date of the husband's death, or alternatively, either she or her husband being ordinarily resident in New Zealand at the date of the husband's death, had resided continuously in New Zealand for not less than 5 years.

The basic rate of widows benefit may be increased by payment of a mothers allowance for the first dependent child, further increased for each child after the first.

The allowable income for a widow with a dependent child is higher than that of other widows.

A woman may be granted a special benefit under the same conditions as for widows benefit if her husband has been a patient in an institution under the Mental Health Act 1969 continuously for a period of at least 6 months immediately preceding the date of application for the benefit.

Provided the Social Security Commission is satisfied that a married woman has been deserted by her husband and that she has taken proceedings against her husband for a maintenance order under the Domestic Proceedings Act 1968, she may be granted a deserted wives benefit as if she were a widow. When a benefit of this nature is granted maintenance recovered under an order of the Court is paid to the Consolidated Revenue Account.

Invalids Benefit

The invalids benefit, which is subject to an income test, is designed to meet the needs of those people aged 16 years and over who are not qualified to receive an age benefit but who are either totally blind or permanently incapacitated for work as a result of an accident or by reason of illness or any congenital defect.

A person who was resident in New Zealand on 4 September 1936, or who was born blind in New Zealand or became blind while ordinarily resident in New Zealand, or who was born in New Zealand with the condition to which his incapacity for work is attributable, or whose incapacity for work is attributable to an accident happening in New Zealand or an illness contracted in New Zealand, may qualify for benefit after 10 years' residence from a date selected by the Social Security Commission as most advantageous to the applicant. All other applicants for invalids benefit are required to have resided in New Zealand for a period of 20 years from a date selected by the Commission as being most advantageous. In every case the applicant must be ordinarily resident in New Zealand on the date from which his residence is calculated and also on the date of application.

The rates of invalids benefit are the same as those of superannuation benefit, except that invalids benefit payable to an unmarried person under 20 years is at a lesser rate, and the benefit payable to a married man may be increased to include his wife if she is not qualified to receive a benefit in her own right.

The benefit is reduced if the income received by the beneficiary or in the case of a married couple, if the income received by the beneficiary and his wife exceeds the allowable income. However, the personal earnings of a blind beneficiary are disregarded entirely in the assessment of the invalids benefit, which may also be increased by an additional allowance of up to 25 percent of his earnings.

Orphans Benefit

The orphans benefit which is subject to an income test is payable in respect of a child under the age of 16 years, provided that both of his parents are dead and that he was born in New Zealand or that his last surviving parent was ordinarily resident in New Zealand for not less than 3 years immediately preceding the date of that parent's death. The benefit may be continued to the end of the year in which the child attains 18 years if he is furthering his education, or if he is totally incapacitated from earning a living.

Benefit is subject to reduction when the income of the child exceeds \$104 a year (a lower allowable income than applies to other social security benefits).

Sickness Benefit

The sickness benefit which is subject to an income test may be paid to those people aged 16 years or over who have resided continuously in New Zealand for not less than 12 months at any time and who suffer a loss of salary, wages, or other earnings as the result of being temporarily incapacitated for work through sickness or accident. A married woman is entitled to receive a sickness benefit only if her husband is unable to maintain her.

The maximum benefit rate depends on whether the applicant is a married man, a single person over 20, or a single person under 20 years of age. However a benefit may not be granted at a rate in excess of the loss of earnings suffered by the applicant.

The benefit is subject to reduction if the income received by the beneficiary, or, in the case of a married couple, if the income received by the beneficiary and his wife, exceeds the allowable income.

Unemployment Benefit

The unemployment benefit which is subject to an income test is payable to persons over the age of 16 years who have resided continuously in New Zealand for not less than 12 months at any time, are not qualified to receive age benefit and are able to satisfy the Social Security Commission:

- (a) That they are unemployed,
- (b) That they are capable of undertaking and are willing to accept suitable work, and
- (c) That they have taken reasonable steps to obtain suitable work.

A married woman is entitled to receive an unemployment benefit only if her husband is unable to maintain her.

The rates of unemployment benefit are the same as those for sickness benefit. The policy is to reduce unemployment benefits by income in excess of the allowable income, but the benefit is directly reduced by the net earnings of the beneficiary himself in any week.

Family Maintenance Allowance

The basic age, invalids, sickness, unemployment, and emergency benefits payable to persons who have dependent children may be supplemented by way of family maintenance allowance which is payable in addition to family benefit.

The rate of allowance for the first child depends on whether the beneficiary is married or whether he/she is a solo parent.

Emergency Benefit

Any person who is not qualified to receive a benefit other than a family benefit and is able to satisfy the Social Security Commission that by reason of age, physical or mental disability, domestic circumstances, or for any other reason he is unable to earn a sufficient livelihood for himself and his dependants, may be granted an emergency benefit. The rate of benefit and the conditions of grant are in the discretion of the Social Security Commission but the rate may not exceed the rate of the benefit considered to be analogous by the Commission.

Well defined categories of recipients of assistance under this heading include semi-employable people, women who are required to relinquish their employment to care for aged or sick parents, immigrants (including Pacific Islanders) not residentially qualified for statutory benefits, mental patients on leave, and rehabilitation vocational trainees.

Women who have lost the regular support of their husbands, wives of prisoners, and single mothers are granted emergency benefits, known administratively as Domestic Purposes Benefits, supplemented by family maintenance allowances for dependent children. The obligation of husbands and the fathers of children to provide maintenance for their wives or children, is not overlooked. The department has the authority to enforce maintenance orders.

Supplementary Assistance

Supplementary assistance is available to help social security beneficiaries, war pensioners, and others who have necessary commitments which cannot be met out of their current income or other resources and who are unable to help themselves. Eligibility for supplementary assistance is determined in the discretion of the Social Security Commission in relation to the applicant's commitments and general financial circumstances. As a guide to the need for assistance the basic procedure is to ascertain the difference between the income from all sources into the applicant's home and the sum total of assessed living costs, plus other regular commitments. Assessed living costs mean the ordinary everyday items that all persons meet such as food, power, clothing, etc., but not including accommodation costs. The amount included as the assessed living costs varies according to marital status, number of dependent children, and whether the applicant is living in his own home, is boarding, or is in hospital. Other regular commitments include rent or outgoings on a home (mortgage instalments, fire insurance, and rates) and other special items such as regular medical expenses, telephone rental, special diets, extra power or fuel, and life insurance premiums.

Supplementary assistance is normally payable by way of a continuing weekly grant but lump-sum grants may be made for the purchase of clothing, bedding, blankets, spectacles, dentures, or for any other essential purposes (for example, cost of urgent medical treatment overseas when treatment is not available in New Zealand has been approved on a few occasions). Another purpose is help for those persons who because of ill health and advancing years find the running of a home beyond them yet who, with a certain amount of help, can remain in their homes. Under this heading the department operates a home-help service throughout the country with a roster for part-time domestic workers. The department also operates a scheme to supply wheelchairs on loan to disabled people who cannot reasonably be expected to provide their own.

Supplementary assistance paid in conjunction with war pensions, war veterans allowances, and permanent social security benefits is paid 4-weekly. Supplementary assistance is paid weekly with temporary benefits such as unemployment or sickness benefit, including emergency benefits paid to separated wives or unmarried mothers.

Advances for Major Repairs

This scheme provides for advances of up to \$400 for the provision of essential services or major repairs to, or maintenance of, the homes of beneficiaries and pensioners. An applicant must be in receipt of a permanent benefit, pension, or allowance (not a temporary benefit such as sickness or unemployment) and must be the registered owner of and occupying the land on which the home is situated (including a perpetually renewable lease). The amount of the advance becomes a registered statutory charge on the land. Interest is charged at 5 percent reducible to 3 percent

if the home continues to be occupied by the beneficiary and interest is paid half-yearly.

Family Benefit Capitalisation

Under the Family Benefits (Home Ownership) Act 1964, parents are assisted with the purchase of home properties, additions or alterations to existing homes, or the repayment of mortgage and other encumbrances on family homes by capitalising family benefit in respect of one or more children from the age of 1 year up to the age of 16 years, provided that the total of the advance or advances for any one family is not less than \$400 or more than \$2,000.

There is a condition that the beneficiary or the spouse of the beneficiary must have resided in New Zealand for at least 3 years in the aggregate during the 10 years immediately preceding the date of the application. Also title to the land on which the home is built or to be erected must be in the sole name of the beneficiary or the property must be capable of being settled as a joint family home under the Joint Family Homes Act 1950.

Eligibility to capitalise family benefits is determined by the Social Security Commission which takes into account the ability of the applicants to fulfil their proposed housing obligations and endeavours to ensure that capitalisation with the consequent loss of regular family benefit payment will not adversely affect the family's living standards. The scheme, which charges only 3 percent interest, is not intended for families who can themselves finance their housing propositions or who could be expected, on account of the family income, to be able to meet the cost of finance obtained through normal lending channels. The Act requires the Commission, after taking into consideration the income and assets of the applicant and her husband, to be satisfied that the applicants could not reasonably be expected to arrange finance from any other source. To assist the Commission in the exercise of this discretion, it has adopted for its guidance income limits which vary with the number of children, above which an advance will not normally be approved unless there are unusual features associated with the application, e.g., if additional expense is incurred because a member of the family is an invalid an advance may be approved notwithstanding that the family income is in excess of the policy limit.

Reciprocal Agreements

A reciprocal agreement with the United Kingdom provides for birth and residence there to be regarded as birth and residence in New Zealand when determining entitlement to most cash benefits under the Social Security Act. Under the agreement residence in New Zealand counts as a period of contributions for United Kingdom social security benefits. Under an agreement with Australia birth and residence in either country is regarded as birth and residence in the other country, except when determining entitlement to superannuation, miners, orphans, and emergency benefits in New Zealand.

Funeral Benefits

Many countries provide funeral grants, but there is no provision for these in New Zealand. However, performing a similar function is the payment of age benefit (but not superannuation benefit) for 3 months after the death of a spouse.

*Appendix 3***OTHER INCOME PROTECTION SCHEMES AND RELATED WELFARE SERVICES ADMINISTERED BY SOCIAL SECURITY DEPARTMENT***War Pensions and Allowances*

War pensions and allowances are available to men and women who served in the New Zealand forces in New Zealand or overseas. These include: disablement pensions for those suffering from disabilities attributable to or aggravated by service with the forces; widows pensions for those whose husband died while serving overseas as a member of the forces in connection with a war or emergency or whose death was attributable to service in New Zealand or overseas; economic pensions, subject to an income test, paid in supplementation of disablement or dependant's pensions at the same rates as income tested social security benefits; war veterans allowances subject to an income test and a residential qualification for those unfit for regular employment who had front line or dangerous or arduous service in the First World War; and war service pensions also subject to test as to residence and income for those unfit for regular employment who served overseas in connection with the Second World War or subsequent war or emergency.

In addition to these pensions and allowances there are various ancillary provisions such as free medical and surgical treatment for disabilities accepted as due to service with the forces, travelling allowances and concessions, education bursaries, clothing allowances, attendant's allowances, motorcar loans, and rehabilitation services.

Payments on Behalf of Other Governments and Overseas Authorities

The department is the agent in New Zealand for the payment of pensions granted by the Australian Government and 14 United Kingdom authorities, one of which also acts for a number of foreign governments. All of the Australian pensions and a proportion of those paid on behalf of United Kingdom authorities, are war pensions analogous to New Zealand war pensions. A number of the United Kingdom pensions are retirement and widows pensions paid to people in New Zealand under the United Kingdom National Insurance Scheme, and others are service and civil pensions granted in respect of service in the forces and employment in the United Kingdom and other Commonwealth countries. The reciprocal agreement on social security with Australia provides for the payment of Australian social security benefits and pensions to Australians living temporarily in New Zealand. The department is the agent for this purpose.

Legal Aid

Since 1 April 1970 the department has been responsible for investigating the financial circumstances of applicants for legal aid under the Legal Aid Act 1969 and for reporting such circumstances to district legal aid committees. The department is represented on the Legal Aid Board and also has representatives on each of the district committees.

Maintenance for Wives and Children

If a social security benefit is payable by virtue of a husband's failure to support his family, or to a woman not otherwise eligible for benefit but who is unable to work because she has to care for her children, the Social Security Department expects reasonable action to be taken to obtain maintenance. Usually maintenance is payable to the department and under this arrangement the woman has the advantage of a regular income, but the husband, or father of the children, does not escape his obligations for maintenance.

If a woman receives a social security benefit not connected with failure of her husband or the father of her children to maintain her or her family, any maintenance received is treated as income.

The responsibility for enforcing orders, receiving and distributing all maintenance payments was taken over from the Department of Justice on 1 January 1970.

Social Security Welfare Services

Social Work and Field Services—The department has a team of 34 social workers who together with field officers and other staff, provide a general individual and family welfare service for all age groups. The diversity of social problems handled by these social workers is very wide including:

- (a) Undertaking the general field investigation and inquiry work for benefits, allowances and pensions.
- (b) The helping of women and their dependent children who have been left alone to cope with the problems and stresses of broken homes caused by desertion, separation, divorce, widowhood, or with husband in mental hospital or prison. Many of these women including many *de facto* wives, require intensive counselling and support in meeting drastically reduced incomes, heavy commitments, maintenance procedures, and the emotional distress of broken homes.
- (c) The rehabilitation of disabled persons suffering from physical, emotional, or mental ill health. Where possible these people are helped into employment or, if unemployable, helped to live and function in the community while receiving a benefit or pension, thus avoiding the expense of institutional care.
- (d) Counselling and guidance to help individuals and families needing guidance to help them to recover reasonable economic status in the community.
- (e) Marriage counselling, helping in reconciliations, and family disputes.
- (f) Dealing with the problems of unsettled migrants and refugees who have not found a stable life in this country.
- (g) Providing a general welfare service over a variety of problems such as helping evicted families, arranging for wheelchairs and other equipment for the disabled, providing clothing, bedding, furniture, and furnishings for destitute families, helping with problems of sheltered employment, character disorders, people living in sub-standard housing, alcoholism, personal hygiene, disagreements about use of benefits, independent but difficult aged people, relatives of the mentally ill, unmarried mothers, and the dependent and lonely invalid.

Counselling and Guidance—While the department provides a general counselling service, many people seeking help are referred to more specialised services. District offices of the department maintain lists of social welfare organisations in their districts and co-operate fully with these organisations. Organisations in this field frequently used are Alcoholics Anonymous, Birthright, family guidance councils, Heritage, Family Planning Association, Blind Foundation, Society for Protection of Home and Family, Solo Parents, Stepping Stones, and marriage guidance councils. Also the services of the Child Health Clinic, the Vocational Guidance Service and the Psychological Service and Child Welfare Division of the Department of Education are used where appropriate.

Liaison With Other Organisations

The department works in conjunction with and maintains close liaison with a large number of other welfare services including government departments, local bodies, and voluntary welfare organisations. While social security benefits with supplementary assistance provide basic income protection, some local body and voluntary organisations operate a system of emergency relief payments or aid. In the main these are hospital boards under the Charitable Aids Act, mayors relief, the church social services, Returned Services Association and patriotic committees, Birthright, Heritage, Prisoners' Aid and Rehabilitation Societies, Society for Protection of Home and Family, St. Vincent de Paul, and the Tuberculosis Association. The Crippled Children Society and the Blind Foundation also supply aid for special purposes. Considerable liaison and co-ordination is needed with all of these organisations to prevent duplication of assistance. Generally, assistance by these organisations is limited to immediate help pending an approach to the Social Security Department or for some special purpose.

Appendix 4

SOCIAL SECURITY LEGISLATION IN NEW ZEALAND
HISTORICAL SUMMARY

- 1894 First steps Select Committee of House of Representatives appointed to go into question of making provision for old age. Report recommended establishment of old-age pensions.
- 1898 *Old-age pensions* .. Old-age Pensions Act 1898. Came into force 1 November 1898. Provided old-age pensions at \$36 a year at age 65, subject to means and residence tests. Income exemption \$68 a year.
- 1901 Maoris Old-age Pensions Amendment Act 1901. Minor amendments. Maoris could be recommended for grant under Civil List in lieu of old-age pensions.
- 1905 Pension increases; means test relaxed .. Old-age Pensions Act 1905. Increased rate of pension. Income exemption, and allowable property provisions relaxed.
- 1908 Consolidation .. Old-age Pensions Act 1908. Consolidation. Widened scope of former Acts.
Limit of income and pension fixed .. Old-age Pensions Amendment Act 1908. Various amendments. Uniform limit of income and pensions fixed for first time.
- 1909 Property test .. Old-age Pensions Amendment Act 1909. Amendment to property qualification.
- 1910 Property test .. Old-age Pensions Amendment Act 1910. Amendment to property qualification.
- 1911 Qualifying age reduced in some cases; additional pension for parents .. Old-age Pensions Amendment Act 1911. Qualifying age for parents of 2 or more children under 14 reduced to 60 years for men and 55 years for women. Parents of 2 or more children under 14 to receive additional allowance of up to \$26 a year.
Widows pensions .. Widows Pensions Act 1911. Came into force 1 January 1912. Provided pension of \$24 a year to widows with one child, increased by \$12 for each additional child; maximum \$60 a year. Pension subject to means test.
- 1912 Maori War pensions .. Military Pensions Amendment Act 1912. Provided Maori War pensions of \$72 a year subject to residence and means tests.
Wives of mental patients .. Widows Pensions Amendment Act 1912. Extended widows pensions to wives of mental hospital patients who were certified incurable for 12 months.
- 1913 Reciprocity with Australia .. Agreement with Australia ratified by New Zealand but not by Australia.
Consolidation; women qualify for old-age pension at age 60 .. Pensions Act 1913. Consolidated the eight existing statutes relating to old-age, widows, and military pensions. Women qualify for old-age pension at 60 years, with reduced pension until 65 years if less than 2 dependent children. Amendments regarding income and property.
- 1914 Residence and property amendments; pensions for wives of mental hospital patients extended; number of children limited .. Pensions Amendment Act 1914. Minor amendments to residence and property provisions for old-age pensions. Wife of mental patient entitled to widows pension irrespective of length of time husband likely to be in mental hospital. Limitation of widows pension to a maximum of four children.

- 1915 *Miners pensions; miners widows pensions; funeral grant* Miners Phthisis Act 1915. Pensions provided for miners totally incapacitated by pneumoconiosis. Widow of miner to receive pension for 2 years. Funeral grant of up to \$40 paid on application within 1 year of death. Rate of miners pensions \$104 a year if married and \$79 if single. Pension subject to residential and mining qualification. No means test.
- 1916 War pensions exempted as income War Legislation Amendment Act 1916. War pensions not to be deemed as income for old-age and widows pensions.
- 1917 Cost-of-living bonus .. Finance Act 1917. Cost-of-living bonus added to civil pensions for duration of war and 1 year thereafter.
- 1919 Pension increases; widows pension residence test relaxed Finance Act 1919. Increased widows and miners pensions by incorporating the cost of living bonus in the statutory pension. For widows pension the residence required by parents of children born out of New Zealand reduced if father died in New Zealand.
- Miners widows pensions extended Miners widows pensions payable during widowhood instead of 2 years only.
- 1920 Pension increases .. Finance Act 1920. Old-age pensions increased by incorporating the cost-of-living bonus in statutory pension. Miners pensions increased.
- 1924 Increased pensions for destitutes and *South African War veterans*; Widows pensions increased; *Blind pensions* Pensions Amendment Act 1924. Additional old-age pensions for those with no income or property and for South African War veterans. Amended income and property exemptions. Widows pensions increased. Blind pensions provided for people becoming blind in New Zealand. Pension of \$78 a year subject to residence and means test.
- 1925 Pension increases; property test amended; blind pensions extended Pensions Amendment Act 1925. Increased old-age and blind pensions. Additional old-age pension for those with no income or property withdrawn. Amended property exemptions for old-age and widows pensions. Blind pensions extended to people who lost sight out of New Zealand, subject to residence test.
- 1926 Consolidation .. Pensions Act 1926. Consolidated existing law relating to old-age, widows, blind, miners, and military pensions.
- Family Allowances* .. Family Allowance Act 1926. Introduced family allowances at 20c a week for each child in excess of two under 15 years of age. Income exemption of \$8 a week.
- 1929 Miners pensions extended Finance Act 1929. Miners pensions extended to miners with tuberculosis of lungs and other respiratory diseases commonly associated with or following pneumoconiosis. Pensions for serious permanent incapacity as well as total incapacity.
- 1930 *Unemployment relief* .. Unemployment Act 1930. Established Unemployment Board, provided relief, and for measures to promote employment.
- 1931 Family allowances income exemption reduced; *Unemployment relief* increased Finance Act 1931. Income limit for family allowance reduced to \$7.20 a week. Unemployment Amendment Act 1931. Re-established Unemployment Board and provided for increased funds for relief. Unemployment Relief Tax introduced.
- 1932 Pensions reduced by 10 percent; Miners widows pensions restricted; income exemption reduced; Expenditure to be appropriation by Parliament; National Expenditure Adjustment Act 1932. Reduced old-age, widows and miners pensions by 10 percent. Miners widows pensions again restricted to 2 years. Income exemptions for civil pensions reduced. Family allowance income exemption reduced to \$6.50 a week. Definition of income amended.
- Finance Act 1932. Expenditure on pensions and family allowances to be subject to appropriation by Parliament.

- Miners, miners widows, and blind pensions amendments
Pensions Amendment Act 1932. Residential requirements for miners pensions modified. Two-year limit for pensions for miners widows current on passing of National Expenditure Act removed. Absence from New Zealand of blind pensioner for treatment of eyes disregarded.
- 1933 Absences of servicemen
Finance Act (2) 1932-33. Absence with armed forces not deemed to interrupt residence.
- 1934 Pension increases; Income exemption to \$82 per annum
Finance Act (2) 1934. Increased old-age pensions by 5 percent. Income exemption for old-age and blind pensions increased to \$82 a year.
- 1935 Pension rates restored; Income exemption to \$104 per annum
Finance Act 1935. Rates of pensions restored to those ruling prior to the National Expenditure Adjustment Act 1932. Income exemption increased to \$104 a year.
- Limit of miners widows pensions removed
Finance Act (2) 1935. Two-year limit on miners widows not in force on the passing of the National Expenditure Adjustment Act 1932, removed, except where married after 26/10/35.
- 1936 *Invalids pensions; deserted wives pensions;* pensions increased and conditions relaxed
Pensions Amendment Act 1936. Provided pensions for invalids and deserted wives, reduced residence for old-age pensions, increased old-age, widows, and Maori war pensions, and liberalised conditions under which pensions granted.
- Family allowance income limit increased to \$8 per week
Family Allowance Amendment Act 1936. Raised income limit for family allowances to \$8 a week and permitted application by either parent instead of by father only.
- 1937 Invalids pensions extended; Invalids pensions amendments
Finance Act 1937. Invalidity pension paid where invalidity arose outside New Zealand subject to residence test. Amendments to provisions *re* occasional absence from New Zealand of applicant for invalidity pension and rate of invalidity pension to person receiving overseas pension.
- Old-age pensions residence test relaxed
Pensions Amendment Act 1937. Residence for old-age pensions reduced to 10 years if in New Zealand on 15 March 1938.
- 1938 *Social Security Act 1938*
Social Security Act 1938. Came into force on 1 April 1939. Replaced existing legislation relating to pensions and unemployment relief. Cash and health benefits provided. New cash benefits included sickness, unemployment, orphans, superannuation, and emergency benefits. Age, invalids, widows, miners, and family benefits replaced old-age, invalidity, widows, and miners pensions and family allowances respectively. Other significant changes such as the reduction in the qualifying age for age benefit for men from 65 to 60, increase in family benefit income exemption to \$10 a week and family benefit extended to include aliens, Asiatics, and illegitimate children. Social Security Fund established. Employment tax replaced by social security charge.
- New social security cash and health benefits; *sickness, unemployment, orphans, superannuation, and emergency benefits;* Existing pensions became benefits; Reduction in qualifying age for age benefit; family benefit income exemption to \$10 per week; family benefit extended;
Social Security Fund; Social Security Tax
- 1940 Family benefit extended
Social Security Amendment Act 1940. Family benefits paid for second child.
- 1941 Supplements for wives and children increased; Family benefit extended.
Finance Act 1941. Additional age benefit for under-age wife and additional age and sickness benefit for children increased. Family benefit paid for every child in family.
- 1942 Cost-of-living bonus; Family benefit increased and income limit raised to \$10.50 per week; Blind beneficiary's earnings;
Social Security and Pensions Emergency Regulations (1942/145). Cost-of-living bonus of 5 percent added to age, widows, orphans, invalids, miners, Maori war benefits, and war veterans allowances. Bonus of 20c a week per child added to family benefits and allowable income raised to \$10.50 a week. Personal earnings exemption for blind beneficiaries increased.

- War serviceman's dependants allowance*
- 1943 Benefit increases; Deserted wives benefits extended; War serviceman's dependants allowance extended;
- Reciprocity with Australia*
- 1944 South African war allowances relaxed; Family benefit and income exemption increased
- 1945 Benefit increases; Under-age wife's supplement reaches parity with basic benefit; Additional benefit for widows with children; *Family benefit means test removed*; Qualifications for widows and invalid benefits relaxed; War serviceman's dependants allowance extended
- 1946 Increased widows benefit and mothers allowances; Family benefit extended
- 1947 Benefit increases; Family benefit for children of servicemen; Delegation of Commission's powers
- 1948 *Family benefits—reciprocity with Great Britain*; Family benefits—reciprocity with Northern Ireland; Reciprocity with Australia extended;
- Amendments affecting the blind, orphans, and those temporarily overseas; Family benefit extended
- 1949 Benefit increases; War serviceman's dependants allowance extended
- Social Security and Pensions Emergency Regulations Amendment No. 1 (1942/326). Additional \$52 a year to age beneficiary who was dependent parent of serviceman whose death was due to service with the armed forces.
- Social Security Amendment Act 1943. Into force 1 July 1943. Increased basic rate of cash benefits. Extended deserted wives benefits to women who had taken proceedings for maintenance even if husband's whereabouts unknown. Liberalised definition of income. War serviceman's dependants allowance extended (still only age beneficiaries).
- Age Benefits and Invalids Benefits (Reciprocity with Australia) Act 1943. Established reciprocity between New Zealand and Australia for age and invalids benefits.
- Finance Act (3) 1944. Qualifications for additional age benefit for South African war veterans liberalised. Rate of family benefits increased to \$1 a week per child and income exemption raised to \$11 a week.
- Social Security Amendment Act 1945. Into force 1 October 1945. Increased basic rates of cash benefits. Additional amount paid for under-age wife increased to same rate as basic benefit. Supplementary benefit of \$104 a year provided for widows with children. Income exemption for family benefit increased to \$13 a week until 31 March 1946, after which family benefit paid without a means test. All benefits for children replaced by family benefit from 1 October 1945. Qualifications for widows and invalids benefits and for additional age benefit for South African War veterans liberalised. War serviceman's dependants allowances payable with other benefits instead of just age benefit as previously.
- Social Security Amendment Act 1946. Into force 1 April 1946. Increased rates of some widows benefit and of mothers allowance to widows. Liberalised qualifications concerning adopted children and residence for family benefit. Extended period for which benefits for children could be continued for educational purposes.
- Social Security Amendment Act 1947. Into force 1 October 1947. Increased basic rates of benefits. Family benefit payable to children of servicemen. Amendments concerning delegation of powers of Social Security Commission, renewal of benefits and residence.
- Family Benefits (Reciprocity with Great Britain) Act 1948. Family benefit only covered by the agreement.
- Family Benefits (Reciprocity with Northern Ireland) Act 1948. Social Security (Reciprocity with Australia) Act 1948. Replaced the Age Benefits and Invalids Benefits (Reciprocity with Australia) Act 1943, and provided for reciprocity in relation to age, invalids, widows, family, unemployment, and sickness benefits from 1 July 1949.
- Finance Act (2) 1948. Amendments affecting blind beneficiaries transferred to age benefit, date of expiry of orphans benefit, payment of benefits during temporary absences from New Zealand. Children born during temporary absence of mother from New Zealand eligible for family benefit.
- Social Security Amendment Act 1949. Increased basic rates of benefits from 1 June 1949. War serviceman's dependants allowance extended.

- 1950 Income exemption to \$156 per annum; Property test relaxed; Age benefit "deferral concession" and domestic service concession introduced; Benefit increases
Social Security Amendment Act 1950. Increased income exemptions for age, invalids, sickness, and related emergency benefits to \$156 a year. Deduction on account of excess property amended to \$2 for every \$30 of excess property. Age benefit deferral concession introduced. Domestic service concession of up to \$156 a year introduced for women doing domestic work in private homes. Increased benefit rates.
- 1951 Undertaking to progressively increase superannuation benefit; Benefit increases, war pensions disregarded as income
Social Security Amendment Act 1951. Superannuation benefit increased to \$150 a year from 1 October 1951 and by a further \$10 each year with the aim of reaching parity with age benefit in 1966. Increased benefit rates. War pension disregarded as income in assessing all benefits.
- 1952 Residence test for widows relaxed
Finance Act (2) 1952. Residential qualification for widows benefits liberalised to include those cases where the widow or her husband had resided continuously in New Zealand for 5 years.
- 1954 Benefit increases; Deserted wives benefit continued after divorce; Payment after death
Social Security Amendment Act 1954. Increased benefit rates including increases in widows benefits mothers allowances. Social Security Commission given discretion to continue deserted wives benefit after divorce. Age, widows, and invalids benefits continued to end of month following month of death.
- 1955 Benefit increases; Residence test relaxed;
Special age benefit for women aged 55; Increased benefit for unmarried people;
Domestic service concession extended;
Higher rate of benefit for tuberculosis sufferers
Social Security Amendment Act, 1955. Increased benefit rates. Some relaxation of residence test for superannuation, age, and invalids benefits. Social Security Amendment Act (2) 1955. Special age benefit for women 55 years or older introduced. Increased benefit rates for an unmarried person (50c a week), the first time that an unmarried person received a higher rate of benefit than one married person. Domestic concession extended to include domestic or nursing work in hospitals, homes for the care of the aged, and approved charitable institutions. Policy decisions to pay higher rates of benefits to sufferers from tuberculosis (as emergency benefit).
- 1956 *Reciprocity with the United Kingdom extended to cover most benefits*
Social Security (Reciprocity with the United Kingdom) Act 1956. Reciprocity provided in the field of national insurance benefits and pensions and social security benefits (previously there was reciprocity only with family benefit).
- 1957 Benefit increases; South African War allowance increased; Income exemption to \$208 per annum; Personal earnings exemption for blind beneficiaries increased
Social Security Amendment Act 1957. Increased benefit rates. South African War allowance increased from \$27.30 a year to \$52 a year. Income exemption increased to \$208 a year. Personal earnings exemption for blind beneficiaries increased from \$312 a year to \$1,040 a year.
- 1958 Benefit increases; Unmarried supplement increased; property test relaxed; No limit on blind persons' earnings; Family benefit increased;
Advances for repairs to homes
Superannuation benefit to reach parity with age benefit in 1960; Change to 4-weekly payment of benefits;
Social Security Amendment Act 1958. Increased benefit rates. Supplement for unmarried beneficiaries increased from 50c a week to \$1 a week. Property exemption increased from \$1,000 to \$1,500. Limit on blind beneficiary's personal earnings abolished. Family Benefit increased to \$1.50 a week for each child. Advances for major repairs to home scheme introduced—loans of up to \$400 made available to beneficiaries to enable them to carry out repairs to home. Superannuation benefit to increase in three steps so that it reaches parity with age benefit on 30 March 1960. Legislation to facilitate change to 4-weekly payment of benefits instead of monthly.

- Family benefit capitalisation* Family Benefits (Home Ownership) Act 1958. Capitalisation of family benefit for housing purposes introduced from 1 April 1959. Limit of advances fixed at \$2,000, minimum advance \$400.
- 1959 Family benefit capitalisation extended The Family Benefits (Home Ownership) Regulations 1959 Amendment No. 1. Capitalisation of family benefit extended to include repayment of an encumbrance incurred in the purchase of a new home after 1/1/59.
- 1960 *Property test abolished;* Social Security Amendment Act 1960. Abolition of property test. Rates of superannuation and age benefit come into line from 30/3/60. Benefit increases. Income exemption increased from \$208 to \$312 a year. Orphans benefit income exemption of \$104 a year introduced. Provision to continue a married person's age benefit for 3 months after death to surviving spouse. Single supplement paid to unmarried superannuation beneficiaries for the first time.
 Parity of superannuation and age benefits;
 Benefit increases;
 Income exemption to \$312 per annum;
 Orphans income exemption;
 Three months payment after death for age beneficiaries;
 Unmarried supplement to superannuation beneficiaries
- 1961 Special income exemption for widows with children Social Security Amendment Act 1961. Widows with dependent children granted a special income exemption of \$520 a year.
- 1962 Benefit increases; Social Security Amendment Act 1962. Increase in benefit rates.
 Missionary service Social Security Amendment Act (2) 1962. Missionary service overseas of a New Zealand missionary treated as period of residence in New Zealand in determining residential qualifications.
- 1963 Benefit increases; Social Security Amendment Act 1963. Increase in benefit rates. Social Security Commission given discretion to refuse benefit if applicant not ordinarily resident in New Zealand. Repairs to homes scheme extended to include providing essential services to home.
 Ordinarily resident provision;
 Repairs to homes scheme extended;
Social Security Fund ends Public Revenues Amendment Act 1963. Social Security Fund abolished from 1 April 1964. Money for cash benefits and related assistance to be paid out of Consolidated Revenue Account from money appropriated by Parliament.
- 1964 Benefit increases; Social Security Amendment Act 1964. Increase in benefit rates. Income exemption increased from \$312 to \$416 a year. Income exemption for widows with children increased to \$624 a year.
 Income exemption to \$416 per annum;
 Income exemption for widows with children increased;
Social Security Act 1964 consolidation; Social Security Act 1964. An Act to consolidate changes in social security scheme since 1938. Provision to grant "special benefits" to women whose husbands have been in mental hospital for 6 months.
Special benefits for wives of mental hospital patients;
 Consolidation of capitalisation legislation Family Benefits (Home Ownership) Act 1964. An Act to consolidate changes in the family benefit capitalisation scheme since 1959.
- 1966 Benefit increases Social Security Amendment Act 1966. Increases in benefit rates.
- 1967 Benefit increases Social Security Amendment Act 1967. Increase in benefit rates.
- 1968 *Family maintenance allowance;* Social Security Amendment Act 1968. Introduction of a family maintenance allowance for children of age, invalids, sickness, unemployment, and related emergency benefits. Increase in benefit rates.
 Benefit increases;

End of social security tax

- 1969 Benefit increases;
Unmarried supplement increased;
Income exemption to \$572 per annum;
Income exemption for widows with children increased;
Abolition of domestic/nursing service concession;
Family benefit capitalisation extended
- 1970 Reciprocal Agreement with U.K. revised;
Benefit increases

Family benefit advances extended;
Benefit increases
- 1971 Benefit increases;

Rate of abatement changed
- Finance Act 1968. Social security tax abolished. Cash benefits and related services to be financed from general taxation out of Consolidated Revenue Account.
- Social Security Amendment Act 1969. Increase in benefit rates. Supplement for unmarried beneficiaries increased from \$1 to \$1.25 a week. Increase in income exemption from \$416 to \$572 a year. Exemption for widows with dependent children increased from \$624 to \$780 a year. Domestic or nursing service concession abolished.
- Family Benefits (Home Ownership) Act 1969. Family benefit capitalisation scheme extended to include the purchase of existing homes.
- Social Security (Reciprocity with the United Kingdom) Act 1969 commenced 1/1/70.
- Social Security Amendment Act 1970. Increase in benefit rates.
- Social Security Amendment Act (No. 2) 1970. Family benefit school advances extended to children at intermediate and composite schools. Increase in benefit rates. Additional increase in mothers' allowances and family maintenance allowances.
- Social Security Amendment Act 1971. Increase in benefit rates. Rate of abatement of benefits for income in excess of exemption changed from \$2 for every complete \$2 of excess income to \$3 for every complete \$4.

Appendix 5

RATES AND CONDITIONS OF BENEFITS AND PENSIONS SINCE INCEPTION

AGE BENEFITS AND PENSIONS

Effective Date	Age at Which Payable	Rate (Annual)	Residence	Maximum Income and Pension		Special Income Exemptions	Property Deduction	Special Property Exemptions	Special Allowances	Remarks
				Single	Married					
1/11/1898	65	\$36	25 years	\$104	\$208	Lodge payments. Income from property	\$2 for each \$30 over \$100	Nil	Nil	Aliens and Asiatics not eligible. Special assessment for Maris.
18/10/1900	\$156	..	..	..	..	..
1/8/1905	..	\$52	..	\$120	\$180	..	\$2 for each \$20 over \$100	Home to value of \$300	..	..
1908	Income from property to be charged if exceeds 10 percent of value	..	..	..	..
24/12/1909	Deduction for property to be based on income or 10 percent of property whichever is the greater. Home and furniture not chargeable as property, but deemed to produce 10 percent income if actual income not greater. 1909 Act repealed.
1/12/1910	\$680 for home and furniture \$100 other property	..	..
1910	Add National Provident	..	..	..	..
21/10/1911	Proceeds of fire insurance	..	Add property in which no reversionary or other interest held	\$26	Special allowance to males age 60 and females age 55 if parent of two or more children under 14. Capital expended in excess of certain limits deemed to be income.

11/10/1913	..	..	..	..	\$200	Add: charitable aid \$104; legacy from spouse; allowances from relatives; \$104 expended capital	..	..	..	Anticipated income may be charged. Pension for women at 60, \$42, plus \$2 for each additional year till \$52.
7/8/1916	..	..	..	..	..	Add war pensions	..	..	..	..
1/7/1917	..	\$78	..	\$146	\$200	..	..	..	..	War bonus \$26 added to each pension.
1/11/1920	..	..	..	\$156	\$260	Add miners pensions	..	..	..	..
1/11/1924	..	..	..	\$182	\$260	..	..	Home \$1,040 plus furniture	\$13 \$26	Pensioner with no property nor income to receive an additional \$13 per annum. Boer War veterans supplement of \$26 per annum paid where benefit plus income does not exceed maximum.
1/10/1925	..	\$91	..	\$195	\$286	Add public subscriptions and compensation for death up to \$200	..	Home property (no limit)	..	Provision for additional \$26 where two or more children under 14 extended to children under 15. \$13 bonus repealed.
9/9/1926	..	..	..	..	..	National Provident up to \$4 p.w.	..	..	..	..
1927	..	..	..	..	..	National Provident up to \$1 for local body contributors	..	..	..	..
1/4/1932	..	\$81.90	..	\$159.90	\$242	See remarks	..	..	..	Following income exemptions repealed: (1) war pensions; (2) friendly society sick pay; (3) public subscriptions; (4) compensation for death up to \$200; (5) National Provident payment.
1/4/1934	..	\$86	..	\$168	\$254	..	..	..	..	..
1/8/1935	..	\$91	..	\$195	\$286	..	..	..	..	..

RATES AND CONDITIONS OF BENEFITS AND PENSIONS SINCE INCEPTION—*continued*AGE BENEFITS AND PENSIONS—*continued*

Effective Date	Age at Which Payable	Rate (Annual)	Residence	Maximum Income and Pension/Benefit		Special Income Exemptions	Property Deduction	Special Property Exemptions	Special Allowances	Remarks
				Single	Married					
1/7/1936	65 men, 60 women	\$104	20 years	\$208	\$312	Up to \$1,000 of legacies, life insurance, compensation, damages	\$2 for each \$20 over \$1,000	Interest in land, annuity, life insurance policy, furniture	..	Restrictions on Asiatics and aliens removed.
1/12/1936	..	\$117	..	\$221	\$338	..	..	..	..	..
1/12/1937	Add award for gallantry	..	..	..	..
15/3/1938	See remarks	..	..	..	..	..	..	Residence 10 years if in N.Z. on 15/3/38. Otherwise 20 years.
1/4/1939	60	\$156	..	\$260	\$416	Special provisions for National Provident, Overseas pensions, war pensions	..	..	\$26	Under-age wife, income limit \$312. To parent of child under 16, maximum benefit \$416. South African War allowance.
1/9/1941	\$52	Under-age wife, income limit \$364. To parent of child under 16, maximum benefit \$468.
1/5/1942	..	\$163.80	..	\$267.80	\$431.60	..	..	..	\$54.60	For wife and dependent child.
25/11/1942	\$52	To parents of deceased serviceman provided maximum of income and benefit not exceeded (W.S.D.).
1/7/1943	..	\$169	..	\$273	\$442	..	..	..	\$54.60	For under-age wife or dependent child. Maximum benefit \$520.
1/10/1945	..	\$208	..	\$312	\$520	Add moneys from all military decorations	..	..	\$208	Under-age wife. Benefits for dependent children now paid as F.B.

1/10/1947	..	\$234	..	\$338	\$572	..	..	..	\$234	Under-age wife.
1/6/1949	..	\$260	..	\$364	\$624	..	..	..	\$260	Under-age wife.
1/11/1949	..	..	..	..	..	All outgoings allowed against rent for rooms	..	Add motor cars	\$52 W.S.D.	W.S.D. payable irrespective of income.
1/1/1950	..	..	..	\$416	\$676	..	..	..	..	..
8/5/1950	..	\$273	..	\$429	\$702	..	..	..	\$273 for under-age wife	..
1/10/1950	..	..	..	..	..	\$156 p.a. of woman's earning from domestic employment in a private home. \$13 p.a. for year of deferment at age 65—maximum 5 years	\$2 for every \$50 in excess of \$1,000	\$13 p.a. from reduction on account of excess property for each year of deferment	..	..
15/2/1951	..	\$299	..	\$455	\$754	War disablement and war widows pensions	..	..	\$299 for under-age wife	..
15/9/1953	..	\$351	..	\$507	\$858	..	..	..	\$351 for under-age wife	..
18/11/1954	..	\$364	..	\$520	\$884	..	..	..	\$364 for under-age wife	..
1/1/1955	..	..	..	..	..	All capital moneys	..	..	..	..
1/8/1955	55 for unmarried females unable to undertake regular work	\$390 (unmarried), \$364 (married)	..	\$546	\$884	Domestic concession extended to domestic or nursing service in hospitals, etc.	..	..	..	..

RATES AND CONDITIONS OF BENEFITS AND PENSIONS SINCE INCEPTION—*continued*AGE BENEFITS AND PENSIONS—*continued*

Effective Date	Age at Which Payable	Rate (Annual)	Residence	Maximum Income and Benefit		Special Income Exemptions	Property Deduction	Special Property Exemptions	Special Allowances	Remarks
				Single	Married					
1/12/1955	Up to \$52 from Government Superannuation or National Provident if beneficiary over 65	..	..	..	..
1/4/1956	Reciprocity with United Kingdom.
19/11/1956	..	\$384.80 (M) \$410.80 (S)	..	\$566.80	\$925.60	..	..	..	\$384.80 for under-age wife	..
1/9/1957	..	\$403 (M) \$429 (S)	..	\$637	\$1,014	..	..	..	\$403 for under-age wife. Boer War veterans increased to \$52	Income exemption increased to \$208.
1/10/1958	..	\$416 (M) \$468 (S)	..	\$676	\$1,040	Up to \$104 if beneficiary or spouse 65 or over. \$52 exemption for Government Superannuitant, etc., repealed. All personal earnings blind beneficiaries	\$2 for every \$30 in excess of \$1,500	..	\$416 for under-age wife	Additional benefit for unmarried person increased from \$26 to \$52.

30/3/1960	..	\$442 (M) \$494 (S)	..	\$702	\$1,092	..	..	..	\$442 for under-age wife	..
12/10/1960	..	..	..	\$806	\$1,196	\$104 exemption (65 and over) repealed	Nil	..	..	Income exemption increased from \$208 to \$312. Property restrictions abolished. Special income exemptions to persons over 65 discontinued. Benefit continued for 3 months after death of beneficiary leaving widow, widower, or dependent child.
13/9/1961	..	..	..	..	..	Up to \$104 received as sick benefit from friendly society or like benefit from other source	..	..	..	..
18/7/1962	..	\$455 (M) \$507 (S)	..	\$819	\$1,222	..	..	..	\$455 for under-age wife	..
6/12/1962	..	..	Absence as missionary counted as residence	..	..	..	..	..	..	..
17/7/1963	..	\$468 (M) \$520 (S)	..	\$832	\$1,248	..	..	..	\$468 for under-age wife	..
1/1/1964	..	..	..	\$936	\$1,352	..	..	..	..	Income exemption increased from \$312 to \$416 p.a.
9/9/1964	..	\$499.20 (M) \$551.20 (S)	..	\$967.20	\$1,414.40	..	..	..	\$499.20 for under-age wife	..
18/5/1966	..	\$546 (M) \$598 (S)	..	\$1,014	\$1,508	..	..	..	\$546 for under-age wife	..
25/1/1967	..	\$559 (M) \$611 (S)	..	\$1,027	\$1,534	..	..	..	\$559 for under-age wife	..
12/6/1968	..	\$585 (M) \$637 (S)	..	\$1,053	\$1,586	..	..	..	\$585 for under-age wife	..
7/8/1968	..	..	..	..	..	..	..	..	..	Family maintenance allowance for beneficiaries with dependent children introduced.
14/5/1969	..	\$624 (M) \$689 (S)	..	\$1,261	\$1,820	..	..	..	\$624 for under-age wife	Income exemption increased from \$416 to \$572 p.a. Domestic or nursing service concession abolished.

RATES AND CONDITIONS OF BENEFITS AND PENSIONS SINCE INCEPTION—*continued*

AGE BENEFITS AND PENSIONS—*continued*

Effective Date	Age at Which Payable	Rate (Annual)	Residence	Maximum Income and Benefit		Special Income Exemptions	Property Deduction	Special Property Exemptions	Special Allowances	Remarks
				Single	Married					
29/9/1969	Absence with V.S.A. (Inc.) counted as residence	..	..	..	..	..	..	..
15/4/1970	..	\$650 (M) \$715 (S)	..	\$1,287	\$1,872	..	..	..	\$650 for under-age wife	..
2/9/1970	..	\$702 (M) \$767 (S)	..	\$1,443	\$2,080	..	..	..	\$702 for under-age wife	Income exemption increased from \$572 to \$676 p.a.
9/6/1971	..	\$754 (M) \$832 (S)	..	\$1,785	\$2,686	..	..	..	\$754 for under-age wife	Income exemption remains at \$676 p.a. but rate of abatement for excess income changed to \$3 for each \$4 in excess of the annual income exemption.

RATES AND CONDITIONS OF BENEFITS AND PENSIONS SINCE INCEPTION—continued

WIDOWS BENEFITS AND PENSIONS

Effective Date	Residence	Rate (Annual)			Maximum Income and Pension			Special Income Exemptions	Property Deduction	Special Property Exemptions	Maximum Age Eligible Child	Remarks
		With Dependent Children	No Dependent Children	Never Had a Child	With Dependent Children	No Dependent Children	Never Had a Child					
28/10/1911	10 years or children born in N.Z.	\$24 first child + \$12 for each additional child Max. \$100	Nil	Nil	Pension + \$60	Nil	Nil	Personal earnings plus pension up to \$200	Not less than 5 percent of property charged as income	..	14	Aliens and Asiatics ineligible.
7/11/1912	Add pensions, charitable aid, capital expended, proceeds from sale of property, or fire insurance	..	Furniture excluded from chargeable property	..	Term "widow" to include wife of mental patient certified incurable for at least 12 months from date of grant.
11/10/1913	Add charitable aid \$104. Legacy from spouse. Allowance from relative \$104. Friendly society sick pay.	..	Home \$680	..	..
5/11/1914	Wife of mental patient termed a widow irrespective of length of time husband may be in mental hospital.
7/8/1916	Add war pension	..	..	..	..
1/9/1917	..	\$36 + \$24	..	..	..	..	..	..	..	..	..	War bonus additional \$12 for each child.

RATES AND CONDITIONS OF BENEFITS AND PENSIONS SINCE INCEPTION—*continued*WIDOWS BENEFITS AND PENSIONS—*continued*

Effective Date	Residence	Rate (Annual)			Maximum Income and Pension			Special Income Exemptions	Property Deduction	Special Property Exemptions	Maximum Age Eligible Child	Remarks
		With Dependent Children	No Dependent Children	Never Had a Child	With Dependent Children	No Dependent Children	Never Had a Child					
1/11/1919	3 years or children born N.Z.	\$39 for each child + \$39	..	..	\$130 + \$52 for each child	..	..	..	..	..	..	War bonus withdrawn.
29/10/1924	..	\$52 for each child + \$32 Max. \$416	..	..	Pension and \$156 Max. \$572	..	..	..	..	Home \$1,040	..	..
29/9/1925	Public subscriptions. Compensation \$200	..	Home, no limit	15	..
9/9/1926	National Provident sick allowance. National Provident \$4 per week	..	..	..	..
1/4/1932	..	\$46.80 for each child + \$46.80 Max. \$374.40	..	..	Pension + \$130 Max. \$504.40	..	..	Delete: friendly society sick pay; public subscriptions; compensation \$200; war pensions; National Provident	..	..	..	..

1/8/1935	..	\$52 for each child + \$52 Max. \$416	..	..	Pension + \$156 Max. \$572	..	..	..	..	..	..	..	..
26/10/1935	..	..	..	..	..	..	..	National Provident contributors before 10/5/32 exempted	..	..	..	..	..
4/9/1936	..	\$52 for each child + \$104 Max. \$468	..	..	Pension + \$156	..	..	Add: \$1,000 of legacy, life insurance, compensation or damages	Delete: 5 percent of property charged as income	..	..	..	Term "widow" to include deserted wife. Term widow to include wife of man subject to a reception order and not necessarily detained in an institution. Restrictions on Asiatics removed.
13/10/1936	..	..	..	..	..	..	..	..	..	..	..	..	Widow to include wife of man: 1. Subject to a reception order under the Mental Defectives Act. 2. Detained in an institution under the Mental Defectives Act. 3. Who has failed to make adequate provision for maintenance.
1/12/1937	..	..	..	..	..	..	..	Add payment in respect of gallantry decoration	..	..	..	..	..
1/4/1939	..	\$130 + \$52 for each child. Max. \$468	\$104	\$104	Pension + \$156	\$208	\$208	See section 10 of Social Security Act 1938, re special income exemptions	..	..	..	16	See section 22 (1) of Social Security Act 1938 for eligible widows. Deserted wives and wives of mental patients who have dependent children.
29/9/1939	..	..	..	..	..	..	..	..	..	..	..	..	Where widow turns 60 benefit assessed on property basis as from next renewal.
19/7/1940	..	..	..	..	..	..	..	Add: allotment from sons overseas	..	..	..	..	..
6/12/1940	..	..	..	..	..	..	..	Add: Compassionate grant on account of husband's death	..	..	..	..	..
1/5/1942	..	..	..	..	..	..	..	..	..	..	..	..	5 percent bonus granted on full rate of benefit.

RATES AND CONDITIONS OF BENEFITS AND PENSIONS SINCE INCEPTION—*continued*WIDOWS BENEFITS AND PENSIONS—*continued*

Effective Date	Residence	Rate (Annual)			Maximum Income and Benefit			Special Income Exemptions	Property Deduction	Special Property Exemptions	Maximum Age Eligible Child	Remarks
		With Dependent Children	No Dependent Children	Never Had a Child	With Dependent Children	No Dependent Children	Never Had a Child					
1/7/1943	..	\$156 + \$54.60 for each child. Max. \$520	\$130	\$130	Pension + \$156	\$234	\$234	..	..	..	Widows to include deserted wife where whereabouts of husband known.
1/10/1945	..	\$208	\$208	\$156	\$364	\$312	\$312	..	..	..	Deserted wives and wives of mental patients now eligible exclusive of any dependent children. Children provided for by way of F.B. A supplementary benefit of \$104 p.a. may be granted to a widow with dependent child or children. W.S.D. of \$52 now available to widows, but income limited to benefit plus exemption.
1/4/1946	..	\$208 + \$130	\$208	\$208	\$364 + \$130	\$364	\$364	..	..	..	A mother's allowance of \$130 may be paid where the widow has a dependent child. Widow's benefit for widow over 60 computed the same as A.B.
1/10/1947	..	\$234 + \$130	\$234	\$234	\$390 + \$130	\$390	\$390	..	..	..	Mother's allowance remains at \$130 p.a.
1/6/1949	..	\$260 + \$156	\$260	\$260	\$416 + \$156	\$416	\$416	..	..	..	Mother's allowance increased to \$156 p.a. Where widow attains age 60 widow's benefit to continue at same rate till renewal.

18	1/11/1949	..	..	..	..	..	..	..	..	..	..	..	W.S.D. payable irrespective of income.
	8/5/1950	..	\$273 + \$169	\$273	\$598	\$429	\$429	..	..	..	..	..	Mother's allowance increased to \$169.
	1/10/1950	..	..	..	..	..	..	\$156 p.a. from domestic employment in private home	..	..	..	..

Effective Date	Residence	Rate (Annual)		Maximum Income and Benefit		Special Income Exemptions	Property Deduction	Special Property Exemptions	Maximum Age Eligible Child	Remarks
		With Dependent Children	Without Dependent Children	With Dependent Children	Without Dependent Children					
15/2/1951	..	\$481	\$299	\$637	\$455	War disablement and war widows pension	..	..	..	Mother's allowance increased to \$182.
24/10/1952	Either widow or husband 5 years or widow and husband 3 years immediately preceding death. Or child born in N.Z.	..	..	..	..	..	..	..	..	..
15/9/1953	..	\$533	\$351	\$689	\$507	..	..	..	..	..
1/8/1954	..	(1 ch.) \$385 (2 ch.) \$637	..	(1 ch.) \$741 (2 ch.) \$793	..	..	..	..	..	Mother's allowances limited to two children.
18/11/1954	..	(1 ch.) \$611 (2 ch.) \$663	\$364	(1 ch.) \$767 (2 ch.) \$819	\$520	..	..	..	..	..
1/1/1955	All capital moneys exempted	..	..
1/8/1955	..	(1 ch.) \$637 (2 ch.) \$689	\$390	(1 ch.) \$793 (2 ch.) \$845	\$546	Domestic concession extended to domestic or nursing service in hospitals, etc.	..	..	..	..

RATES AND CONDITIONS OF BENEFITS AND PENSIONS SINCE INCEPTION—*continued*WIDOWS BENEFITS AND PENSIONS—*continued*

Effective Date	Residence	Rate (Annual)		Maximum Income and Benefit		Special Income Exemptions	Property Deduction	Special Property Exemptions	Maximum Age Eligible Child	Remarks
		With Dependent Children	Without Dependent Children	With Dependent Children	Without Dependent Children					
1/4/1956	Reciprocity with United Kingdom.
19/11/1956	..	(1 ch.) \$678.60 (2 ch.) \$730.60	\$410.80	(1 ch.) \$834.60 (2 ch.) \$886.60	\$566.80	..	..	..	..	..
1/9/1957	..	(1 ch.) \$715 (2 ch.) \$767 (3 ch.) \$819 (4 ch.) \$871 (5 ch.) \$923 (6 ch.) \$975	\$429	(1 ch.) \$923 (2 ch.) \$975 (3 ch.) \$1,027 (4 ch.) \$1,079 (5 ch.) \$1,131 (6 ch.) \$1,183	\$637	..	..	..	..	Mother's allowance for widow with one child, \$286, increased by \$52 for each additional child up to the sixth. Allowable income increased from \$156 to \$208.
1/10/1958	..	(1 ch.) \$754 (2 ch.) \$806 (3 ch.) \$858 (4 ch.) \$910 (5 ch.) \$962 (6 ch.) \$1,014	\$468	(1 ch.) \$962 (2 ch.) \$1,014 (3 ch.) \$1,066 (4 ch.) \$1,118 (5 ch.) \$1,170 (6 ch.) \$1,222	\$676	..	..	..	..	..
30/3/1960	..	(1 ch.) \$806 (2 ch.) \$858 (3 ch.) \$910 (4 ch.) \$962 (5 ch.) \$1,014 (6 ch.) \$1,066	\$494	(1 ch.) \$1,014 (2 ch.) \$1,066 (3 ch.) \$1,118 (4 ch.) \$1,170 (5 ch.) \$1,222 (6 ch.) \$1,274	\$702	..	..	..	..	Mother's allowance for widow with one child, \$312, increased by \$52 for each additional child up to the sixth child.
12/10/1960	(1 ch.) \$1,118 (2 ch.) \$1,170 (3 ch.) \$1,222 (4 ch.) \$1,274 (5 ch.) \$1,326 (6 ch.) \$1,378	\$806	..	..	..	..	Income exemption increased from \$208 to \$312.
13/9/1961	(1 ch.) \$1,326 (2 ch.) \$1,378 (3 ch.) \$1,430 (4 ch.) \$1,482 (5 ch.) \$1,534 (6 ch.) \$1,586	..	..	..	..	..	Income exemption for widow with dependent child or children increased from \$312 to \$520.

18/7/1962	..	(1 ch.) \$832 (2 ch.) \$884 (3 ch.) \$936 (4 ch.) \$988 (5 ch.) \$1,040 (6 ch.) \$1,092	\$507	(1 ch.) \$1,352 (2 ch.) \$1,404 (3 ch.) \$1,456 (4 ch.) \$1,508 (5 ch.) \$1,560 (6 ch.) \$1,612	\$819	..	..	..	..	Mother's allowance for widow with one child, \$325, increased by \$52 for each additional child up to the sixth.
17/7/1963	..	(1 ch.) \$858 (2 ch.) \$910 (3 ch.) \$962 (4 ch.) \$1,014 (5 ch.) \$1,066 (6 ch.) \$1,118	\$520	(1 ch.) \$1,378 (2 ch.) \$1,430 (3 ch.) \$1,482 (4 ch.) \$1,534 (5 ch.) \$1,586 (6 ch.) \$1,638	\$832	..	..	..	..	Mother's allowance for widow with one child, \$338, increased by \$52 for each additional child up to the sixth.
1/1/1964	..	..	..	..	\$936	..	..	..	..	Income exemption increased from \$312 to \$416 (widow without children).
9/9/1964	..	(1 ch.) \$920.40 (2 ch.) \$972.40 (3 ch.) \$1,024.40 (4 ch.) \$1,076.40 (5 ch.) \$1,128.40 (6 ch.) \$1,180.40	\$551.20	(1 ch.) \$1,544.40 (2 ch.) \$1,596.40 (3 ch.) \$1,648.40 (4 ch.) \$1,700.40 (5 ch.) \$1,752.40 (6 ch.) \$1,804.40	\$967.20	..	..	..	..	Income exemption for widow with dependent child or children increased from \$520 to \$624. Mother's allowance for widow with one child, \$369.20 increased by \$52 for each additional child up to sixth.
1/4/1965	..	..	..	..	..	..	..	..	..	To qualify for special benefit as wife of mental patient, husband must have been a patient for at least 6 months.
18/5/1966	..	\$1,014 (1 ch.), each add. child \$52	\$598	\$1,638 (1 ch.), each add. child \$52	\$1,014	..	..	..	..	Upper limit of mother's allowance for six children abolished. Mother's allowance for one child, \$416, increased by \$52 for each additional child.
25/1/1967	..	\$1,040 (1 ch.), each add. child \$52	\$611	\$1,664 (1 ch.), each add. child \$52	\$1,027	..	..	..	..	Mother's allowance for one child, \$429, increased by \$52 for each additional child.
12/6/1968	..	\$1,092 (1 ch.), each add. child \$52	\$637	\$1,716 (1 ch.), each add. child \$52	\$1,053	..	..	..	..	Mother's allowance for one child, \$455, increased by \$52 for each additional child.
14/5/1969	..	\$1,183 (1 ch.), each add. child \$52	\$689	\$1,963 (1 ch.), each add. child \$52	\$1,261	Abolition of domestic/ nursing service concession	..	..	..	Income exemption without children increased from \$416 to \$572 p.a.—with children from \$624 to \$780. Mother's allowance \$494 for one child increased by \$52 p.a. for each additional child.
15/4/1970	..	\$1,235 (1 ch.), each add. child \$52	\$715	\$2,015 (1 ch.), each add. child \$52	\$1,287	..	..	..	..	Mother's allowance for one child, \$520, increased by \$52 for each additional child.
8/7/1970	..	\$1,287 (1 ch.), each add. child \$78	\$715	\$2,067 (1 ch.), each add. child \$78	\$1,287	..	..	..	..	Mother's allowance for one child, \$572, increased by \$78 for each additional child.

RATES AND CONDITIONS OF BENEFITS AND PENSIONS SINCE INCEPTION—*continued*WIDOWS BENEFITS AND PENSIONS—*continued*

Effective Date	Residence	Rate (Annual)		Maximum Income and Benefit		Special Income Exemptions	Property Deduction	Special Property Exemptions	Maximum Age Eligible Child	Remarks
		With Dependent Children	Without Dependent Children	With Dependent Children	Without Dependent Children					
2/9/1970	..	\$1,391 (1 ch.), each add. child \$78	\$767	\$2,275 (1 ch.), each add. child \$78	\$1,443	..	..	..	..	Income exemption without children increased to \$676 p.a.—with children to \$884 p.a. Mother's allowance for one child, \$624, increased by \$78 for each additional child.
9/6/1971	..	\$1,508 (1 ch.), each add. child \$78	\$832	\$2,894 (1 ch.), each add. child \$104	\$1,785	..	..	..	..	Mothers allowance for one child, \$676, increased by \$78 for each additional child. Benefit abatement for excess income changed to \$3 for every \$4 in excess of the annual income exemption.

RATES AND CONDITIONS OF BENEFITS AND PENSIONS SINCE INCEPTION—*continued*

ORPHANS BENEFITS AND PENSIONS

Effective Date	Disqualifying Age	Residence	Orphan Defined	Rate (Annual)	Income Provisions	Property Provisions	Remarks
28/10/1911	14	10 years or born in N.Z.	Mother in receipt of widows pension at date of death	\$12	..	..	Special provision in Widows Pension Act of 1911.
1/9/1917	\$24	..	..	..
1/11/1919	\$39	..	..	..
1/11/1924	\$52	..	..	..
29/9/1925	15	..	..	..	..	..	..
1/4/1932	\$27.80	..	..	..
1/8/1935	\$52	..	..	..
1/4/1939	16	Born in N.Z. or last parent 3 years in N.Z.	Both parents dead	\$78	Any income direct deduction	At discretion of Social Security Commission	Benefit may be continued for 2 years where orphan attending school.
1/5/1942	\$81.90	..	..	..
1/4/1946	Benefit may be continued till end of year child turns 18 if at school.
1/10/1947	\$104	..	..	..
3/12/1948	Benefit continued till end of month child turns 16 or dies.
1/6/1949	\$130	..	..	..
8/5/1950	\$143	..	..	..
15/2/1951	\$156	..	..	..
18/11/1954	\$169	..	..	..
1/4/1956	Reciprocity with U.K.
19/11/1956	\$189.80	..	..	..
1/9/1957	\$208	..	..	..
1/10/1958	\$234	..	..	..

RATES AND CONDITIONS OF BENEFITS AND PENSIONS SINCE INCEPTION—*continued*

RATES AND CONDITIONS OF BENEFITS AND PENSIONS SINCE INCEPTION—*continued*

ORPHANS BENEFITS AND PENSIONS—*continued*

Effective Date	Disqualifying Age	Residence	Orphan Defined	Rate (Annual)	Income Provisions	Property Provisions	Remarks
12/10/1960	Exemption of \$104 introduced	Property restrictions abolished	..
18/7/1962	\$247	..	..	..
17/7/1963	..	Applicant to be ordinarily resident in N.Z.	..	\$260	..	..	..
9/9/1964	\$275.60	..	..	Benefit may be continued to end of year of attaining age 18 if orphan totally incapacitated.
1/4/1965
25/1/1967	\$312	..	..	..
12/6/1968	\$325	..	..	..
14/5/1969	\$351	..	..	..
15/4/1970	\$377	..	..	..
2/9/1970	\$429	..	..	..
9/6/1971	\$468	..	..	..

RATES AND CONDITIONS OF BENEFITS AND PENSIONS SINCE INCEPTION—*continued*
 FAMILY BENEFITS AND ALLOWANCES

Effective Date	Disqualifying Age	Residence	No. of Children Excluded	Rate for Eligible Child (Weekly)	Allowable Income (Weekly)	Special Income Exemptions	Remarks
1/4/1927	15	1 year	2	20c	\$8	Sick allowance funeral benefits	If child incapacitated, allowance may be continued past age 15. Aliens and Asiatics and illegitimates excluded. Income includes 5 percent interest in property.
1/4/1931	\$7.20	..	..
1/4/1932	\$6.50	..	..
1/7/1936	\$8	..	..
1/4/1939	16	..	..	40c	\$10	See section 10, Social Security Act	Aliens and Asiatics and illegitimates now included. Benefit payable after 16 if child incapacitated. Benefit may be continued for 2 years if child attending school.
1/7/1940	1	..	..	..	..
1/9/1941	Nil	..	..	..	..
1/5/1942	40c + bonus 20c	\$10.50	..	..
19/5/1943	60c	..	..	..
1/7/1943	75c	..	..	..
1/10/1944	\$1	\$11	..	..
1/10/1945	\$13	See remarks	Personal earnings of blind persons up to \$6 p.w. exempted.
1/4/1946	..	Born in N.Z. or 1 year residence	..	..	No limit	..	Benefit continued till end of month child dies or turns 16. Benefit may be continued to end of year child turns 18 if at school.
1/12/1948	Reciprocity with Great Britain and Northern Ireland.

RATES AND CONDITIONS OF BENEFITS AND PENSIONS SINCE INCEPTION—*continued*

FAMILY BENEFITS AND ALLOWANCES—*continued*

Effective Date	Disqualifying Age	Residence	No. of Children Excluded	Rate for Eligible Child (Weekly)	Allowable Income (Weekly)	Special Income Exemptions	Remarks
15/2/1951	..	Where liable to reside permanently in N.Z.	..	..	..	..	..
1/10/1958	\$1.50	21.70	..	Payment in advance for 1 year allowed on birth of first child and on commencement of first year of post-primary education.
1/4/1959	Benefit may be capitalised—see Family Benefits (Home Ownership) Act 1958.
1/1/1971	Payment in advance for 1 year also allowed on commencement of first year of intermediate schooling.

RATES AND CONDITIONS OF BENEFITS AND PENSIONS SINCE INCEPTION—*continued*

BLIND PENSIONS

Effective Date	Residence	Age	Rate (Annual)		Maximum Income and Pension		Special Income Exemptions	Property Deduction	Special Property Exemption	Incapacity Provision	Subsidy	Maximum Pension and Subsidy plus Income	Remarks
			Married	Single	Married	Single							
29/10/1924	10 years	20 years	\$156	\$78	\$260	\$182	Earnings \$286. War pensions, friendly society S.P.	\$2 for every \$20 over \$100	Home \$1,040 + furniture. Interest in life insurance or annuity	Totally blind, born blind, or became blind in N.Z.	25 percent of earnings	\$364	Benefit granted if relatives unable to support applicant.
29/9/1925	\$182	\$91	\$286	\$195	Public subscriptions. Compensation up to \$200	..	Home property no limit	If became blind overseas, 25 years residence, or 10 years prior to 29/10/24	..	\$377 single \$572 married	
9/9/1926	Nat. Prov. up to \$4 p.w.	..	..	..	..	..
1/4/1932	\$163.80	\$81.90	\$242	\$159.90	Delete all special exemptions except earnings \$286	..	..	..	..	..
9/1934	\$254	\$163.90	..	..	..	..	..	..
1/8/1935	\$182	\$91	\$286	\$195	..	..	..	..	..	..

RATES AND CONDITIONS OF BENEFITS AND PENSIONS SINCE INCEPTION—*continued*

INVALIDITY BENEFITS AND PENSIONS

Effective Date	Residence	Age	Rate (Annual)		Maximum Income and Benefit		Special Income Exemptions	Property Deduction	Special Property Exemption	Incapacity Provision	Subsidy	Maximum Pension and Subsidy plus Income	Remarks
			Married	Single	Married	Single							
1/7/1936	..	16 years	\$156	\$104	\$364	\$208	Earnings \$286 (blind). Add payment of reward for gallantry decoration	\$2 for each \$20 over \$1,000	Home, interest in land, life insurance annuity, furniture	Totally blind or permanently incapacitated for work	..	\$390	Each child under 16, \$52. Widower allowed \$312 income and pension. Appeal rights introduced.
1/4/1939	If not resident on 4/9/36 or disability arose outside N.Z. 20 years residence, otherwise 10 years	16-59	\$208	\$156 \$104 (under 21)	\$364	\$260 \$208 (under 21)	See section 10, Social Security Act 1938	..	..	..	..	\$442 (income of blind person only)	\$52 for each child. Max. benefit \$416. Where domestic or nursing assistance required for married woman benefit of \$156 may be granted provided income of husband and wife does not exceed \$10 p.w.
6/12/1940	..	..	..	..	..	..	Add compassionate grant on account of husband. Allotments from sons in forces	..	..	..	..	..	..
27/8/1941 1/5/1942	.. ..	.. ..	.. ..	.. ..	.. ..	.. ..	.. ..	.. ..	.. ..	.. ..	.. ..	.. ..	Max. benefit \$468. Bonus 5 percent on all benefits.

1/7/1943	..	..	\$223.60	\$169 \$117 (under 20)	\$379.60	\$273 \$221 (under 20)	Earnings \$312 (blind)	..	..	..	..	\$481	Child \$54.60. Dom- estic assistance limit \$10.25 p.w. Max. benefit \$520.
1/10/1945	..	..	\$416	\$208 \$156 (under 20)	\$520	\$312 \$260 (under 20)	..	..	..	..	..	\$520	Children granted F.B. Widower allowed \$364. Domestic assis- tance limit \$14 p.w. W.S.D. \$52 to be taken as part of income.
1/10/1947	..	..	\$468	\$234 \$182 (under 20)	\$572	\$338 \$286 (under 20)	..	..	..	..	..	\$546	Widower allowed \$390. Domestic assistance limit \$14.50. Extra benefit \$234.
1/6/1949	..	..	\$520	\$260 \$208 (under 20)	\$624	\$364 \$312 (under 20)	..	..	..	..	..	\$572	Domestic assistance \$16 limit. Extra benefit \$260.
1/11/1949	..	..	..	..	..	..	All out- goings where rooms let	..	Motorcars	..	..	..	W.S.D. payable irrespective of income.
1/1/1950	..	..	..	..	\$676	\$416 \$364 (under 20)	..	..	..	..	..	\$624	Domestic assistance limit \$17 p.w.
1/5/1950	..	..	\$546	\$273 \$221 (under 20)	\$702	\$429 \$377 (under 20)	..	..	..	..	..	\$637	Domestic assistance limit \$17.50 p.w.
1/10/1950	..	..	..	..	..	..	\$156 p.a. from domestic employ- ment in a private home	\$2 for every \$30 over \$1,000	..	..	..	..	..
15/2/1951	..	..	\$598	\$299 \$234 (under 20)	\$754	\$455 \$390 (under 20)	Disablement and war widow's pension	..	..	..	..	\$663	Domestic assistance limit \$18.50 p.w.
15/9/1953	..	..	\$702	\$351 \$286 (under 20)	\$858	\$507 \$442 (under 20)	..	..	..	..	..	\$715	Domestic assistance limit \$20.50 p.w.
18/11/1954	..	..	\$728	\$364 \$299 (under 20)	\$884	\$520 \$455 (under 20)	..	..	..	..	..	\$728	Domestic assistance limit \$21 p.w.

RATES AND CONDITIONS OF BENEFITS AND PENSIONS SINCE INCEPTION—*continued*INVALIDITY BENEFITS AND PENSIONS—*continued*

Effective Date	Residence	Age	Rate (Annual)		Maximum Income and Benefit		Special Income Exemption	Property Deduction	Special Property Exemption	Inccapacity Provision	Subsidy	Maximum Pension and Subsidy plus Income	Remarks
			Married	Single	Married	Single							
1/1/1955	All capital moneys	..	..	..	..	..	..
1/8/1955	\$390 \$325 (under 20)	..	\$546 \$481 (under 20)	..	..	..	..	..	\$754 (single)	..
1/4/1956	Reciprocity with U.K.
19/11/1956	\$769.60	\$410.80	\$925.60	\$566.80	..	..	..	..	..	\$748.80 (married) \$774.80 (single)	Domestic assistance limit \$21.80 p.w.
1/9/1957	\$806	\$429 \$364 (under 20)	\$1,014	\$637 \$572 (under 20)	Personal earnings \$1,040	..	..	..	..	\$923 (married) \$949 (single)	Domestic assistance limit \$23.50 p.w. Basic income exemption increased from \$156 to \$208.
1/10/1958	\$832	\$468 \$390 (under 20)	\$1,040	\$676 \$598 (under 20)	All personal earnings exempt (blind)	\$2 for every \$30 over \$1,500	..	..	..	\$936 (married) \$988 (single)	Domestic assistance limit \$24 p.w.
30/3/1960	\$884	\$494 \$416 (under 20)	\$1,092	\$702 \$624 (under 20)	..	..	..	..	..	\$962 (married) \$1,018 (single)	Domestic assistance limit \$25 p.w.
12/10/1960	\$1,196	\$806 \$728 (under 20)	..	Property restriction abolished	..	..	..	\$1,066 (married) \$1,118 (single)	Domestic assistance limit \$27 p.w. Basic income exemption increased from \$208 to \$312.

13/9/1961	..	..	..	..	..	..	Up to \$104 sick bene- fit from friendly society or like bene- fit from other source	..	..	..	..	..	..	..
18/7/1962	..	..	\$910	\$507 \$429 (under 20)	\$1,222	\$819 \$741 (under 20)	..	..	..	..	..	..	\$1,079 (married) \$1,131 (single)	Domestic assistance limit \$27.50 p.w.
17/7/1963	Applicant to be ordin- arily resident in N.Z.	..	\$936	\$520 \$442 (under 20)	\$1,248	\$832 \$734 (under 20)	..	..	..	..	..	..	\$1,092 (married) \$1,144 (single)	Domestic assistance limit \$28 p.w.
1/1/1964	..	..	..	..	\$1,352	\$936 \$858 (under 20)	..	..	..	..	..	..	\$1,196 (married) \$1,248 (single)	Domestic assistance limit \$30 p.w. Income exemption increased from \$312 to \$416.
9/9/1964	..	..	\$998.40	\$551.20 \$473.20 (under 20)	\$1,414.40	\$967.20 \$889.20 (under 20)	..	..	..	..	..	..	\$1,227.20 (married) \$1,279.20 (single)	Domestic assistance limit \$31.20.
18/5/1966	..	..	\$1,092	\$598 \$520 (under 20)	\$1,508	\$1,014 \$936 (under 20)	..	..	..	..	..	..	\$1,274 (married) \$1,326 (single)	..
25/1/1967	..	..	\$1,118	\$611 \$533 (under 20)	\$1,534	\$1,027 \$949 (under 20)	..	..	..	..	..	..	\$1,287 (married) \$1,339 (single)	..
12/6/1968	..	..	\$1,170	\$637 \$559 (under 20)	\$1,586	\$1,053 \$975 (under 20)	..	..	..	..	..	..	\$1,313 (married) \$1,365 (single)	..
7/8/1968	..	..	..	..	..	..	..	..	..	..	..	..	..	Family maintenance allowance for beneficiaries with dependent child- ren introduced.
14/5/1969	..	..	\$1,248	\$689 \$585 (under 20)	\$1,820	\$1,261 \$1,157 (under 20)	Domestic/ nursing service concession abolished	..	..	..	..	..	\$1,508 (married) \$1,573 (single)	Income exemption increased from \$416 to \$572 a year.

RATES AND CONDITIONS OF BENEFITS AND PENSIONS SINCE INCEPTION—*continued*

INVALIDITY BENEFITS AND PENSIONS—*continued*

Effective Date	Residence	Age	Rate (Annual)		Maximum Income and Benefit		Special Income Exemptions	Property Deduction	Special Property Exemption	Incapacity Provision	Subsidy	Maximum Pension and Subsidy plus Income	Remarks
			Married	Single	Married	Single							
15/4/1970	\$1,300	\$715 \$611 (under 20)	\$1,872	\$1,287 \$1,183 (under 20)	..	..	..	..	..	\$1,534 (married) \$1,599 (single)	..
2/9/1970	\$1,404	\$767 \$663 (under 20)	\$2,080	\$1,443 \$1,339 (under 20)	..	..	..	..	..	\$1,690 (married) \$1,755 (single)	Income exemption increased from \$572 to \$676 p.a.
9/6/1971	\$1,508	\$832 \$728 (under 20)	\$2,686	\$1,785 \$1,648 (under 20)	..	..	..	..	..	\$1,742 (married) \$1,820 (single)	Abatement of benefit on account of excess income changed to \$3 for each \$4 in excess of the annual income exemption.

RATES AND CONDITIONS OF BENEFITS AND PENSIONS SINCE INCEPTION—*continued*

MINERS BENEFITS AND PENSIONS

Effective Date	Rate (Annual)			Maximum Income and Benefit	Residence	Mining Service	Medical Qualification	Miners Widow Qualification	Funeral Grant	Remarks
	Married	Single	Widow							
11/10/1915	\$104	\$78	\$65	No limit	5 years	2½ years in N.Z.	Totally incapacitated by pneumoconiosis	Widow of miner dying of pneumoconiosis. Limit 2 years	Actual and reasonable not exceeding \$40	\$104 p.a. to widower with child under 14.
15/9/1917	\$130	\$104	\$91	..	..	..	..	..	..	..
1/11/1919	\$156	\$104	..	..	..	..	..	To continue during widowhood	..	..
1920	\$182	\$130	..	..	..	..	..	..	..	\$182 p.a. to widower with child under 14.
1/11/1929	\$182	\$130	..	..	..	..	Seriously and permanently incapacitated by miner's phthisis, Tb of lungs or any other disease of respiratory organs commonly associated with or sequel to pneumoconiosis	..	..	\$52 for each dependent child under 15. Children's portion reduced in respect of excess of miner's income over \$328. Max. pension \$442.
1/4/1932	\$163.80	\$117	\$81.90	..	..	..	..	2 years' limit reinstated	..	Amount for child reduced to \$46.80. Max. pension \$397.80.
19/11/1932	..	..	..	..	..	..	..	On termination to receive \$71.90 p.a. reduced in same way as age pension	..	..
1/8/1935	\$182	\$130	\$91	..	..	..	..	On termination to receive \$81 p.a. reduced in same way as age pension	..	Amount for child increased to \$52. Max. pension \$442.

RATES AND CONDITIONS OF BENEFITS AND PENSIONS SINCE INCEPTION—*continued*MINERS BENEFITS AND PENSIONS—*continued*

Effective Date	Rate (Annual)			Maximum Income and Benefit	Residence	Mining Service	Medical Qualification	Miners Widow Qualification	Funeral Grant	Remarks
	Married	Single	Widow							
1/7/1936	..	..	..	..	..	..	Add miner totally incapacitated by heart or occupational disease	Widow entitled to pension during widowhood if husband died while in receipt of a pension	..	
13/10/1936	..	..	..	..	..	..		..	..	Wife to be excluded if in receipt of pension under Pensions Act 1926.
1/4/1939	\$208	\$156	\$91	..	..	..	Permanently and seriously incapacitated for work by miner's phthisis or permanently and totally incapacitated for work by heart disease or other occupational disease	..	Reasonable funeral expenses	Each child under 16, \$52. Children's benefit reduced by family income in excess of \$208. Max. benefit \$468. Right of appeal to three doctors.
1/5/1942	..	..	..	..	..	..	..	..	..	5 percent on all benefits.
1/7/1943	\$223.60	\$169	\$104	..	..	..	..	..	..	Child \$54.60. Max. \$520.
1/10/1945	\$416	\$208	\$156	..	..	..	..	..	..	Child provided for by F.B. No reduction for income. W.S.D. of \$52 p.a. may be granted to parent of deceased serviceman.
1/10/1947	\$468	\$234	\$182	..	..	..	..	..	..	..
1/6/1949	\$520	\$260	\$208	..	..	..	..	..	..	..
8/5/1950	\$546	\$273	\$221	..	..	..	..	..	..	..
15/2/1951	\$598	\$299	\$234	..	..	..	..	..	..	..
15/9/1953	\$702	\$351	\$286	..	..	..	..	..	..	..
18/11/1954	\$728	\$364	\$299	..	..	..	..	..	..	..

1/8/1955	..	..	\$325	..	..	..	..	..	..	..	Additional benefit for unmarried person introduced at \$26 p.a.
19/11/1956	\$769.60	\$410.80	\$345.80	..	..	..	..	..	..	..	..
1/9/1957	\$806	\$429	\$364	..	..	..	..	..	..	..	..
1/10/1958	\$832	\$468	\$403	..	..	..	..	..	..	..	Additional benefit for unmarried person increased from \$26 to \$52 p.a., 1/10/1958.
30/3/1960	\$884	\$494	\$429	..	..	..	..	..	..	..	..
18/7/1962	\$910	\$507	\$442	..	..	..	..	..	..	..	..
17/7/1963	\$936	\$520	\$455	..	Applicant to be ordinarily resident in N.Z.	..	..	..	..	..	..
9/9/1964	\$998.40	\$551.20	\$486.20	..	..	..	..	..	..	..	..
18/5/1966	\$1,092	\$598	\$533	..	..	..	..	..	..	..	..
25/1/1967	\$1,118	\$611	\$546	..	..	..	..	..	..	..	..
12/6/1968	\$1,170	\$637	\$572	..	..	..	..	..	..	..	..
14/5/1969	\$1,248	\$689	\$624	..	..	..	..	..	..	..	Additional benefit for unmarried person increased from \$52 to \$65 a year.
15/4/1970	\$1,300	\$715	\$650	..	..	..	..	..	..	..	..
2/9/1970	\$1,404	\$767	\$702	..	..	..	..	..	..	..	..
9/6/1971	\$1,508	\$832	\$754	..	..	..	..	..	..	..	Additional benefit for unmarried person increased from \$65 to \$78 a year.

RATES AND CONDITIONS OF BENEFITS AND PENSIONS SINCE INCEPTION—*continued*

SICKNESS BENEFITS

Effective Date	Residence	Qualifying Age	Rate (Weekly)			Income Exemption (Weekly)	Special Income Exemptions	Remarks
			Married	Unmarried	Unmarried Under 20			
1/4/1939	12 months	16 years	\$2 + \$1.50 wife + 50c each child	\$2	\$1	\$2	Additional \$2 p.w. if receiving sick pay from friendly or "like" society	Maximum benefit \$8 p.w. or if receiving friendly society or "like" benefit total amount from all sources not to exceed \$10 p.w. Deductions on account of income and property in discretion of Commission.
1/9/1941	\$2 + \$1.50 wife + \$1 each child	..	..	..	..	..
1/7/1943	\$2 + \$1.50 wife + \$1.05 each child	..	\$1.05	..	..	..
1/10/1945	\$4 + \$4 wife	\$4	\$2	\$2	..	Children paid for separately by family benefit of \$1 p.w. each child. Reference to deduction on account of property repealed.
1/10/1947	\$4.50 + \$4.50 wife	\$4.50	\$2.50	..	..	..
1/6/1949	\$5 + \$5 wife	\$5	\$3	..	..	..
1/1/1950	\$3	..	..
8/5/1950	\$5.25 + \$5.25 wife	\$5.25	\$3.25	..	..	..
1/10/1950	Domestic concession up to \$3 p.w. from domestic employment in private home	..
15/2/1951	\$5.75 + \$5.75 wife	\$5.75	\$3.50	..	Disabled and war widows pensions	..
15/9/1953	\$6.75 + \$6.75 wife	\$6.75	\$4.50	..	..	..
18/11/1954	\$7 + \$7 wife	\$7	\$4.75	..	..	..
1/1/1955	All capital moneys	..
1/8/1955	\$7.50	\$5.25	..	..	Domestic concession extended to domestic and nursing service in private homes, hospitals, etc.
1/4/1956	Reciprocity with United Kingdom.

19/11/1956	..	..	\$7.40 + \$7.40 wife	\$7.90	\$5.65	..	..	..	..
1/9/1957	..	..	\$7.75 + \$7.75 wife	\$8.25	\$6	\$4	..	..	..
1/10/1958	..	..	\$8 + \$8 wife	\$9	\$6.50	..	Holiday pay disregarded	..	..
30/3/1960	..	..	\$8.50 + \$8.50 wife	\$9.50	\$7	..	..	..	..
12/10/1960	..	..	..	..	..	\$6	..	..	..
18/7/1962	..	..	\$8.75 + \$8.75 wife	\$9.75	\$7.25	..	..	..	..
7/7/1963	..	..	\$9 + \$9 wife	\$10	\$7.50	..	..	..	..
	Applicant to be ordinarily resident in N.Z.								
1/1/1964	..	..	..	..	..	\$8	..	..	..
9/9/1964	..	..	\$9.60 + \$9.60 wife	\$10.60	\$8.10	..	..	..	..
18/5/1966	..	..	\$10.50 + \$10.50 wife	\$11.50	\$9	..	..	..	..
25/1/1967	..	..	\$10.75 + \$10.75 wife	\$11.75	\$9.25	..	..	..	..
12/6/1968	..	..	\$11.25 + \$11.25 wife	\$12.25	\$9.75	..	..	..	..
7/8/1968	..	..	..	..	..	..	..	..	..
14/5/1969	..	..	\$12 + \$12 wife	\$13.25	\$10.25	\$11	..	..	Family maintenance allowance for beneficiaries with dependent children introduced. Domestic/nursing service concession abolished. Income exemption increased from \$8 to \$11 p.w.
15/4/1970	..	..	\$12.50 + \$12.50 wife	\$13.75	\$10.75	..	..	..	Income exemption increased from \$11 to \$13 p.w.
2/9/1970	..	..	\$13.50 + \$13.50 wife	\$14.75	\$11.75	\$13	..	..	Benefit abatement on account of excess income changed to 15c for every 20c in excess of the weekly income exemption.
9/6/1971	..	..	\$14.50 + \$14.50 wife	\$16	\$13	..	..	..

RATES AND CONDITIONS OF BENEFITS AND PENSIONS SINCE INCEPTION—*continued*

UNEMPLOYMENT BENEFITS

Effective Date	Residence	Qualifying Age	Rate (Weekly)			Income Exemption	Special Income Exemption	Property Deductions	Remarks
			Married Man	Unmarried	Unmarried Under 20				
1/4/1939	12 months	16 years	\$2 + \$1.50 wife + 50c each child	\$2	\$1	\$2	..	10c p.w. for each \$50 (excluding first \$100) up to \$500, then 20c p.w. for each \$50 up to \$1,000	Maximum benefit \$8 p.w. Deductions on account of income and property in discretion of Commission.
1/7/1943	\$2 + \$1.50 wife + \$1.05 each child	..	\$1.05	..	..	..	..
1/10/1945	\$4 + \$4 wife	\$4	\$2	Income other than earnings, \$2	..	Single: \$2 p.a. for each \$20 over \$1,000 Married: \$2 p.a. for each \$20 over \$2,000	Children paid for separately by family benefit of \$1 p.w. for each child.
9/1946	Single: 10c p.w. for each \$52 over \$1,000 Married: 10c p.w. for each \$52 over \$2,000	..
1/10/1947	\$4.50 + \$4.50 wife	\$4.50	\$2.50	..	..	..	..
1/6/1949	\$5 + \$5 wife	\$5	\$3	..	..	..	..
1/1/1950	Income other than earnings, \$3	..	..	..
8/5/1950	\$5.25 + \$5.25 wife	\$5.25	\$3.25	..	..	..	..
15/2/1951	\$5.75 + \$5.75 wife	\$5.75	\$3.50	..	Disablement and war widows pension	..	..
12/1951	Single: 10c p.w. for each \$78 in excess of \$1,000 Married: 10c p.w. for each \$78 over \$2,000	..
15/9/1953	\$6.75 + \$6.75 wife	\$6.75	\$4.50	..	..	..	..
18/11/1954	\$7 + \$7 wife	\$7	\$4.75	..	..	..	..
1/1/1955	All capital moneys	..	..
1/8/1955	\$7.50	\$5.25	..	..	..	..

1/4/1956	::	::	\$7.40 + \$7.40	\$7.90	\$5.65	::	::	::	Reciprocity with U.K.
19/11/1956	::	::	wife			::	::	::	
1/9/1957	::	::	\$7.75 + \$7.75	\$8.25	\$6	Income other			
			wife			than earnings,			
1/10/1958	::	::	\$8 + \$8 wife	\$9	\$6.50	\$4			10c p.w. for each \$78 in
									excess of \$1,500 (\$3,000
30/3/1960	::	::	\$8.50 + \$8.50	\$9.50	\$7				for married man)
			wife						
12/10/1960	::	::				Income other			Property test abolished
						than earnings,			
18/7/1962	::	::	\$8.75 + \$8.75	\$9.75	\$7.25	\$6			
			wife						
17/7/1963	Applicant	::	\$9 + \$9 wife	\$10	\$7.50				
	to be								
	ordin-								
	arily								
	resident								
	in N.Z.								
1/1/1964	::	::				Income other			
						than earnings,			
						\$8			
9/9/1964	::	::	\$9.60 + \$9.60	\$10.60	\$8.10				
			wife						
18/5/1966	::	::	\$10.50 +	\$11.50	\$9				
			\$10.50 wife						
25/1/1967	::	::	\$10.75 +	\$11.75	\$9.25				
			\$10.75 wife						
12/6/1968	::	::	\$11.25 +	\$12.25	\$9.75				
			\$11.25 wife						Policy change in 1967—wife's
7/8/1969	::	::							earnings treated as other
									income.
14/5/1969	::	::	\$12 + \$12	\$13.25	\$10.25	Income other	Domestic/nur-		Family maintenance allowance
			wife			than personal	sing service		for beneficiaries with depen-
						earnings, \$11	concession		dent children introduced.
							abolished		
15/4/1970	::	::	\$12.50 +	\$13.75	\$10.75				
			\$12.50 wife						
2/9/1970	::	::	\$13.50 +	\$14.75	\$11.75	Income other			
			\$13.50 wife			than personal			
						earnings, \$13			
9/6/1971	::	::	\$14.50 +	\$16	\$13				Abatement of benefit on
			\$14.50 wife						account of excess income
									changed to 15c for every 20c
									in excess of the weekly in-
									come exemption (personal
									earnings remain direct
									deduction from benefit).

RATES AND CONDITIONS OF BENEFITS AND PENSIONS SINCE INCEPTION—*continued*

SUPERANNUATION BENEFITS

Effective Date	Age at Which Payable	Rate (Annual)	Residence	Maximum Age Benefit Rate (Annual)	Calculated Year in Which Parity of Rate Would be Attained	Remarks
1/4/1940	65	\$20	20 years 10 years if in N.Z. on 15/3/38	\$156	1968	
1/4/1941	..	\$25	..	..	..	..
1/4/1942	..	\$30	..	..	..	..
1/4/1943	..	\$35	..	..	..	..
1/7/1943	\$169	1970	..
1/4/1944	..	\$40	..	..	..	..
1/4/1945	..	\$45	..	..	..	..
1/10/1945	\$208	1978	..
1/4/1946	..	\$50	..	..	..	..
1/4/1947	..	\$55	..	..	..	..
1/10/1947	\$234	1983	..
1/4/1948	..	\$60	..	..	..	..
1/4/1949	..	\$65	..	..	..	..
1/6/1949	\$260	1988	..
1/4/1950	..	\$70	..	..	..	..
8/5/1950	\$273	1991	..

15/2/1951	..	..	..	\$299	1996	Not payable in conjunction with an economic pension, wives pensions, or war veterans allowance.
1/4/1951	..	\$75	..	..	..	..
1/10/1951	..	\$150	..	..	1966	Annual increments raised to \$10 p.a. from 1/4/1952.
1/4/1952	..	\$160	..	..	..	..
1/4/1953	..	\$170	..	..	..	..
1/4/1954	..	\$180	..	\$351	1972	..
1/4/1955	..	\$190	..	\$364	1973	..
1/4/1956	..	\$200	..	..	..	Reciprocity with U.K.
1/4/1957	..	\$210	..	..	..	..
1/4/1958	..	\$220	..	..	..	..
1/4/1959	..	\$312	..	\$416	1960	..
30/3/1960	..	\$416	..	..	..	Parity with age benefit achieved.
12/10/1960	..	\$442 (M) \$494 (S)	..	..	..	Rate increased to \$494 p.a. for single person on application.
18/7/1962	..	\$455 (M) \$507 (S)	..	..	..	..
1/4/1963	..	..	Absence as missionary counted as residence	..	..	..
17/7/1963	..	\$468 (M) \$520 (S)	Applicant to be ordinarily resident in N.Z.	..	..	..
9/9/1964	..	\$499.20 (M) \$551.20 (S)	..	..	..	..
18/5/1966	..	\$546 (M) \$598 (S)	..	..	..	..

RATES AND CONDITIONS OF BENEFITS AND PENSIONS SINCE INCEPTION—*continued*SUPERANNUATION BENEFITS—*continued*

Effective Date	Age at Which Payable	Rate (Annual)	Residence	Maximum Age Benefit Rate (Annual)	Calculated Year in Which Parity of Rate Would be Attained	Remarks
25/1/1967	..	\$559 (M) \$611 (S)	..	..	..
12/6/1968	..	\$585 (M) \$637 (S)	..	..	..
14/5/1969	..	\$624 (M) \$689 (S)	..	..	..	Additional benefit for unmarried person increased from \$52 to \$65 a year.
29/9/1969	Absence with V.S.A. (Inc.) counted as residence	..	..	..
15/4/1970	..	\$650 (M) \$715 (S)	..	..	..	..
2/9/1970	..	\$702 (M) \$767 (S)	..	..	..	..
9/6/1971	..	\$754 (M) \$832 (S)	..	..	..	Additional benefit for unmarried person increased from \$65 to \$78 a year.

RATES AND CONDITIONS OF BENEFITS AND PENSIONS SINCE INCEPTION—*continued*

FAMILY MAINTENANCE ALLOWANCE

Effective Date	Benefits Paid With	Rate (Weekly)		Remarks
		Married Couple	Solo Parent	
7/8/1968	Age, invalids, sickness, unemployment, and related emergency benefits	First child: Nil Second child: 50c Each additional child: \$1	First child: \$8.75 Each additional child: \$1	..
14/5/1969	..	First child: Nil Second child: 75c Each additional child: \$1	First child: \$9.50 Each additional child: \$1	..
15/4/1970	..	No change	First child: \$10 Each additional child: \$1	..
8/7/1970	..	First child: \$1 Each additional child: \$1.50	First child: \$11 Each additional child: \$1.50	..
2/9/1970	..	First child: \$2 Each additional child: \$1.50	First child: \$12 Each additional child: \$1.50	..
9/6/1971	..	First child: \$3 Each additional child: \$1.50	First child: \$13 Each additional child: \$1.50	..

Source: Social Security Department.

Appendix 6

RATES OF SOCIAL SECURITY CASH BENEFITS IN NEW ZEALAND FROM 9 JUNE 1971

				Annual Rate	Weekly Rate
				\$	\$
Superannuation—					
Unmarried person	..	..	..	832	16.00
Married person	..	..	..	754	14.50
Age*—					
Unmarried person	..	..	..	832	16.00
Married couple:					
Husband or wife separately	..	..	..	754 each	14.50 each
Husband (wife included)	..	..	..	1,508	29.00
Widows—					
Widow	..	..	..	832	16.00
Additional mother's allowance:					
One dependent child	..	..	..	676	13.00
Each additional child	..	..	..	78	1.50
Orphans	..	..	..	468	9.00
Family—					
Each dependent child	..	..	..	78	1.50
Invalids*—					
Unmarried person:					
Twenty years or over	..	..	..	832	16.00
Under 20 years	..	..	..	728	14.00
Married man (wife included)	..	..	..	1,508	29.00
Married woman	..	..	..	754	14.50
Miners—					
Unmarried person	..	..	..	832	16.00
Married man (wife included)	..	..	..	1,508	29.00
Miner's widow	..	..	..	754	14.50
Sickness or unemployment*—					
Unmarried person:					
Twenty years or over	..	..	..	..	16.00
Under 20 years without dependants	..	..	..	..	13.00
Married man	..	..	..	..	29.00
Family maintenance allowance—					
Solo parent:					
One dependent child	..	..	..	..	13.00
Each additional child	..	..	..	..	1.50
Married couple:					
One dependent child	..	..	..	..	3.00
Each additional child	..	..	..	..	1.50
Supplementary assistance—According to circumstances.					
Emergency benefits—According to circumstances.					

Appendix 6A

RATES OF WAR PENSIONS AND ALLOWANCES IN NEW ZEALAND FROM 9 JUNE 1971

				Weekly Rate
				\$
Disablement pension—				
Total disablement	..	..	..	15.40
90 percent disablement	..	..	..	13.86
80 percent disablement	..	..	..	12.32

					Weekly Rate
					\$
70 percent disablement	..	..	..	..	10.78
60 percent disablement	..	..	..	..	9.24
50 percent disablement	..	..	..	..	7.70
40 percent disablement	..	..	..	..	6.16
30 percent disablement	..	..	..	..	4.62
20 percent disablement	..	..	..	..	3.08
10 percent disablement	..	..	..	..	1.54
Special additional pension for blindness or serious disablement	..	..	..	..	9.20
Economic pension—					
Unmarried person*	..	..	..	..	16.00
Married person	..	..	..	..	14.50
Wifes pension*	..	..	..	..	14.50
War Widows pension—					
Basic pension	..	..	..	..	11.35
Economic pension	..	..	..	..	16.00
Mother's allowance:					
One dependent child	..	..	..	..	13.00
Each additional child	..	..	..	..	1.50
Orphans pension	..	..	..	..	10.05
Childs pension	..	..	..	..	1.50
War veterans allowance*—					
Unmarried veteran	..	..	..	..	16.00
Married veteran	..	..	..	..	14.50
Wife/husband of veteran	..	..	..	..	14.50
Age supplement (each over 65)	..	..	..	..	1.50
War veteran's gratuity	..	..	..	..	27.35
War service pension*—					
Unmarried serviceman	..	..	..	..	16.00
Married serviceman	..	..	..	..	29.00
Married servicewoman	..	..	..	..	14.50
Age supplement (each over 65)	..	..	..	..	1.50
Widowed mothers pension (totally dependent)—					
Basic pension	..	..	..	..	11.35
Economic pension*	..	..	..	..	16.00
Widowed mothers pension (partially dependent)—					
Basic pension	..	..	..	..	4.00
Economic pension*	..	..	..	..	13.75
Attendant's allowance	..	..	..	..	16.00
Family maintenance allowance—					
Solo parent:					
One dependent child	..	..	..	..	13.00
Each additional child	..	..	..	..	1.50
Married couple:					
One dependent child	..	..	..	..	3.00
Each additional child	..	..	..	..	1.50
Clothing allowance—					
Loss of two limbs	..	..	..	..	1.35
Loss of leg	..	..	..	..	1.25
Loss of arm	..	..	..	..	0.92
Use of mechanical appliances, etc.	..	..	..	..	0.92 (max)

*Family maintenance allowance is paid in addition to these benefits.

Appendix 7

SCHEDULE OF WEEKLY STANDARD BENEFIT RATES, ALLOWANCES, INCOME-EXEMPTIONS, AND LIMIT OF WEEKLY INCOME AND BENEFIT, 1939-71

Year Ended 31 March	Unmarried Benefic Rate ¹	Married Benefic Rate ¹	Permitted Other Income Levels		Mothers Allowance (widows only) ²		Family Maintenance Allowance ³				Limit of Income and Benefit ⁴			
			Normal Exemption	Widows with Children	First Child	Other Children	Solo Parents	Married Couples			Unmarried Beneficiary No Children	Married Beneficiary No Children	Married Beneficiary With Two Dependent Children	Widow With Two Dependent Children
								Children						
								First	Second	Other				
1940	3.00	6.00	2.00		1.00 ²	1.00	..	..	..	..	5.00	8.00	8.00	7.50 ^a
1941	3.00	6.00	2.00	} 3.00	1.00 ²	1.00	..	..	..	..	5.00	8.00	8.00	7.50 ^a
1942	3.00	6.00	2.00		1.00 ²	1.00	..	..	..	..	5.00	8.00	8.00	7.50 ^a
1943	3.15	6.30	2.00		1.00 ²	1.00	..	..	..	..	5.15	8.30	8.30	7.50 ^a
1944	3.25	6.50	2.00		1.05 ²	1.05	..	..	..	..	5.25	8.50	8.50	8.10 ^a
1945	3.25	6.50	2.00		1.05 ²	1.05	..	..	..	..	5.25	8.50	8.50	8.10 ^a
1946	4.00	8.00	2.00	} All widows } 3.00	2.00	Nil	..	..	..	..	6.00	10.00	10.00	9.00
1947	4.00	8.00	2.00		2.50	Nil	..	..	..	..	6.00	10.00	10.00	9.50
1948	4.50	9.00	2.00		2.50	Nil	..	..	..	..	6.50	11.00	11.00	10.00
1949	4.50	9.00	2.00		2.50	Nil	..	..	..	..	6.50	11.00	11.00	10.00
1950	5.00	10.00	3.00		3.00	Nil	..	..	..	..	8.00	13.00	13.00	11.00
1951	5.75	11.50	3.00		3.50	Nil	..	..	..	..	8.75	14.50	14.50	12.25
1952	5.75	11.50	3.00		3.50	Nil	..	..	..	..	8.75	14.50	14.50	12.25
1953	5.75	11.50	3.00		3.50	Nil	..	..	..	..	8.75	14.50	14.50	12.25
1954	6.75	13.50	3.00		3.50	Nil	..	..	..	..	9.75	16.50	16.50	13.25
1955	7.00	14.00	3.00		4.75	1.00 ⁵	..	..	..	..	10.00	17.00	17.00	15.75
1956	7.50	14.00	3.00	} Same as normal income exemption	4.75	1.00 ⁵	..	..	..	..	10.50	17.00	17.00	16.25
1957	7.90	14.80	3.00		5.15	1.00 ⁵	..	..	..	..	10.90	17.80	17.80	17.05
1958	8.25	15.50	4.00		5.50	1.00 ⁵	..	..	..	..	12.25	19.50	19.50	18.75
1959	9.00	16.00	4.00		5.50	1.00 ⁵	..	..	..	..	13.00	20.00	20.00	19.50
1960	9.50	17.00	4.00		6.00	1.00 ⁵	..	..	..	..	13.50	21.00	21.00	20.50
1961	9.50	17.00	6.00		6.00	1.00 ⁶	..	..	..	..	15.50	23.00	23.00	22.50
1962	9.50	17.00	6.00	10.00	1.00 ⁶	..	..	..	..	15.50	23.00	23.00	26.50	
1963	9.75	17.50	6.00	10.00	1.00 ⁶	..	..	..	..	15.75	23.50	23.50	27.00	
1964	10.00	18.00	8.00	12.00	1.00 ⁶	..	..	..	..	18.00	26.00	26.00	29.50	
1965	10.60	19.20	8.00	12.00	7.10	1.00 ⁶	..	..	..	18.60	27.20	27.20	30.70	

1966	..	10.60	19.20	8.00	12.00	7.10	1.00 ⁶	..	..	..	..	18.60	27.20	27.20	30.70
1967	..	11.75	21.50	8.00	12.00	8.25	1.00 ⁷	..	..	..	..	19.75	29.50	29.50	33.00
1968	..	11.75	21.50	8.00	12.00	8.25	1.00 ⁷	..	..	..	..	19.75	29.50	29.50	33.00
1969	..	12.25	22.50	8.00	12.00	8.75	1.00 ⁷	Same as	Nil	0.50	1.00	20.25	30.50	31.00	34.00
1970	..	13.25	24.00	11.00	15.00	9.50	1.00 ⁷	widow's	Nil	0.75	1.00	24.25	35.00	35.75	38.75
								allowance							
1971 (March)		14.75	27.00	13.00	17.00	12.00	1.50 ⁷		2.00	1.50	1.50	27.75	40.00	43.50	45.25
1971 (June)		16.00	29.00	13.00	17.00	13.00	1.50 ⁷	..	3.00	1.50	1.50	34.33 ⁸	51.66 ⁸	57.66 ⁸	57.66 ⁸

.. Not operative.

Source: Social Security Department.

NOTES—¹Rates shown apply to age benefits only from 1 April 1939 to 30 September 1945 except that a married age beneficiary, whose wife did not qualify for a benefit in her own right, received *half* the shown married rate plus 50c a week for his wife from 1 April 1939 to 31 August 1941, \$1 a week to 30 April 1942, and \$1.05 a week to 30 September 1945. His income exemption was, however, increased to allow the same limit of income and benefit as a married couple both receiving benefit. Since 1 October 1945 the standard rate has applied to age, widows miners, invalids, sickness, and unemployment benefits (except that a lesser rate of benefit is payable to unmarried invalids, sickness, and unemployment beneficiaries under 20 years of age). Superannuation benefit became payable at half the shown married rate from 30 March 1960, while the differential for unmarried beneficiaries was extended to superannuation beneficiaries from 12 October 1960. A married superannuation beneficiary receives half the married rate.

²From 1 April 1939 the rate of widows' benefit for those with dependent children was \$2.50 a week plus \$1 for each child with a maximum of \$9 a week. From 1 July 1943 the rate was \$3 a week plus \$1.05 for each child, with a maximum benefit of \$10 a week. Mother's allowance, initially termed "supplementary benefit", for widows with dependent children, was introduced as a supplement to the standard rate benefit from 1 October 1945, from which date also family benefit became payable in addition to benefit plus mother's allowance.

³Family maintenance allowance was introduced from 7 August 1968 and paid in supplementation of sickness, unemployment, age, invalids, and related emergency benefits where there are dependent children.

⁴Limit of income and benefit is the maximum income which a beneficiary may receive from all sources by way of basic benefit, mother's allowance, or family maintenance allowance, and earnings or other income. Family benefit is excluded to allow comparison with the wage rates shown in appendix 8.

⁵Payable for second child only.

⁶Payable for second, third, fourth, fifth, and sixth child only.

⁷Payable for each child—no limit.

⁸Significant increase in limit of income and benefit from June 1971 results from changed basis of deduction for income over the normal allowable exemption.

Appendix 8

SCHEDULE OF STANDARD WEEKLY BENEFIT RATES RELATIVE TO NOMINAL AWARD WAGES,
AVERAGE WEEKLY EARNINGS, BUILDING AND ENGINEERING LABOURERS' WAGES, AND
CONSUMER PRICE INDEX

Year Ended 31 March	Unmarried Benefit Rate ¹	Married Benefit Rate ¹	Nominal Award Wages ²	Unmarried Benefit Rate as Percentage of Nominal Award Wages	Married Benefit Rate as Percentage of Nominal Award Wages	Average Weekly Earnings ³	Unmarried Benefit Rate as Percentage of Average Weekly Earnings	Married Benefit Rate as Percentage of Average Weekly Earnings	Building and Engineering Labourers' Wages (Ruling Rates Weighting) ⁴	Unmarried Benefit Rate as Percentage of Building and Engineering Labourers' Wages	Married Benefit Rate as Percentage of Building and Engineering Labourers' Wages	Consumer Price Index (long-term link series)
	\$	\$	\$	%	%	\$	%	%	\$	%	%	
1940	3.00	6.00	..	..	..	..	..	..	..	..	..	415
1941	3.00	6.00	..	..	..	..	..	..	..	..	..	430
1942	3.00	6.00	..	..	..	..	..	..	..	..	..	445
1943	3.15	6.30	..	..	..	..	..	..	..	..	..	455
1944	3.25	6.50	..	..	..	..	..	..	..	..	..	463
1945	3.25	6.50	..	..	..	..	..	..	..	..	..	469
1946	4.00	8.00	..	..	..	12.67	31.6	63.1	..	..	..	473
1947	4.00	8.00	..	..	..	13.16	30.4	60.8	..	..	..	488
1948	4.50	9.00	..	..	..	14.57	30.9	61.8	..	..	..	527
1949	4.50	9.00	..	..	..	15.25	29.5	59.0	..	..	..	536
1950	5.00	10.00	..	..	..	16.20	30.9	61.7	..	..	..	567
1951	5.75	11.50	..	..	..	19.18	30.0	60.0	..	..	..	629
1952	5.75	11.50	..	..	..	20.43	28.1	56.3	..	..	..	678
1953	5.75	11.50	..	..	..	21.76	26.4	52.8	..	..	..	709
1954	6.75	13.50	..	..	..	23.79	28.4	56.7	..	..	..	741
1955	7.00	14.00	..	..	..	24.98	28.0	56.0	..	..	..	760
1956	7.50	14.00	..	..	..	26.07	28.8	53.7	..	..	..	786
1957	7.90	14.80	..	..	..	27.62	28.6	53.6	..	..	..	803
1958	8.25	15.50	..	..	..	28.10	29.4	55.2	24.60	33.5	63.0	839

1959	..	..	9.00	16.00	..	..	..	28.73	31.3	55.7	..	..	..	871
1960	..	..	9.50	17.00	..	..	..	30.59	31.1	55.6	..	..	..	877
1961	..	..	9.50	17.00	..	..	..	32.12	29.6	52.9	26.72	35.6	63.6	893
1962	..	..	9.50	17.00	..	..	..	32.88	28.9	51.7	27.85	34.1	61.0	916
1963	..	..	9.75	17.50	..	..	..	34.20	28.5	51.2	28.47	34.2	61.5	935
1964	..	..	10.00	18.00	..	..	..	35.31	28.3	51.0	29.31	34.1	61.4	967
1965	..	..	10.60	19.20	..	..	..	38.30	27.7	50.1	31.51	33.6	60.9	1000
1966	..	..	10.60	19.20	36.37	29.1	52.8	39.68	26.7	48.4	32.74	32.4	58.6	1028
1967	..	..	11.75	21.50	38.43	30.6	55.9	42.00	28.0	51.2	34.97	33.6	61.5	1090
1968	..	..	11.75	21.50	39.23	30.0	54.8	43.26	27.2	49.7	35.20	33.4	61.1	1137
1969	..	..	12.25	22.50	41.94	29.2	53.6	46.38	26.4	48.5	37.47	32.7	60.0	1193
1970	..	..	13.25	24.00	44.85	29.5	53.5	50.38	26.3	47.6	40.32	32.9	59.5	1271
1971 (March)	..	..	14.75	27.00	55.50 ⁷	26.6	48.7	59.73	24.7	45.2	48.56 ^{5,6}	30.4	55.6	1359 (March quarter)
1971 (June)	..	..	16.00	29.00	55.50 ⁷	28.8	52.3	59.73	26.8	48.6	48.56 ^{5,6}	32.9	59.7	1389 (June quarter)

NOTES—¹Rates shown apply to age benefits only from 1 April 1939 to 30 September 1945. From 1 October 1945 standard rate includes age, widows, miners, invalids, sickness, and unemployment benefits (except that a lesser rate is payable to unmarried invalids, sickness, and unemployment beneficiaries under 20 years of age). Superannuation benefit became payable at half the shown married rate from 30 March 1960, while the higher rate for unmarried beneficiaries was extended to superannuation beneficiaries from 12 October 1960. A married superannuation beneficiary receives half the married rate.

²Relates to adult males only and is the average of a comprehensive survey of the wages of occupational groups used in the calculation of the Nominal Weekly Wage Rates Index compiled by the Department of Statistics. The average is determined after occupations are "weighted" according to their relative importance in the survey. No survey prior to 1966. *Source:* Department of Statistics.

³In this tabulation from the half-yearly survey, weekly wage payout and hourly earnings relate to all employees, males and females, adult and juvenile combined. Salaried executives are included but no working proprietors. Earnings include overtime, bonuses, and all allowances and special payments. Part-time work has been converted to equivalent full-time work for the purposes of the calculation. *Source:* Department of Statistics.

⁴Ruling rates survey conducted by Department of Labour and showing average gross earnings for a 40-hour week of all labourers employed in the building and engineering industries. The results of the survey are "weighted" according to numbers in the survey and the relative significance of the occupations of the participants in the survey. The rates used in the table relate to surveys conducted in February 1958, July 1960, September 1961, February 1963, February 1964, February 1965, February 1966, February 1967, February 1968, February 1969, February 1970, and April 1971. *Source:* Department of Labour.

⁵The April 1971 figure of \$48.56 a week is the "State Services Commission Weighting" as opposed to the "Ruling Rates Weighting" used for all other years shown. The difference between the two weightings is minute, approximately 1c a week.

⁶The April 1971 ruling rates survey figure of \$48.56 a week is compared with the rates of social security benefits for March 1971 and June 1971.

⁷Provisional.

ADDITIONAL REMARKS—

- (a) From 1940 to 1970 the unmarried benefit rate increased by 341.7 percent and the married rate by 300 percent. Over the same period the Consumer Price Index rose by 206 percent.
- (b) From 1946 to 1970 the unmarried benefit rate increased by 231.3 percent and the married rate by 200 percent. Over the same period average weekly earnings increased by 297.6 percent and the Consumer Price Index rose by 168.5 percent.
- (c) From 1958 to 1970 the unmarried benefit rate increased by 60.6 percent and the married rate by 54.8 percent. Over the same period building and engineering labourers' wages (Ruling Rates Weighting) increased by 63.9 percent, average weekly earnings by 79.3 percent, and Consumer Price Index by 51.4 percent.
- (d) From 1966 to 1970 both the unmarried benefit rate and the married rate increased by 25 percent. Over the same period nominal award wages increased by 23.3 percent, average weekly wage by 27 percent, building and engineering labourers' wages (Ruling Rates Weighting) by 23.2 percent, and the Consumer Price Index by 23.5 percent.

Appendix 9

MONETARY BENEFITS IN FORCE AT 31 MARCH FOR SELECTED YEARS

	1939	1944	1947	1953	1955	1956	1961	1962	1963
Superannuation	-	49,289	57,992	71,961	78,173	80,832	97,528	105,499	111,850
Age	66,694	102,530	115,287	123,104	121,063	118,668	106,673	100,083	97,391
Widows	5,196	10,836	13,133	12,026	12,197	11,771	13,328	13,623	14,063
Family	5,606	15,950	230,021	280,747	298,370	308,558	348,004	357,568	365,118
Invalids	12,489	12,126	12,466	8,257	8,110	7,743	8,157	8,181	8,053
Miners	1,062	795	718	528	481	452	316	267	236
Maori War	20	1	1	-	-	-	-	-	-
Orphans	-	412	397	314	300	290	274	270	289
Unemployment	-	292	35	15	19	5	140	273	358
Sickness	-	4,446	4,273	4,376	4,277	3,613	3,929	4,346	4,529
Emergency	-	1,915	1,845	2,248	2,201	2,989	3,006	2,608	2,767
Supplementary assistance ..	-	-	-	1,127	3,229	3,521	6,200	6,564	6,864
Total	91,067	198,592	436,168	504,703	528,420	538,442	587,555	599,282	611,518

MONETARY BENEFITS IN FORCE AT 31 MARCH FOR SELECTED YEARS—*continued*

	1964	1965	1966	1967	1968	1969	1970	1971
Superannuation	116,059	119,650	125,089	130,473	134,701	139,041	142,867	146,299
Age	95,836	95,009	94,249	92,898	94,948	97,125	98,905	102,797
Widows	14,242	14,529	14,712	15,090	15,512	15,548	15,663	15,899
Family	373,775	376,824	376,593	388,207	401,278	405,389	408,397	414,195
Invalids	8,079	7,951	8,045	7,896	7,842	7,989	8,342	8,557
Miners	217	184	169	149	125	112	98	91
Maori War	—	—	—	—	—	—	—	—
Orphans	302	316	316	300	301	310	315	319
Unemployment	247	208	133	230	4,424	2,082	983	715
Sickness	4,583	4,681	5,252	5,292	5,976	5,928	5,876	6,306
Emergency	2,925	2,950	3,203	3,183	4,166	4,558	5,266	6,422
Supplementary assistance	7,660	8,763	9,698	10,581	12,625	12,856	12,887	13,968
Total	623,925	631,065	637,459	654,299	681,898	690,938	699,599	715,568

— Not operative.

Source: Social Security Department Annual Reports.

Appendix 10

SOCIAL SECURITY BENEFIT EXPENDITURE FOR SELECTED YEARS
ENDED 31 MARCH—IN \$(000)

	1939	1944	1947	1953	1955	1956 ¹	1961 ²	1962	1963
<i>Monetary Benefit—</i>									
Superannuation	—	1,558	2,699	11,129 ³	13,500	15,543	40,175 ⁴	46,298	50,235
Age	7,154	16,203	23,762	38,183	44,502	45,662	54,071	49,717	49,016
Widows	974	1,898	3,058	4,314	5,329	5,699	8,401	8,705	9,092
Family	169	1,754	25,362 ⁵	33,709	36,358	37,722	61,700 ⁶	66,881	64,603
Invalids	1,501	2,135	2,657	2,833	3,233	3,360	4,298	4,382	4,536
Miners	174	153	211	243	257	255	236	201	175
Maori War	—	—	—	—	—	—	—	—	—
Orphans	—	45	46	71	58	61	86	93	92
Unemployment	12,217 ⁷	65	49	6	11	8	185	160	327
Sickness	—	754	1,707	2,124	2,554	2,606	3,347	3,410	3,125
Emergency	—	231	269	681	860	1,068	1,865	1,685	1,369
Supplementary Assistance ⁸	—	—	—	42	270	327	616	647	664
Advances repairs ⁹	—	—	—	—	—	—	67	50	51
F.B. capitalisation ¹⁰	—	—	—	—	—	—	13,882	11,524	10,302
Total monetary benefits	22,192	24,796	59,819	94,870 ¹¹	106,933	112,311	189,028	193,752	193,587
<i>Health Benefits—</i>									
Medical	—	2,350	3,521	6,094	6,700	7,096	8,490	8,760	8,608
Hospital	—	4,331	3,973	4,270	6,822 ¹²	9,529	11,370	12,519	12,675
Pharmaceutical	—	1,524	2,879	6,032	6,095	8,078	13,596	15,357	16,118
Maternity	—	1,028	1,346	1,839	2,295	2,753	3,313	3,510	3,717
Supplementary	—	274	704	2,622	3,266	3,637	5,527	5,796	6,398
Total health benefits	—	9,507	12,423	20,857	25,178	31,094	42,297	45,942	47,516
Grand total	22,192	34,302	72,243	115,727	132,111	143,405	231,325	239,694	241,104

SOCIAL SECURITY BENEFIT EXPENDITURE FOR SELECTED YEARS
ENDED 31 MARCH—IN (\$'000)—*continued*

	1964	1965	1966	1967	1968	1969	1970	1971
<i>Monetary Benefits—</i>								
Superannuation	54,390	59,297	62,579	70,193	76,374	80,605	88,819	101,009
Age	49,361	51,017	51,457	55,102	57,495	60,833	67,003	76,173
Widows	9,558	10,215	10,480	11,316	11,995	12,622	13,742	15,936
Family	68,480	65,925	70,163	66,816	71,452	68,266	72,318	70,402
Invalids	4,588	4,830	4,786	5,071	5,296	5,514	6,093	6,985
Miners	166	153	137	131	118	106	99	95
Maori War Orphans	—	—	—	—	—	—	—	—
Unemployment	103	110	116	122	127	137	150	179
Sickness	322	197	141	141	2,176	3,302	1,465	1,004
Emergency	4,509	3,914	4,076	4,559	5,156	5,589	6,073	7,136
Supplementary assistance ⁸	2,015	1,785	1,753	1,922	2,237	3,077	4,025	5,948
Advances repairs ⁹	1,177	1,368	1,800	2,108	2,520	2,764	2,703	3,164
F.B. capitalisation ¹⁰	48	59	64	82	73	69	54	61
	9,085	8,840	8,596	7,576	7,237	7,790	7,486	10,649
Total monetary benefits	203,803	207,710	216,148	225,139	242,256	250,674	270,031	298,741
<i>Health Benefits—</i>								
Medical	8,629	8,764	8,790	8,684	8,848	8,785	9,695 ¹²	11,756
Hospital	13,357	3,166 ¹⁴	3,719	4,133	4,441	4,849	5,487	6,627
Pharmaceutical	15,827	17,734	19,514	21,072	22,272	24,458	27,308	30,783
Maternity	3,607	1,556 ¹⁴	1,519	1,953	2,047	2,069	2,956	3,133
Supplementary	6,964	5,310 ¹⁴	6,081	6,392	6,855	7,241	7,628	9,375
Total health benefits	48,384	36,530¹⁴	39,622	42,234	44,462	47,402	53,074	61,674
Grand total	252,187	244,240	255,770	267,373	286,718	298,076	323,105	360,415

.. Less than \$1,000.

— not operative.

Source: *New Zealand Official Yearbooks and Social Security Department Annual Reports.*NOTES— ¹Increased benefit (single supplement) paid to widows and to unmarried age, invalids, miners, sickness, and unemployment beneficiaries from 1 August 1955.²Property test removed from means tested monetary benefits from 30 March 1960.³Superannuation benefit rate doubled from 1 October 1951.⁴Rate of superannuation further increased to reach parity with rate of age benefit from 30 March 1960.⁵Family benefit income test removed from 1 April 1946.⁶Family benefit increased from \$1 a week to \$1.50 a week from 1 October 1958.⁷Unemployment relief paid from Employment Promotion Fund which was superseded by unemployment benefit from 1 April 1939.⁸Supplementary assistance introduced in 1952 and termed "special assistance" until May 1958.⁹Advances for repairs to homes scheme introduced from 1 October 1958.¹⁰Family benefit capitalisation introduced from 1 April 1959.¹¹Total includes \$1,534,230 bonus paid to certain monetary beneficiaries.¹²Higher rate of general medical services benefit paid from 1 October 1969 to persons receiving monetary security benefits (except family benefit) and certain war pensioners.¹³Hospital benefit doubled from 1 October 1954.¹⁴From 1 April 1964 Government discontinued paying hospital benefits for public hospital patients and from that date made direct grants to hospital boards.

Appendix 11A

MONETARY AND HEALTH BENEFIT COST AND TOTAL HEALTH EXPENDITURE AS PERCENTAGE OF NATIONAL INCOME FOR SELECTED YEARS ENDED 31 MARCH

	1939	1944	1947	1953	1955	1956	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970†	1971†
<i>Monetary Benefits—</i>																	
Superannuation	—	0.21	0.32	0.73	0.73	0.79	1.53	1.70	1.72	1.70	1.70	1.67	1.82	1.88	1.85	1.87	1.86
Age	1.54	2.16	2.79	2.52	2.39	2.32	2.06	1.83	1.68	1.54	1.46	1.37	1.43	1.42	1.40	1.41	1.40
Widows	0.21	0.25	0.36	0.28	0.29	0.29	0.32	0.32	0.31	0.30	0.29	0.28	0.29	0.30	0.29	0.29	0.29
Family .. .. .	..	0.23	2.98	2.22	1.95	1.92	2.35	2.46	2.21	2.14	1.89	1.87	1.73	1.76	1.57	1.52	1.30
Invalids	0.32	0.28	0.31	0.19	0.17	0.17	0.16	0.16	0.16	0.14	0.14	0.13	0.13	0.13	0.13	0.13	0.13
Miners .. .. .	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Maori War .. .. .	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Orphans .. .. .	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Unemployment	2.63	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Sickness .. .. .	..	0.10	0.20	0.14	0.14	0.13	0.13	0.13	0.11	0.14	0.11	0.11	0.12	0.13	0.13	0.13	0.13
Emergency .. .. .	..	..	..	..	0.05	0.05	0.07	0.06	0.05	0.06	0.05	0.05	0.05	0.06	0.07	0.08	0.06
Supplementary assistance .. .. .	..	..	..	..	..	..	..	..	..	..	..	0.05	0.06	0.06	0.06	0.06	0.11
Advances—Repairs to homes .. .. .	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
F.B. capitalisation .. .. .	..	..	..	..	..	..	0.53	0.42	0.35	0.28	0.25	0.23	0.20	0.18	0.18	0.16	0.20
Total monetary benefits	4.78	3.31	7.03	6.25	5.75	5.72	7.21	7.12	6.63	6.37	5.96	5.77	5.82	5.97	5.76	5.68	5.51
<i>Health Benefits—</i>																	
Medical .. .. .	..	0.31	0.41	0.40	0.36	0.36	0.32	0.32	0.29	0.27	0.25	0.23	0.22	0.22	0.20	0.20	0.22
Hospital .. .. .	..	0.58	0.47	0.28	0.37	0.48	0.43	0.46	0.43	0.42	0.09	0.10	0.11	0.11	0.11	0.12	0.12
Pharmaceutical .. .. .	..	0.20	0.34	0.40	0.33	0.41	0.52	0.56	0.55	0.50	0.51	0.52	0.55	0.55	0.56	0.57	0.57
Maternity .. .. .	..	0.14	0.16	0.12	0.12	0.14	0.13	0.13	0.13	0.11	..	..	0.05	0.05	0.05	0.06	0.06
Supplementary .. .. .	..	..	0.08	0.17	0.18	0.19	0.21	0.21	0.22	0.22	0.15	0.16	0.17	0.17	0.17	0.16	0.17
Total health benefits .. .. .	..	1.27	1.46	1.37	1.35	1.58	1.61	1.69	1.63	1.51	1.05	1.06	1.09	1.10	1.09	1.12	1.14
Total health and monetary benefits	4.78	4.58	8.49	7.63	7.10	7.30	8.82	8.80	8.25	7.89	7.00	6.83	6.92	7.07	6.85	6.79	6.65
Gross national product (\$m)	464	748	848	1517	1860	1965	2623	2723	2921	3197	3487	3744	3886	4055	4341	4757	5425
Total health expenditure* as percentage of GNP	0.8	2.0	2.5	3.2	3.1	3.3	4.1	4.3	4.3	4.2	4.2	4.3	4.5	4.6	4.5	4.3	4.5

.. Less than 0.05 percent.

— Not operative.

*Total health expenditure includes all medical and health benefits plus current and capital expenditure on public health services, medical and welfare services, hospitals, and administration.

†Provisional figures only.

Source: New Zealand Official Yearbooks, and Reports on the Official Estimates of National Income and Expenditure, and Parliamentary Paper B.7 [Pt. I].

Appendix 11B

SOCIAL SECURITY BENEFIT COST AS PERCENTAGE OF TOTAL GOVERNMENT EXPENDITURE FOR
SELECTED YEARS ENDED 31 MARCH

	1939	1944 ¹	1947	1953	1955	1956	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<i>Monetary Benefits—</i>																
Superannuation	—	0.42	1.25	3.04	3.37	3.66	6.37	7.07	7.27	7.37	7.39	7.18	7.50	7.90	7.79	7.80
Age	8.66	4.39	11.04	10.43	11.12	10.76	8.57	7.60	7.09	6.69	6.36	5.90	5.89	5.95	5.88	5.89
Widows	1.18	0.51	1.42	1.18	1.33	1.34	1.33	1.33	1.32	1.30	1.27	1.20	1.21	1.24	1.22	1.21
Family	0.20	0.47	11.79	9.21	9.08	8.89	9.78	10.22	9.35	9.28	8.22	8.05	7.14	7.39	6.60	6.35
Invalids	1.82	0.58	1.23	0.77	0.81	0.79	0.68	0.67	0.66	0.62	0.60	0.55	0.54	0.55	0.53	0.54
Miners	0.21	..	0.10	0.07	0.06	0.06	..	..	..	..	..	..	..	..	..	..
Maori War .. .. .	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Orphans .. .. .	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Unemployment	14.79	..	..	..	..	..	..	..	0.05	..	..	..	..	0.23	0.32	0.13
Sickness .. .. .	..	0.20	0.79	0.58	0.64	0.61	0.53	0.52	0.45	0.61	0.49	0.47	0.49	0.53	0.54	0.53
Emergency .. .. .	..	0.06	0.13	0.19	0.21	0.25	0.30	0.26	0.20	0.27	0.22	0.20	0.21	0.23	0.30	0.35
Supplementary assistance .. .. .	..	..	..	..	0.07	0.08	0.10	0.10	0.10	0.16	0.17	0.21	0.23	0.26	0.27	0.24
Advances—Repairs to homes .. .. .	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
F.B. capitalisation .. .. .	..	..	..	..	..	..	2.20	1.76	1.49	1.23	1.10	0.99	0.81	0.75	0.75	0.66
Total monetary benefits	26.87	6.71	27.80	25.92 ²	26.72	26.48	29.96	29.60	28.01	27.63	25.90	24.78	24.07	25.07	24.22	23.72
<i>Health Benefits—</i>																
Medical .. .. .	..	0.64	1.64	1.67	1.67	1.67	1.35	1.34	1.25	1.17	1.09	1.01	0.93	0.92	0.85	0.85
Hospital .. .. .	..	1.17	1.85	1.17	1.70	2.25	1.80	1.91	1.83	1.81	0.40	0.43	0.44	0.46	0.47	0.48
Pharmaceutical .. .. .	..	0.41	1.34	1.65	1.52	1.90	2.15	2.35	2.33	2.15	2.21	2.24	2.25	2.30	2.36	2.40
Maternity .. .. .	..	0.28	0.63	0.50	0.57	0.65	0.53	0.54	0.54	0.49	0.19	0.17	0.21	0.21	0.20	0.26
Supplementary .. .. .	..	0.07	0.33	0.72	0.82	0.86	0.88	0.89	0.93	0.94	0.66	0.70	0.68	0.71	0.70	0.67
Total health benefits .. .. .	..	2.57	5.77	5.70	6.29	7.33	6.70	7.02	6.87	6.56	4.55	4.54	4.52	4.60	4.58	4.66
Grand total.. .. .	26.87	9.29	33.57	31.62	33.01	33.81	36.66	36.62	34.88	34.19	30.45	29.32	28.59	29.67	28.80	28.38

.. Less than 0.05 percent. — Not operative.

NOTES—¹During year ended 31 March 1944 Government expenditure of \$749.2 million included \$262.4 million expenditure on defence and war.

²Total includes 0.42 percent representing bonus payments to beneficiaries.

Source: Royal Commission. Base figures from *New Zealand Official Yearbooks*.

Appendix 11c

SOCIAL SECURITY BENEFIT COST AS PERCENTAGE OF TOTAL SOCIAL SERVICES EXPENDITURE
(INCLUDING EDUCATION) FOR SELECTED YEARS ENDED 31 MARCH

	1939	1944	1947	1953	1955	1956	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<i>Monetary Benefits—</i>																
Supcrannuation	—	2.66	2.45	5.46	5.76	6.12	10.19	11.15	11.54	11.62	11.85	11.66	12.14	12.35	12.39	12.60
Age	21.42	27.70	21.58	18.73	19.00	17.97	13.72	11.98	11.26	10.54	10.19	9.59	9.53	9.29	9.35	9.50
Widows	2.92	3.24	2.78	2.12	2.28	2.24	2.13	2.10	2.09	2.04	2.04	1.95	1.96	1.94	1.94	1.95
Family	0.51	3.00	23.04	16.53	15.52	14.85	15.65	16.11	14.84	14.63	13.17	13.07	11.56	11.55	10.49	10.26
Invalids	4.49	3.65	2.41	1.39	1.38	1.32	1.09	1.06	1.04	0.98	0.97	0.89	0.88	0.86	0.85	0.86
Miners	0.52	0.26	0.19	0.12	0.11	0.10	0.06	0.05	..	..	..	..	..	..	..	..
Maori War .. .. .	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Orphans .. .. .	..	0.08	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Unemployment	36.58	0.11	..	..	..	..	0.05	..	0.08	0.07	..	..	..	..	..	..
Sickness .. .. .	..	1.29	1.55	1.04	1.09	1.03	0.85	0.82	0.72	0.96	0.78	0.76	0.79	0.83	0.86	0.86
Emergency .. .. .	..	0.39	0.24	0.33	0.37	0.42	0.47	0.41	0.31	0.43	0.36	0.33	0.33	0.36	0.47	0.57
Supplementary assistance .. .. .	..	..	..	..	0.12	0.13	0.16	0.16	0.15	0.25	0.27	0.34	0.36	0.41	0.42	0.38
Advances—Repairs to homes .. .. .	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
F.B. capitalisation .. .. .	..	..	..	..	..	..	3.52	2.78	2.37	1.94	1.77	1.60	1.31	1.17	1.20	1.06
Total monetary benefits	66.44	42.39	54.33	46.53¹	45.66	44.20	47.95	46.68	44.46	43.53	41.50	40.27	38.94	39.16	38.52	38.30
<i>Health Benefits—</i>																
Medical	—	4.02	3.20	2.99	2.86	2.79	2.15	2.11	1.98	1.84	1.75	1.64	1.50	1.43	1.35	1.38
Hospital .. .. .	..	7.40	3.61	2.09	2.91	3.75	2.88	3.02	2.91	2.85	0.63	0.69	0.71	0.72	0.75	0.78
Pharmaceutical .. .. .	..	2.61	2.61	2.96	2.60	3.18	3.45	3.70	3.70	3.38	3.54	3.64	3.65	3.60	3.76	3.87
Maternity .. .. .	..	1.76	1.22	0.90	0.98	1.08	0.84	0.85	0.85	0.77	0.31	0.28	0.34	0.33	0.32	0.42
Supplementary .. .. .	..	0.48	0.64	1.29	1.39	1.43	1.40	1.40	1.47	1.49	1.06	1.13	1.11	1.11	1.11	1.08
Total health benefits	—	16.25	11.28	10.23	10.75	12.24	10.73	11.07	10.91	10.33	7.30	7.38	7.31	7.19	7.28	7.53
Grand total	66.44	58.64	65.62	56.76	56.41	56.44	58.68	57.74	55.38	53.86	48.80	47.65	46.25	46.35	45.80	45.83

.. Less than 0.05 percent. — Not operative.

NOTE—¹Includes 0.75 percent representing bonus payments to beneficiaries.

Source: Royal Commission. Social services expenditure figures supplied by Treasury.

Appendix 11D

**SOCIAL SECURITY BENEFIT COST AS PERCENTAGE OF TOTAL SOCIAL SERVICES EXPENDITURE
(EXCLUDING EDUCATION) FOR SELECTED YEARS ENDED 31 MARCH**

	1939	1944	1947	1953	1955	1956	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<i>Monetary Benefits—</i>																
Superannuation	—	3.24	2.91	6.92	7.37	7.90	13.10	14.44	15.14	15.38	16.01	15.83	16.73	17.20	17.42	17.78
Age	28.62	33.69	25.63	23.73	24.30	23.21	17.64	15.50	14.77	13.96	13.77	13.02	13.13	12.95	13.14	13.41
Widows	3.90	3.95	3.30	2.68	2.91	2.90	2.74	2.71	2.74	2.70	2.76	2.65	2.70	2.70	2.73	2.75
Family	0.68	3.65	27.36	20.95	19.86	19.18	20.12	20.85	19.47	19.36	17.80	17.75	15.92	16.09	14.75	14.48
Invalids	6.00	4.44	2.87	1.76	1.77	1.71	1.40	1.37	1.37	1.30	1.30	1.21	1.21	1.19	1.19	1.22
Miners	0.70	0.32	0.23	0.15	0.14	0.13	0.08	0.06	0.06	0.05	..	..	..	..	..	..
Maori War .. .. .	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Orphans .. .. .	..	0.09	0.05	..	..	..	..	..	..	..	..	..	..	..	..	..
Unemployment	48.87	0.14	0.05	..	..	..	0.06	0.05	0.10	0.09	0.05	..	..	0.49	0.71	0.29
Sickness .. .. .	..	1.57	1.84	1.32	1.39	1.32	1.09	1.06	0.94	1.27	1.06	1.03	1.09	1.16	1.21	1.22
Emergency .. .. .	..	0.48	0.29	0.42	0.47	0.54	0.61	0.53	0.41	0.57	0.48	0.44	0.46	0.50	0.66	0.81
Supplementary assistance .. .. .	..	..	..	..	0.15	0.17	0.20	0.20	0.20	0.33	0.37	0.46	0.50	0.57	0.60	0.54
Advances—Repairs to homes .. .. .	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
F.B. capitalisation .. .. .	..	..	..	..	..	..	4.53	3.59	3.10	2.57	2.39	2.18	1.81	1.63	1.68	1.50
Total monetary benefits	88.77	51.55	64.53	58.96¹	58.40	57.10	61.65	60.42	58.34	57.62	56.08	54.69	53.66	54.56	54.16	54.05
<i>Health Benefits—</i>																
Medical .. .. .	..	4.89	3.80	3.79	3.66	3.61	2.77	2.73	2.59	2.44	2.37	2.22	2.07	1.99	1.90	1.94
Hospital .. .. .	..	9.00	4.29	2.65	3.73	4.84	3.71	3.90	3.82	3.78	0.85	0.94	0.98	1.00	1.05	1.10
Pharmaceutical .. .. .	..	3.17	3.11	3.75	3.33	4.11	4.43	4.79	4.86	4.47	4.79	4.94	5.02	5.02	5.28	5.47
Maternity .. .. .	..	2.14	1.45	1.14	1.25	1.40	1.08	1.09	1.12	1.02	0.42	0.38	0.47	0.46	0.45	0.59
Supplementary .. .. .	..	0.58	0.76	1.63	1.78	1.85	1.80	1.81	1.81	1.97	1.43	1.54	1.52	1.54	1.56	1.53
Total health benefits	—	19.77	13.40	12.96	13.75	15.81	13.80	14.33	14.32	13.68	9.86	10.02	10.07	10.01	10.24	10.62
Grand total	88.77	71.31	77.93	71.92	72.15	72.91	75.45	74.74	72.67	71.30	65.94	64.72	63.72	64.58	64.41	64.67

.. Less than 0.05 percent. — Not operative.

NOTE—¹Includes 0.95 percent representing bonus payments made to beneficiaries.

Source: Royal Commission. Social services expenditure figures supplied by Treasury.

Appendix 12

HEALTH BENEFIT EXPENDITURE (PART II, SOCIAL SECURITY ACT) SINCE 1 APRIL 1943

Year ended 31 Mar	Maternity Benefits	Medical Benefits	Hospital Benefits	Pharmaceutical Benefits	Supplementary Benefits					Total Health Benefits	Total Health Benefits as Percentage of GNP
					X-ray Diagnostic Benefits	Physiotherapy Benefits	Laboratory Diagnostic Benefits	Other Benefits*	Total		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
1943	1,010,448	2,032,104	3,081,918	1,126,494	177,176	17,672 ¹	—	—	194,848	7,445,812	1.11
1944	1,027,876	2,350,242	4,330,816	1,524,398	218,852	54,662	—	—	273,514	9,506,846	1.27
1945	1,061,468	2,574,046	4,661,400 ²	1,960,474	257,684	64,304	—	—	340,070	10,597,458	1.40
1946	1,200,418	2,854,618	4,346,920	2,266,732	265,612	71,138	—	18,082 ³	459,942	11,128,630	1.39
1947	1,345,978	3,521,148	3,972,576	2,879,372	350,840	86,056	122,906 ⁴	144,284 ⁵	704,086	12,423,160	1.46
1948	1,600,060	4,335,652	3,898,978	3,116,700	418,118	95,020	180,612	397,836 ⁶	1,091,586	14,042,976	1.46
1949	1,832,240	4,613,762	3,994,750	3,586,318	498,922	114,176	234,346	876,382 ⁷	1,723,826	15,750,896	1.61
1950	1,742,772	5,048,580	4,025,298	4,067,686	553,998	127,680	236,894	1,101,310	2,019,882	16,922,218	1.54
1951	1,770,632	5,322,332	4,037,926	4,194,000	589,766	134,776	257,092	1,140,242	2,121,876	17,446,766	1.25
1952	1,769,562	5,521,166	4,224,988	4,856,432	620,378	125,144	299,834	1,318,550 ⁸	2,363,906	18,736,054	1.30
1953	1,838,844	6,094,404	4,270,436	6,031,666	700,240	124,498	357,784	1,439,322	2,621,844	20,857,194	1.37
1954	1,849,232	6,171,498	4,368,478	5,839,240	759,282	125,150	378,140	1,723,072 ⁹	2,985,644	21,214,092	1.26
1955	2,294,614	6,700,360 ¹¹	6,822,080 ¹⁰	6,094,662	818,762	128,694	455,828	1,862,848	3,266,132	25,177,848	1.35
1956	2,753,128 ¹²	7,096,160	9,529,332	8,078,290	896,748	129,726	554,916	2,056,008	3,637,398	31,094,308	1.58
1957	2,829,534	7,594,124	9,738,906	9,145,114	948,798	132,998	677,346	2,478,664	4,237,746	33,545,424	1.63
1958	2,898,718	7,855,784	9,860,848	8,933,082	943,584	123,138	829,726	2,671,734	4,568,182	34,116,614	1.56
1959	3,084,986	7,939,292	11,549,038	10,224,686	978,918	123,358	943,590	2,503,396	4,512,748	37,310,750	1.64
1960	3,123,722	8,486,722	11,300,504	11,912,604	1,020,468	126,010	1,171,288	2,683,486	4,959,702	39,783,254	1.63
1961	3,313,450	8,489,596	11,370,422	13,586,314	1,045,994	123,832	1,465,928	2,916,852	5,527,080	42,296,862	1.61
1962	3,510,890 ¹³	8,759,610	12,519,142 ¹⁴	15,356,676	1,045,994	128,156	1,764,580	2,857,628	5,796,358	45,941,876	1.69
1963	3,717,020 ¹⁵	8,607,902	12,675,998	16,117,920	1,083,094	138,712 ¹⁶	2,105,132	3,071,272	6,398,210	47,516,450	1.63
1964	3,607,446 ¹⁷	8,629,302	13,356,734 ¹⁸	15,827,732	1,113,782	197,006	2,360,616	3,292,332 ¹⁹	6,963,736	48,384,550	1.51
1965	1,555,706 ²⁰	8,763,776	3,165,744 ²⁰	17,734,428 ²¹	571,124 ²⁰	211,074	2,062,344 ²⁰	2,465,388 ²⁰	5,310,130 ²⁰	36,529,784 ²⁰	1.05 ²⁰
1966	1,518,880 ²²	8,789,618	3,718,666 ²³	19,513,730	600,290	214,834	2,376,858	2,888,906	6,080,888	39,621,782	1.06
1967	1,953,052	8,683,890	4,132,896	21,072,044	646,142	221,552	2,688,798	2,835,134	6,391,626	42,233,508	1.09
1968	2,047,070	8,847,702 ²⁴	4,440,738	22,271,804	672,733	222,033	3,143,415	2,816,460	6,854,641	44,461,955	1.10
1969	2,068,717 ²⁵	8,784,914	4,848,938	24,458,272	676,810	257,302	3,629,787	2,697,024	7,240,923	47,401,764	1.09
1970	2,956,294	9,695,375 ²⁶	5,486,948 ²⁷	27,307,888	708,227	227,301	4,142,209	2,549,827	7,627,564	53,074,069	1.12 ²⁸
1971	3,132,643	11,756,481	6,627,020	30,783,063	787,114	233,774	5,334,798	3,019,179	9,374,865	61,674,072	1.14 ²⁹

— Not operative.

* Includes specialist services (neurosurgery), district nursing services, dental services, domestic assistance, grants to public servants and dependants in respect of medical, hospital, etc., expenses while stationed overseas, artificial aids benefits (artificial limbs, hearing aids, contact lenses, etc.), payments under section 117, Social Security Act 1964 (miscellaneous payments), and grants to intellectually handicapped children's parents' associations.

NOTES TO APPENDIX 12

- ¹Physiotherapy benefit introduced 1 September 1942.
²Hospital benefits for outpatients introduced 20 December 1944.
³District nursing services benefit 1 September 1944. Domestic assistance subsidies 20 December 1944.
⁴Laboratory diagnostic benefit introduced 1 April 1946.
⁵Dental benefits introduced 1 February 1947.
⁶Artificial aids—contact lenses introduced 1 June 1947. Hearing aids introduced 1 November 1947.
⁷Artificial limbs introduced 1 April 1948.
⁸Surgical footwear introduced 1 December 1951.
⁹Maintenance grants for intellectually handicapped children 2 March 1954.
¹⁰Hospital benefit doubled as from 1 October 1954.
¹¹Increase in services provided by doctors. One hundred and twenty-two more in practice.
¹²Increased maternity benefit rates and increased number of births.
¹³Maternity benefit for hospital maintenance increased.
¹⁴Hospital benefit increase.
¹⁵Medical practitioner fees—maternity services increased from \$16.80 to \$21.
¹⁶Physiotherapy benefit increased to 50c per service.
¹⁷Maternity benefit for hospital maintenance increased to \$4.50.
¹⁸Private hospital benefit increases.
¹⁹1964. Free supply and repair of artificial limbs introduced for adults.
²⁰Health benefits made payable from Consolidated Fund. Social Security Fund discontinued. Benefits for public hospital services discontinued and included in grants to hospital boards.
²¹1965. Hospital benefit increased to \$5 p.d. for surgical patients (and maternity), \$3.50 for medical patients.
²²1966. Maternity benefits in respect of medical services increased.
²³1966. Hospital benefits increased to \$5.90 surgical rate and \$4 medical rate.
²⁴1968. Medical benefits—Limited incentives to general practitioners in rural areas.
²⁵1969. Maternity benefits. As from 1 January 1969 an increase of approximately 50 percent in medical fees for maternity services.
²⁶1969. Medical benefits. As from 1 October 1969 higher rate general medical services benefit for social security beneficiaries and war pensioners. Further rural practice incentives—rural practice bonus. Specialist consultation benefit introduced.
²⁷1969. Increased hospital benefit. Surgical rate \$7.40 p.d.; medical rate \$4.50.
²⁸1970. Rural practice incentives extended to include subsidies for practice nurse, rural practice grant, and locums.
²⁹On provisional GNP figures.

Source: Department of Health Annual Reports to Parliament and *New Zealand Official Yearbooks*.

Appendix 13

HEALTH BENEFITS—DATES OF COMMENCEMENT OF
BENEFITS FROM 1 APRIL 1939 TO
1 OCTOBER 1969

Benefit	Date of Commencement
Treatment in State mental hospitals	1 April 1939
Maternity benefits	15 May 1939
Hospital (inpatients) benefits	1 July 1939
Hospital (outpatients) benefits	1 March 1941
Medical benefits (capitation scheme)	1 March 1941
Pharmaceutical benefits	5 May 1941
General medical services (alternative to capitation scheme)	1 November 1941
X-ray diagnostic services	11 August 1941
Physiotherapy benefits	1 September 1942
District nursing services	1 September 1944
Domestic assistance	20 December 1944
Laboratory diagnostic services	1 April 1946
Dental benefits	1 February 1947
Hospital outpatients benefits (artificial aids):	
Contact lenses	1 June 1947
Hearing aids	1 November 1947
Artificial limbs	1 April 1948
Surgical footwear	1 December 1951
Ileostomy and colostomy bags	5 May 1955
Specialist consultation benefit	1 October 1969
Rural practice bonus	1 October 1969
Increased general medical services benefit for social security beneficiaries and pensioners	1 October 1969

Appendix 14

GROSS EXPENDITURE ON SOCIAL SERVICES—IN \$(000)

	1949-50	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60
<i>Revenue Expenditure—</i>											
<i>Consolidated Fund—</i>											
Health	17,730	20,494	25,552	28,848	30,560	31,846	33,003	38,484	44,998	46,719	51,079
Mental Hospitals } ..											
Education ..	23,228	26,692	30,308	33,448	36,764	40,972	45,310	63,652	68,514	72,290	78,889
War and other pensions ..	10,736	11,194	12,886	13,280	14,484	16,026	16,889	17,855	19,610	21,924	23,151
Sub-total ..	51,694	58,380	68,746	75,576	81,808	88,844	95,202	119,991	133,122	140,933	153,119
<i>Social Security Fund—</i>											
Annual appropriations ..	19,064	19,728	21,372	25,030	27,476	28,510	34,842	37,872	38,988	48,244	45,330
Monetary benefits ..	73,656	79,114	86,988	92,622	97,264	105,816	110,916	113,320	118,793	136,664	165,278
Sub-total ..	92,720	98,842	108,360	117,652	124,740	134,326	145,758	151,192	157,781	178,908	210,608
Total revenue expenditure ..	144,414	157,222	177,106	193,228	206,548	223,170	240,960	271,183	290,903	319,841	363,727
<i>Capital Expenditure—</i>											
<i>Public Works Account—</i>											
Health ..	170	218	230	322	260	118	223	105	103	115	138
Mental hospitals ..	342	472	518	766	1,120	750	787	1,418	1,683	1,567	1,395
Education ..	4,674	5,054	5,336	9,624	11,708	10,180	12,131	..	..	..	..
Total capital expenditure ..	5,186	5,744	6,084	10,712	13,088	11,048	13,141	1,523	1,786	1,682	1,533
Total gross expenditure ..	149,600	162,966	183,190	203,940	219,636	234,218	254,101	272,706	292,689	321,523	365,260

	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70
<i>Revenue Expenditure—</i>										
Consolidated Fund—										
Health	56,540	59,826	67,446	74,958	102,184	115,362	127,214	131,723	139,742	150,965
Mental Hospitals										
Education	87,650	94,366	103,606	114,428	122,921	132,773	146,359	159,775	175,919	190,260
War and other pensions	27,372	27,534	28,342	29,661	29,918	30,455	30,918	30,708	30,794	32,290
Sub-total	171,562	181,726	199,394	219,047	255,023	278,590	304,491	322,206	346,455	373,515
Social Security Fund—										
Annual appropriations	48,254	51,686	53,190	55,332	40,154	42,998	45,930	48,900	52,757	55,305
Monetary benefits	172,598	179,846	181,202	191,478	195,658	203,934	213,451	230,188	236,975	258,000
Sub-total	220,852	231,532	234,392	246,810	235,812	246,932	259,381	279,088	289,732	313,305
Total revenue expenditure	392,414	413,258	433,786	465,857	490,835	525,522	563,872	601,294	636,187	686,820
<i>Capital Expenditure—</i>										
Public Works Account—										
Health	158	332	614	863	1,004	677	457	336	116	240
Mental hospitals	1,671	1,473	1,012	1,455	1,624	1,810	1,652	2,136	2,429	2,750
Education	..	..	..	..	7,047	8,753	12,078	14,788	12,035	15,150
Total capital expenditure	1,829	1,805	1,626	2,318	9,675	11,240	14,187	17,260	14,580	18,140
Total gross expenditure	394,243	415,063	435,412	468,175	500,510	536,762	578,059	618,554	650,767	704,960

Source: Treasury.

Appendix 15

SCHEDULE SHOWING TOTAL SOCIAL SERVICES EXPENDITURE (INCLUDING AND EXCLUDING EDUCATION) AS PERCENTAGE OF NATIONAL INCOME, AND OF TOTAL GOVERNMENT EXPENDITURE

Year ended 31 March	National Income	Total Government Expenditure	Total Social Services Expenditure	Social Services Expenditure less Education	Total Social Services Expenditure as Percentage of		Social Services Expenditure less Education as Percentage of	
					National Income	Total Government Expenditure	National Income	Total Government Expenditure
	\$(m)	\$(m)	\$(m)	\$(m)	%	%	%	%
1950	1101	273.4	149.6	121.7	13.59	54.72	11.05	44.51
1951	1396	384.8	162.9	131.2	11.67	57.22	9.40	46.07
1952	1446	347.2	183.2	147.5	12.67	52.76	10.20	42.50
1953	1517	366.0	203.9	160.9	13.44	55.72	10.60	43.95
1954	1681	388.4	219.6	171.2	13.07	56.55	10.18	44.07
1955	1860	402.1	234.2	183.1	12.59	58.25	9.84	45.53
1956	1965	427.5	254.1	196.7	12.93	59.44	10.01	46.00
1957	2061	462.9	272.7	209.1	13.23	58.91	10.14	45.16
1958	2184	489.6	292.7	224.2	13.40	59.78	10.26	45.79
1959	2270	527.9	321.5	249.2	14.16	60.91	10.98	47.21

1960	..	..	2434	584.8	365.3	286.4	15.01	62.46	11.77	48.97
1961	..	..	2623	630.8	394.2	306.6	15.03	62.50	11.69	48.60
1962	..	..	2723	654.4	415.1	320.7	15.24	63.43	11.78	49.01
1963	..	..	2921	691.2	435.4	331.8	14.91	62.99	11.36	48.00
1964	..	..	3197	738.2	468.2	353.7	14.64	63.42	11.06	47.92
1965	..	..	3487	802.0	500.5	370.5	14.35	62.41	10.63	46.20
1966	..	..	3744	872.1	536.8	395.2	14.34	61.55	10.56	45.32
1967	..	..	3886	935.6	578.1	419.6	14.88	61.78	10.80	44.85
1968	..	..	4055	967.1	618.6	444.0	15.25	63.96	10.95	45.91
1969	..	..	4341	1035.1	650.8	462.8	14.99	62.87	10.66	44.71
1970	..	..	4757	1138.5	705.0	499.6	14.82	61.92	10.50	43.88

Source: Royal Commission. National income and expenditure figures supplied by Treasury.

Appendix 16

SCHEDULE OF POPULATION BY AGE GROUPS

Age Groups	At 31 December 1939		At 31 December 1947		At 31 December 1960		At 22 March 1966		At 31 December 1969	
	Estimated Population	Percent of Total Population	Estimated Population	Percent of Total Population	Estimated Population	Percent of Total Population	Actual Population	Percent of Total Population	Estimated Population	Percent of Total Population
0-3 M	59,056	3.60	86,851	4.76	121,756	5.07	123,894	4.63	122,244	4.35
.. .. F	57,395	3.50	83,098	4.56	116,466	4.85	117,998	4.41	117,436	4.18
Total	116,451	7.09	169,949	9.32	238,222	9.91	241,892	9.04	239,680	8.53
4-5 M	25,831	1.57	34,646	1.90	55,770	2.32	64,917	2.43	59,730	2.13
.. .. F	24,675	1.50	33,315	1.83	53,290	2.22	62,443	2.33	56,500	2.01
Total	50,506	3.08	67,961	3.73	109,060	4.54	127,360	4.76	116,230	4.14
Sub-total 0-5 .. M	84,887	5.17	121,497	6.66	177,526	7.39	188,811	7.05	181,974	6.48
.. .. F	82,070	5.00	116,413	6.39	169,756	7.06	180,441	6.74	173,936	6.19
Total	166,957	10.17	237,910	13.05	347,282	14.45	369,252	13.79	355,910	12.67
6-10 M	69,386	4.23	81,048	4.44	128,940	5.36	149,828	5.60	160,710	5.72
.. .. F	66,537	4.05	79,083	4.34	123,860	5.15	143,148	5.35	154,220	5.49
Total	135,923	8.28	160,131	8.78	252,800	10.52	292,976	10.95	314,930	11.21

11-15 ..	..	M	73,216	4.46	67,070	3.68	119,290	4.96	133,250	4.98	145,700	5.19
		F	69,919	4.26	64,285	3.53	114,140	4.75	126,871	4.74	139,180	4.95
Total ..	..	..	143,135	8.72	131,355	7.21	233,430	9.71	260,121	9.72	284,880	10.14
16-54 ..	..	M	467,540	28.48	485,584	26.63	595,600	24.78	665,801	24.87	695,010	24.75
		F	456,652	27.82	484,785	26.59	575,180	23.93	644,771	24.08	679,650	24.20
Total ..	..	..	924,192	56.30	970,369	53.22	1,170,780	48.71	1,310,572	48.95	1,374,660	48.95
55-59 ..	..	M	44,034	2.68	41,101	2.25	53,340	2.22	61,438	2.30	64,750	2.31
		F	41,470	2.53	42,649	2.34	51,970	2.16	60,316	2.25	65,870	2.34
Total ..	..	..	85,504	5.21	83,750	4.59	105,310	4.38	121,754	4.55	130,620	4.65
60-64 ..	..	M	36,075	2.20	39,849	2.19	41,700	1.73	49,158	1.83	54,300	1.93
		F	33,964	2.07	39,837	2.19	44,880	1.87	49,993	1.87	56,640	2.02
Total ..	..	..	70,039	4.27	79,686	4.38	86,580	3.60	99,151	3.70	110,940	3.95
65-over ..	..	M	57,703	3.51	77,434	4.25	91,550	3.81	95,357	3.56	100,690	3.59
		F	58,186	3.54	82,439	4.52	115,835	4.82	127,736	4.77	135,960	4.84
Total ..	..	..	115,889	7.05	159,873	8.77	207,385	8.63	223,093	8.33	236,650	8.43
Total population ..	..	..	1,641,639		1,823,074		2,403,567		2,676,919		2,808,590	

SCHEDULE OF POPULATION BY AGE GROUPS—*continued*

Age Groups							At 31 December 1975 ¹		At 31 December 1980 ¹		At 31 December 1975 ²		At 31 December 1980 ²	
							Projected Population	Percent of Total Population	Projected Population	Percent of Total Population	Projected Population	Percent of Total Population	Projected Population	Percent of Total Population
0-3	..	..	..	..	M	149,193	4.74	170,973	4.95	150,864	4.73	171,539	4.87
					F	142,996	4.54	163,872	4.75	144,587	4.53	166,596	4.73	
Total	..	..	..	..	..	292,189	9.29	334,845	9.70	295,451	9.26	338,135	9.59
4-5	..	..	..	..	M	68,162	2.17	78,919	2.29	68,990	2.16	82,610	2.34
					F	65,399	2.08	75,718	2.19	66,197	2.08	77,071	2.19	
Total	..	..	..	..	..	133,561	4.25	154,637	4.48	135,187	4.24	159,681	4.53
Sub-total 0-5	..	..	..	..	M	217,355	6.91	249,892	7.24	219,854	6.89	254,149	7.21
					F	208,395	6.62	239,590	6.94	210,784	6.61	243,667	6.91	
Total	..	..	..	..	..	425,750	13.53	489,482	14.18	430,638	13.50	497,816	14.12
6-10	..	..	..	..	M	157,216	5.00	179,160	5.19	159,439	5.00	182,713	5.18
					F	150,483	4.78	171,936	4.98	152,596	4.78	175,316	4.97	
Total	..	..	..	..	..	307,699	9.78	351,096	10.17	312,035	9.78	358,029	10.16
11-15..	..	..	..	..	M	161,978	5.15	158,082	4.58	164,137	5.15	161,568	4.58
					F	155,615	4.95	151,350	4.38	157,569	4.94	154,589	4.39	
Total	..	..	..	..	..	317,593	10.09	309,432	8.96	321,706	10.09	316,157	8.97

16-54..	..	..	..	M	799,378	25.41	882,261	25.55	813,074	25.50	905,569	25.68
				F	772,337	24.55	852,161	24.68	783,723	24.57	871,719	24.73
Total	..	..	..	..	1,571,715	49.95	1,734,422	50.23	1,596,797	50.08	1,777,288	50.41
55-59..	..	..	..	M	65,644	2.08	73,377	2.13	66,165	2.07	74,362	2.11
				F	69,720	2.22	74,641	2.16	70,261	2.20	75,583	2.14
Total	..	..	..	..	135,364	4.30	148,018	4.29	136,426	4.27	149,945	4.25
60-64..	..	..	..	M	59,169	1.88	59,788	1.73	59,555	1.87	60,485	1.72
				F	63,634	2.02	66,409	1.92	64,315	2.02	67,377	1.91
Total	..	..	..	..	122,803	3.90	126,197	3.65	123,870	3.88	127,862	3.63
65-over	..	..	..	M	115,301	3.66	127,739	3.70	116,236	3.64	129,280	3.67
				F	150,242	4.77	166,320	4.82	151,676	4.76	168,926	4.79
Total	..	..	..	..	265,543	8.44	294,059	8.52	267,912	8.40	298,206	8.46
Total population	..	..	..	..	3,146,467		3,452,706		3,189,384		3,525,303	

¹(a) Base population is the total population by sex and single years of age at 31 December 1967.

(b) Mortality rates for each age—sex groups were derived from the 1960-62 New Zealand Life Tables.

(c) Graduated birth rates by age for 1967 were used combining nuptial and ex-nuptial birth rates to derive a mean birth rate for each age.

(d) Migration was assumed to be a 5,000 net annual inflow with age and sex distribution derived from the average experience from 1 January 1958 to 31 December 1967. The migration assumptions apply from the base point of the projection.

²As for 1 but migration was assumed to be a 10,000 net annual inflow.

Source: Department of Statistics.

Appendix 17

MALES, FEMALES, SINGLE WOMEN, AND MARRIED WOMEN ACTIVELY ENGAGED
IN WORK FORCE ACCORDING TO AGE GROUPS. 1961 AND 1966 CENSUSES

Age Groups	Males		Females		Totals		Married Women		Unmarried Women*		Females—Marital Status Not Specified	
	1961	1966	1961	1966	1961	1966	1961	1966	1961	1966	1961	1966
Under 20 ..	62,396	78,669	58,224	74,358	120,620	153,027	1,167	2,150	57,048	72,171	9	37
20-24 ..	75,682	91,155	38,884	49,321	114,566	140,476	9,453	14,943	29,416	34,332	15	46
25-34 ..	153,128	159,117	30,586	36,875	183,714	195,992	16,176	21,572	14,396	15,276	14	27
35-44 ..	149,691	164,492	38,317	46,545	188,008	211,037	25,901	34,249	12,397	12,264	19	32
45-54 ..	131,830	137,445	37,908	46,042	169,738	183,487	23,586	31,241	14,300	14,776	22	25
55-64 ..	77,626	92,248	17,030	22,566	94,656	114,814	7,545	11,171	9,471	11,349	14	46
65-74 ..	17,640	20,082	3,451	4,195	21,091	24,277	691	960	2,759	3,219	1	16
75 and over ..	2,513	2,387	457	542	2,970	2,929	37	28	420	511	0	3
Totals ..	670,506	745,595	224,857	280,444	895,363	1,026,039	84,556	116,314	140,207	163,898	94	232

*For the purposes of this appendix "unmarried" includes those unmarried, legally separated, widowed, and divorced.

Source: Department of Statistics.

Appendix 18

COMPARISON OF COSTS OF COMMON DRUGS
IN NEW ZEALAND AND SELECTED COUNTRIES

Drug ¹	Highest Price for 100 Tablets or Capsules	Lowest Price for 100 Tablets or Capsules	New Zealand Price for 100 Tablets or Capsules ²	Ranking of New Zealand Price 1=lowest 9=highest
	US\$	US\$	US\$	
Doloxene ..	7.02 USA	1.66 IR	2.08	3
Penbritin ..	41.95 BR	8.23 UK	11.30	3
Ledermycin..	19.79 USA	3.87 NZ	3.87	1
Erythrocin ..	26.12 USA	8.56 IR	10.88	3
Terramycin..	20.48 USA	3.68 NZ	3.68	1
V-Cil-K ..	10.69 CA	2.40 UK	2.99	3
Achromycin-V	13.89 SW	3.42 IR	13.78 ³	8
Tryptanol ...	8.55 USA	2.26 IR/BR	4.20	6
Rastinon ..	8.23 USA	2.22 IR	Not listed	..
Benadryl ..	2.77 CA	0.81 BR	1.29	3
Librium ..	6.40 USA	1.83 NZ	1.83	1
Largactil ..	6.60 USA	1.68 UK	1.82	3
Valium ..	8.03 USA	2.46 IR	2.72	2
Equanil ..	7.06 USA	1.67 SW	2.06	5
Stemetil ..	7.86 USA	2.28 SW	2.93	3
Stelazine ..	9.75 USA	2.42 BR	3.71	3
Lanoxin ..	1.73 IT	0.38 UK	0.52	2
Ovulen 21 ..	8.20 IT	3.56 NZ	3.56	1
Doriden ..	3.00 USA	0.92 IR	1.23	2
Gantrisin ..	3.06 CA	1.11 NZ	1.11	1

KEY TO COUNTRIES:

AU = Australia.
BR = Brazil.
CA = Canada.
IR = Ireland.
IT = Italy.

NZ = New Zealand.
SW = Sweden.
UK = United Kingdom.*
USA = United States of America.

Source: *Social Security Bulletin*, United States Department of Health, Education and Welfare, May 1971.

NOTES:

- Selection of the drugs was based on their sales importance in the United States. In each case the product was marketed by the same manufacturer. For some of the drugs the same brand name was used both in the United States and abroad; for others the manufacturer used different brand names in different countries.
- Exact prices in New Zealand for only 5 of the 20 products were known by the United States Department of Health, Education and Welfare, and these were obtained from magazine advertisements. The remaining 15 prices were obtained from the New Zealand Government's official price list for pharmaceuticals which designates the amount the Government will pay for the products, but manufacturers are not obliged to sell their proprietaries at that price. Of the five prices known, however, four coincided with the official price. Thus for the purpose of these comparisons it was assumed that most brand-name drugs sell at or near the official price in New Zealand.
- This appears to be an error. The price for Achromycin-V in New Zealand is comparable with Ledermycin (US\$ 3.87).

Appendix 19

THE DETERMINATION OF BENEFIT ADEQUACY

(Submission 260 from Social Security Department—abridged)

Terminology

Loosely defined, "standard of living" will be taken to refer to the total material amenities of an individual, where "amenities" is used in its corrupted sense of things which are used. It includes all available commodities. . . . It follows that the term "standards of living" will refer to a range of individual totals of amenities. . . . Money, which is a means for obtaining amenities (useful for obtaining useful things) is not itself included in the meaning of "standard of living".

Other terms for which some initial clarification is desirable are "ultimate objective", "criteria for an ultimate objective", "sub-objective", "interim objective", and "limited objective". "Ultimate objective" refers to a state to be striven for as an end in itself*. "Criteria for an ultimate objective" refers to the concrete conditions which operationally define the ultimate objective. . . . The term "sub-objective" will be used in this paper to refer to a state to be striven for, not as an end in itself, but as an instrumental end for achieving, in so far as is possible, another end. For example, the raising of standards of living might be a sub-objective for increasing the criterion of life expectancy by a specified amount. The terms "interim objective" and "limited objective" refer to the situation where progress towards an ultimate objective or sub-objective is restricted in either time or scope, or both.

The Nature of the Problem

How to determine the adequacy of benefits has been perhaps the major and most perplexing problem connected with income maintenance programmes. Methods which have been traditionally used for determining benefit levels, including family expenditure surveys or prescriptive budgets, are subject to crucial deficiencies (however valuable their use may be in other respects). As a consequence they will only be mentioned in passing in this paper.

As was pointed out in the Department's paper 2, *Evaluation and Construction of Social Programmes*, determining the needs of the population is a prescriptive rather than descriptive problem. It was further suggested that a person can be described as being in need only when he is falling short of some standard or objective, and that talking about particular needs is not helpful out of the context of explicit objectives. The Department's paper 3, *Main Values Underlying Income Maintenance Programmes*, went on to enunciate the main objectives which appear to underlie income maintenance schemes. Following from that paper, the problem becomes one of how to systematically proceed from these broad objectives

*Although both a value and an ultimate objective refer to a state which is regarded as an end in itself, the latter is distinguished from the former by the inclusion of an intent to use effort to realise the state to which the relevant value refers.

to the construction of an effective, efficient, and equitable income maintenance programme. The answer is seen to consist of a complex interplay of prescriptive or policy decision-making, on the one hand, and the use of scientific procedures, on the other. What is outlined in this paper is a simplified analysis of the steps appearing necessary. . . .

There are four important prerequisites to the objective determination of benefit adequacy:

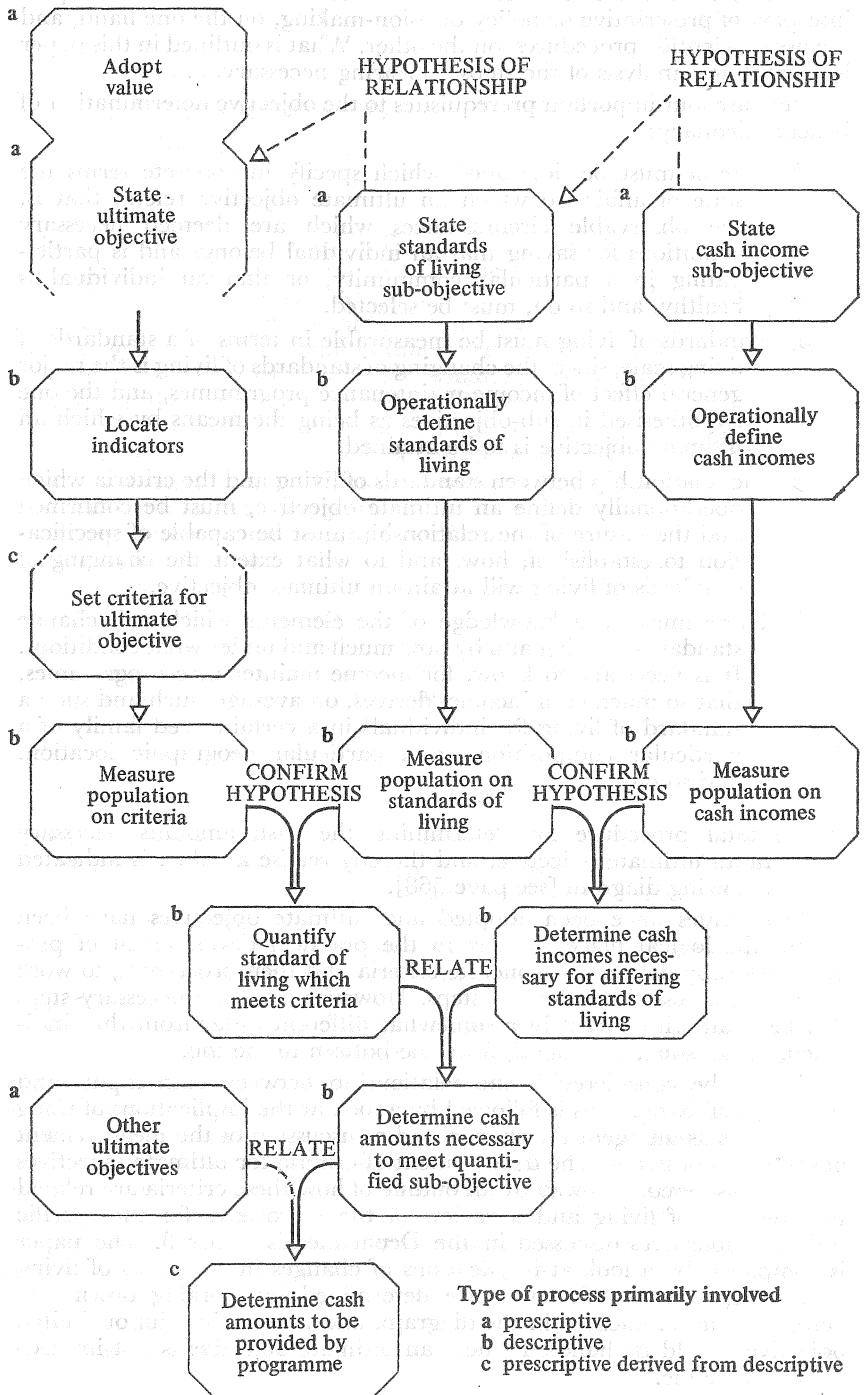
- (a) Criteria must be developed which specify in concrete terms the state of affairs to which an ultimate objective refers; that is, the observable circumstances which are deemed necessary conditions for saying that an individual belongs and is participating in a particular community, or that an individual is healthy, and so on, must be selected.
- (b) Standards of living must be measurable in terms of a standards of living scale, since, the changing of standards of living is the major general effect of income maintenance programmes, and the one hypothesised in sub-objectives as being the means by which an ultimate objective is to be attained.
- (c) The relationship between standards of living and the criteria which operationally define an ultimate objective, must be confirmed and the nature of the relationship must be capable of specification to establish if, how, and to what extent the changing of standards of living will attain an ultimate objective.
- (d) There must be a knowledge of the elements which will change standards of living and by how much and under what conditions. It is necessary to know, for income maintenance programmes, that so much cash income, derives, on average, such and such a standard of living for individuals in a certain sized family of a particular composition, in a particular geographic location, and so on.

The total procedure for determining the cash amounts necessary to attain an ultimate objective, and thereby realise a value, is indicated in the following diagram [see page 568].

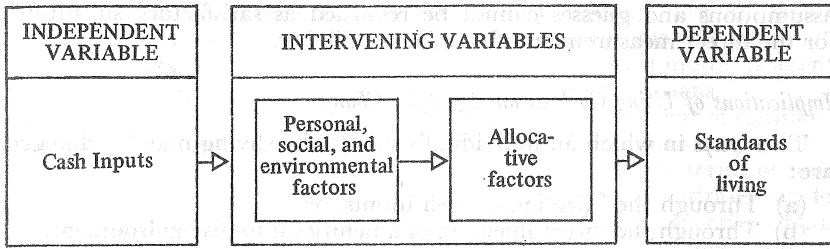
Once values have been adopted and ultimate objectives have been stated, the logical place to start in the practical development of programmes is by developing concrete criteria and then proceeding to work down and across the indicated steps. However, . . . the necessary steps will be dealt with [here] in a somewhat different order from that indicated, progressing, in general, from the bottom to the top.

First to be considered is the relationship between cash inputs and standards of living. This is followed by a look at the implications of using cash inputs as an agent for change and a discussion of the measurement of standards of living. The development of criteria for ultimate objectives is then considered, followed by an outline of how these criteria are related to standards of living and a review of these processes for the specific ultimate objectives discussed in the Department's paper 3. The paper is completed by a look at implications of changes in standards of living over time, how benefit levels are determined by working down and across the steps indicated in the diagram, and how an interim or limited objective should be handled where an ultimate objective is not immediately attainable.

DETERMINING CASH INCOMES TO MEET OBJECTIVES



The Relationship Between Cash Inputs and Standards of Living



The intervening influences . . . [of] family size, geographical location, health, and so on . . . may be placed under the heading of personal, social, and environmental factors. The . . . set of variables, which are labelled “allocative factors”, may be regarded as being determined by income and the personal, social, and environmental factors acting in combination. Thus, for example, whether a person spends or saves, uses credit or layby, spends a high or low proportion of his cash resources on food, fuel, or horse racing, will depend on a whole range of personal, social, and environmental influences in addition to any cash income he may receive. . . . Cash saved, goods put on layby, cash paid for goods and services which are not used by the individual (e.g., gifts, investment in real estate, or shares), debts paid, cash lost, and so on, do not add to the present standard of living of an individual, although it might be expected that most of these would affect his future standard. On the other hand, the use of credit, the receipt of gifts or other commodities in kind, privately or from public bodies, will increase the individual’s current standard of living.

What has been said in the preceding paragraph implies a conception of standards of living which is not primarily concerned with the ownership of commodities but with these being freely available for use by a particular individual. Thus, for example, the contents of a furnished flat and the flat itself are elements of the standard of living of the tenant and not the landlord. Similarly, a rented television set is an amenity of the persons viewing it and not an amenity of the owner. There is, consequently, a clear distinction to be made between “standard of living” and “net worth”

It may be concluded that the units for measuring standards of living will not be monetary units and that any scale developed will have its own units of measurement. Nevertheless, it has been traditional to state “poverty lines” in terms of specific cash amounts. Nothing could be more calculated to confuse the problem, since it treats cause as identical with effect; nor more conducive to myopia, since it implies that higher cash incomes are the only solvent to poverty. Treating standards of living as a separate entity eliminates such confusion by permitting this variable to be clearly seen as the result of a myriad of interacting personal, social, environmental, and allocative factors of which cash income is only one. . . .

Family expenditure studies, which many have considered critical to the determination of benefit adequacy, are primarily concerned with the relationship between cash inputs and the *allocation* of these among categories of commodities and not between cash inputs and *standards of living*.

If certain assumptions are made, one may hazard a guess at the relationship between standards of living and the modes of allocation. . . . These assumptions and guesses cannot be regarded as satisfactory substitutes for the direct measurement of standards of living.

Implications of Using Cash as an Agent for Change

Two ways in which an individual's standard of living may be changed are:

- (a) Through the injection of cash inputs, or
- (b) Through the direct injection of amenities into his environment.

It is to be expected that an individual will have less control over the material content of his environment when the latter alternative is exercised. On the other hand, the injection of cash inputs by means of which he can, through transactions, obtain additional commodities for his use, gives the recipient the opportunity to structure his environment along the lines he chooses. There is the possibility that the individual may not increase his standard of living at all, because he saves the additional input, invests it, or even gives it away. If cash benefits are provided for individuals, so that they may attain specific community objectives, and enforceable direction is not given to the way in which the cash is to be spent, then those objectives must be attained within the conventional patterns of commodity usage. . . .

In using cash inputs for the "incidental" achievement of particular objectives, as outlined above, two very important factors, often overlooked in the determination of benefit levels, must be taken into account:

- (a) The average "efficiency" with which a community objective is reached, i.e., the cost to the average individual to attain a community objective given the conventional pattern of commodity usage.
- (b) The range of individual efficiencies in relation to that of the average.

As Townsend has pointed out, in terms of average "efficiency", "the pattern of spending among poor people is largely determined by the accepted modes of behaviour in the communities in which they live . . ."* and it is more than likely that these patterns will differ from that which is necessary to attain a specific objective at the least cost. This phenomenon has often been observed with respect to the objective of life and health.

Townsend's statement below criticises those who have not taken this into account in the determination of cash incomes necessary for attaining the objective of life and health.

How those on the borderline of poverty ought to spend their money is a very different thing from how they do spend their money. It would be unrealistic to expect them, as in effect many social investigators have expected them, to be skilled dieticians with marked tendencies towards puritanism†.

The other consideration to be taken into account was the range of individual efficiencies. In terms of any one objective it would be a relatively simple matter to evaluate the efficiency of any one individual's expenditure. It is, however, natural to expect that individuals, like

*Townsend, p. 134.

†Townsend, p. 133.

organisations, will vary in their relative efficiencies in attaining any particular standard of performance. Buying skill, "consumer irrationality", access to competitive markets, and budgeting, are all factors which will influence the cost at which various individuals will attain any specific standard of living. It thus follows that using cash inputs as agents for change demands that account be taken of these variations.

What has been said above indicates how the measurement of standards of living should be approached. . . . It follows that . . . it must be quantified in terms of . . . patterns of practice and choice and not in terms of some "ideal" pattern such as that, for example, which may be drawn up for food by a dietitian with respect to the life and health objective. Thus, the measurement of the standards of living will be obtained from an empirically derived ordering of actual individual patterns of commodity usage. . . .

Measurement of Standards of Living

The very absence of an instrument for measuring standards of living indicates that there must be very little precise factual knowledge about what we wish to change and how change can be brought about to give precisely the desired results. This is because, without such an instrument, it is obviously impossible to determine objectively the causes of change if the changes themselves cannot be measured. Without such a knowledge policy decisions must be mainly based on informed assumptions or educated guesses. . . .

The problem of developing an instrument for measuring standards of living is basically technical in nature, not involving value judgments. Some of the major technical considerations of construction of a standards of living scale are dealt with in appendix 1[*]. . . .

In view of the insistence here on measurement, it is reasonable to ask why the literary-type definition of "standard of living"—the total material amenities of an individual—was given earlier. Its purpose was only to give the "feel" of the meaning of the term. No doubt, there would be many rather different ideas of what should be included and what should not, although, no doubt, there would also be a considerable amount of agreement. The fact that there will be differences of opinion is not seen to represent any real obstacle since the scale itself would be obtained from the statistical associations between the amenities which are available to different individuals. Therefore, the whole collection of amenities, which may be thought of as comprising the elements of standards of living, are to be regarded as the starting point from which statistical techniques would refine out those items which are indicative of *differing* standards of living. . . .

Developing Criteria for Ultimate Objectives

This section of the paper deals with the problem of translating values and ultimate objectives into concrete statements which are the final referents for programme design and construction. As was pointed out earlier, it is really the first step in actual programme design. According to Tony Lynes:

The most sophisticated calculations of relative needs and equivalent incomes. . . will not provide an answer to the fundamental question; below what level are people to be regarded as poor, and what, therefore should be the minimum standard of living to be

*This appendix is not included in this abridged version.

provided by the social security system? This is *par excellence*, what we have described as a teleological question. Research cannot answer it directly. What it can do is provide a factual framework for what must be a political decision*.

It will be seen later that the factual framework is, at present, very weak. As a consequence, any decision made now will be based mainly on surmise†.

The fundamental policy decision concerns the acceptance or rejection of an explicit value or one implicit in a proposed programme. Obviously there is no escape, in either case, from making a decision as to values. However, making a choice among programmes is unsatisfactory, if explicit values are lacking as a basis for comparison, as major and unexpressed assumptions have to be made which cannot be confirmed. Consequently, elements of trial and error are involved in respect of central intentions, and inefficiencies and inequities are likely in its results. In the systematic approach outlined in this paper, a decision would be made among explicit values or ultimate objectives. But, no matter how much agreement there may be concerning any one value or ultimate objective, this must still be related to the specific and concrete state of affairs which it is hoped will be brought about by acting on it. It is one thing to state, for example, that an objective should be to create a nation of healthy people. It is quite another to know what criteria have to be met for such a state to be attained.

Developing criteria in terms of which it is possible to identify the extent to which a value is realised, is a task which consists of a shuttling back and forth between the scientific discovery of indicators relating to the value area, on the one hand, and evaluation of the indicators or points on them to see whether they fit subjective conceptions of the value, on the other. It is obviously a process involving a partnership between the policy-maker and the scientist.

Persons working in or having an expert knowledge of the field related to the value area are the obvious people to ask for advice on possibly relevant indicators. . . . If the necessary knowledge is lacking it should be possible to commission a systematic review of the existing state of affairs. Also relevant to any final decision, might be a study of attitudes of individuals in the community towards the value area and attitudes towards possible changes in that area. Obviously all this is desirable in the interest of developing the best possible criteria. Nevertheless, the final decision on the criteria to be adopted, as the goal to be fulfilled, remains a value judgment‡. . . .

*Lynes, p. 147.

†This is really true only if we also wish the programme to be efficient, i.e., achieve the level of the objective at its minimum level of realisation thus making it possible to achieve it at the least cost. It is, of course, possible to apply the military idea of "overkill" by exceeding any level at which the objective is *thought* to possibly lie. From the point of view of overall economy the latter does not appear a desirable alternative in the area of income maintenance since its cost would, in all likelihood, many times exceed that for carrying out the appropriate research.

‡In fact, the development of such criteria is nothing more than the definition or partial definition of the desired state expressed in the value or ultimate objective. This being so, agreement to act on a value is logically equivalent to agreement that certain criteria be fulfilled (whether the criteria are explicit or not or even whether they are only intuitively perceived). As a result, political consideration of explicit criteria relating to an already approved value or broad objective is merely a checking out procedure on the understood meaning of the term referring to the desired state. In an area about which little was known before developing criteria for an accepted value, a decision on criteria would consist of a comparison of concrete and specific states (derived by means of empirical studies by appropriate experts) with an intuitive perception of the meaning of the term.

Relating Criteria to Standards of Living

The third important prerequisite [for determining the adequacy of cash incomes consists of:]

- (a) Confirming the hypothesis, implicit in the standards of living sub-objective, that there is a relationship between the state to which an ultimate objective refers and standards of living; and
- (b) If the association were confirmed, establishing the precise nature of the relationship between the ultimate objective and standards of living sub-objective so that the latter may be quantified.

For the purpose of programme construction, once the criteria for an ultimate objective are laid down, they replace the literary statement of that objective, just as the standards of living scale replaces any literary-type definition of "standards of living" for the purpose of practical programme design. If data are collected for the population on both the criteria and standards of living, it becomes possible to confirm the association between the two and determine at what standard or standards of living an ultimate objective is attained. When it is possible to state, for example, that persons on a specific standard of living attain an ultimate objective, the standards of living sub-objective may be said to be quantified.

In practice, it would be reasonable to expect to be able to measure only approximately the standard or standards of living at which an ultimate objective is attained, although it is considered that the precision so obtained would be far greater than that through any other method used to date. There are a number of reasons why complete precision is not possible. The main one, which has implications for the design of programmes generally, is that, as a rule, programme effects are usually only associated with the state which fulfils an ultimate objective. In some instances, the association between the two might be such as to suggest that the provision of cash incomes is not a particularly effective means for attaining some ultimate objectives. The use of State health and education programmes indicate that this is felt to be so in these areas.

The sections immediately following deal with the development of criteria for the main objectives underlying income maintenance programmes and the quantification of these ultimate objectives in terms of standards of living. . . . The treatment of each is not detailed, as considerable work would be required before actual quantification could be attempted for any one. . . . To abbreviate the discussion, values and objectives have been grouped according to the similarity of the criteria required for their determination.

Setting Up Criteria and Quantifying the Objective of Life and Health

No statement was made in the Department's paper 3 concerning precisely what was meant by "life and health" and no explicit attempt will be made here, since there are undoubtedly many literary-type definitions already available in texts dealing with medical problems. Naturally, a good literary definition is useful in delineating the area of interest but it is not an essential prerequisite for the drawing up of criteria which operationally define the term.

Operational criteria for income maintenance programmes have usually centred on nutrition but quite obviously much more than food is

involved. Housing and its standard of sanitation, clothing, fuel, accessibility to such medical services as are paid for, and so on, are also important determinants of the physical state of the individual. Since there is usually a wide range of choice in the commodity areas just mentioned, there is a need to state criteria, in so far as is possible, in physiological terms. . . . To determine when the criteria for life and health are met in terms of standards of living it would be necessary to examine samples of the population with differing standards of living to see at what standard (if any) the requirements were being attained. For example, assuming a 10-point standards of living scale, it might be found that, on average, people with a standard of living of 3 satisfied all the life and health criteria. The approach applies to both nutritional and non-nutritional criteria.

However, in reaching this stage it has perhaps been implied that it would be a simple task to develop criteria for the life and health objective which would distinguish precisely who was healthy and who was not. According to the American Oscar Ornat:

Having agreed [in the United States] that nobody should live below "subsistence" or be "deprived", we seem, as a nation, unable to agree as to exactly what we mean*.

And Franklin states that in

Turning to individual components of a minimum level of living, food needs can probably be assessed more accurately than any others. But even here there is room for wide differences of expert opinion, for several reasons.† . . .

Yet, in spite of all the drawbacks . . . it is obviously preferable to make use of the knowledge which is available. It is idealistic to expect that useful criteria for the attainment of an objective can be compiled only when knowledge in the relevant field is exhaustive. On the other hand, this should not be used as an excuse for not obtaining more of the relevant information upon which to base criteria. This is particularly so if the problem is a continuing one or if an immediate and final decision is not essential (which is generally the case with objectives relating to income maintenance programmes).

Criteria for some of the aspects of life and health, other than nutrition, are already codified in laws of one kind or another such as those associated with housing conditions—plumbing, electrical wiring, fire hazards and so on. But there are many others which are not codified in this way. It is even possible, for example, that inpatient use of public hospitals is determined by standards of living. If pressure on resources is such as to deter a necessary visit to a general practitioner who would recommend hospitalisation, then this is obviously the case. Similarly, if physical recreation is a prerequisite to health, pressure on resources may deter affiliation to the organisations and clubs through which such activity is conventionally pursued. On a much more immediate plane, low standards of living may be associated with a low propensity to use heating equipment during cold weather which, with old people, may have such an extreme result as death from "exposure".

The final collection of criteria should consist of items which are considered as necessary . . . conditions for continuing health. It is to be expected that some of the criteria will be met at lower standards of living than will others. It is thus necessary in quantifying the objective, in

*Ornati, p. 2.

†Franklin, pp. 288-89.

standards of living terms, to determine that standard at which all the criteria associated with standards of living are met. This would be represented by a point on the standards of living scale.

Setting Up Criteria and Quantifying the Objectives of Belonging and Participating and Equality

Although the discussion in the Department's paper 3 on equality was limited to equality of standards of living, much the same type of considerations are involved in the drawing up of objective criteria for this value as for that of belonging and participating. As suggested in that earlier paper, within limits, the promotion of either of these objectives tends to promote the other. In fact, the set of indicators chosen as criteria for equality, may well be included in the set for that of belonging, since they are both related to the idea of community cohesion. For the purpose of determining these criteria, the most important difference between the two objectives is the reference groups in the population relative to which the attainment of the respective objectives are determined. An acceptance of the belonging objective suggests a concern for the relationship between the middle and bottom end of the distribution of persons on the belonging indicators. On the other hand, the equality objective suggests concern with the relationship between the top and bottom ends of the distribution. This means that two sets of criteria, one for each end of the distribution, would be required for the equality objective whereas the belonging objective requires only one for the bottom end. Obviously, to set the criteria for either, a knowledge of the general distribution of persons on the indicators would be necessary.

Because the values of belonging and equality are so culture oriented, the indicators of either will differ between national communities and even within them over time. . . . As Franklin states, ". . . it is incontestable that the concept of minimum social needs is a relative and not an absolute concept and has to be interpreted in the light of what is customary in the community to which the family belongs."*

In New Zealand, there is little knowledge of what the critical indicators of belonging or equality might be, nor, as a consequence, much idea of the distribution of persons on such indicators. This suggests that considerable research into the current standing of the population with reference to many possible indicators is essential for the development of sound criteria before these objectives could be quantified in terms of standards of living.

Some of the possibly relevant indicators may well have to do simply with the ownership of certain commodities, particularly those which are conspicuously consumed, such as television sets, radios, washing machines, and refrigerators. Others, less conspicuous, might be newspapers, periodicals, cosmetics for women, toys and books for children, type and quality of food consumed, and so on. Other indicators might be the ability to give gifts on customarily appropriate occasions, the ability to associate with informal groups in the visiting of friends, having a social drink, or having friends in for tea. Then there are the indicators relating to more formal associations connected with sport, religion, or other areas of common interest. On the level of formal institutions the incidence of seeking medical attention, legal counsel, or participating in educational programmes may also be considered relevant indicators.

*Franklin, p. 29.

On a standards of living scale both the belonging and participating and equality objectives would be quantified by points on the scale indicating the limits of their realisation. However, whereas the belonging objective refers to only one end of the distribution of belonging indicators, and therefore would be quantified by one point, the equality objective would require two sets of criteria, as suggested above, and would therefore require two points on a standards of living scale for its quantification. These points represent standards of living above or below which the sub-objective would be deemed not to be met.

Setting Up Criteria and Quantifying the Objectives of Continuity of Social and Personal Status

The Department's paper 3 referred to a value, "security of status", and suggested as an ultimate objective "to ensure security of status for all individuals in the community", and as a sub-objective relating to a standard of living "to ensure access to a standard of living not significantly different from that which an individual previously had, and to maintain that level relative to all other individuals". However, the value of security of status contains a mixture of two values which can be explicitly seen in the sub-objective statement. . . .

One of the two values implicit in that of security of status will be called "continuity of social status", where . . . the standards of living sub-objective may be stated as "to maintain an individual's standard of living in its relation to all other individuals in the community". The other value will be called "continuity of personal status", where . . . the sub-objective relating to standards of living may be stated as "to ensure a standard of living which is the same as that an individual previously had". The first value, continuity of social status, emphasises the continuing relativity of the position of any one individual to all others over time, while the second, continuity of personal status, places emphasis on the continuing relativity of an individual's past position with his present position.

In one important respect, these two status objectives are different from each other in their relation to standards of living. This arises because of different rates of change in their respective reference standards of living. This particular aspect would be important for policy formulation on the adjustment of cash benefits and is dealt with further in the next section of this paper dealing with the implications of changing standards of living for quantified objectives.

An important difference between these two objectives and those previously discussed relates to the way in which they would be quantified. Whereas the previous objectives would be quantified by determining *points* on the standards of living scale which would define the limits of their attainment, objectives relating to continuity of social and personal status would be quantified in terms of a *relation* to the whole standards of living scale.

Implications of Changing Standards of Living for Quantified Objectives

As standards of living of both individuals and the whole community tend to change over time, what, then, are the implications of this for the quantification of objectives? Are the ultimate objectives attained at the same standards of living as those determined before the change or do they

change with or to some extent independently of the changes in standards of living? The answers depend very much on the particular ultimate objective being considered.

On the whole, our conception of health as determined by our everyday expenditures on food, clothing, and shelter, tends to change only very slowly. Thus, it would seem, that the standard of living at which the health objective is attainable would stay relatively constant over long periods. However, it seems probable that the further the average New Zealander's standard of living becomes removed from one set initially by the criteria for life and health, the greater will become the pressures on individuals at this lower standard, to reduce expenditure on amenities necessary to health in order to increase expenditure on social necessities. If this were in fact so (and it ought to be tested if the life and health objective were adopted) then it would be necessary to adjust the standard of living specified by the quantified objective to take account of this. But whether the standard of living necessary to attain the objective of life and health is stable or changing, a review of the criteria themselves is necessary from time to time, to allow for changes in the conception of what is meant by "health".

The standard of living at which the belonging objective is attainable would be determined by criteria of belonging obtained through comparisons of one section of the population with another. The adopted criteria are, thus, based on relativity. As a consequence, it is reasonable to expect that as the customs of the referent group changed with respect to the indicators, so also would the criteria which were based on them. It follows that if the criteria changed, the standard of living which permits the attainment of the objective, would also probably have to change. This means that criteria for the belonging and participating objective can only be developed with reference to a particular point in time, although, once quantified in terms of standards of living, changes in the criteria would probably accord with changes in the standard of living of the reference group. Even so, it would seem necessary to review, from time to time, the indicators chosen as criteria to allow for changes in the conception of belonging and participating. Similarly, the reasoning applicable to this objective would apply to that of equality.

The only difference between the values of continuity of social and personal status arises over time because of different rates of change in the respective reference standards of living contained in the sub-objectives. The reference point for continuity of personal status is the individual's previous standard of living which is consequently fixed and cannot change over time*. On the other hand, the continuity of social status sub-objective was stated in terms of a fixed relativity between any particular person's standard of living and those of all others. As a consequence, when the standards of living of others moved, so also would the requirements of the individual if the objective were to be met.

Determining Cash Amounts Necessary to Attain Specified Standards of Living

As suggested in the foregoing sections, income maintenance programmes cannot necessarily be expected to attain ultimate objectives in all respects. Obviously in the instance of life and health, if the requisite

*Of course, as with all objectives, if the value of money changed, the incomes necessary to achieve specified standards of living would also change. Price changes are to be regarded as an intervening environmental influence.

medical facilities are just not available, all the money in the world, by way of income maintenance, will be of limited immediate value. Income maintenance can be expected to assist individuals to attain objectives only where the relevant commodities are also marketed. However, given that some ultimate objectives are related to standards of living, and that living standards are determined in the main by the commodities available on the market, it is then reasonable to suggest that making available the means to obtain such commodities will tend towards the attainment of these objectives. As a rule, there is no logical necessity in these relations and each requires confirmation and specification.

Given that it has been possible to quantify ultimate objectives in terms of standards of living, we are led back to an examination of the relations between cash inputs and standards of living outlined earlier in the paper. This is necessary to determine with precision what amounts of cash income, in terms of all the important personal, social, environmental, and allocative factors would efficiently and equitably cause the specified standard of living to be attained in practice. Efficiency is obtained by ensuring that the standards of living attained promote the objective at the minimum level of its realisation. Equity results when all individual standards of living bear a consistent relation to the objective. . . .

The determination of cash amounts to attain specified standards of living is basically a technical problem (although the results are by no means without administrative and policy implications). Detailed discussion of important factors and their relation to standards of living, together with implications, will be given in paper 12 (see appendix 20).

Interim and Limited Objectives

Although, in principle, all the ultimate objectives underlying income maintenance programmes could be achieved in New Zealand simply by means of redistribution, a programme instituted to promote any chosen objective may not award cash benefits at levels which permit its full attainment. The basic reason for such limitations, would then be because priority is given to the attainment, or partial attainment, of ultimate objectives other than the one under consideration. For example, given the two ultimate objectives of life and health and increased production, if the benefits necessary to attain the former objective were reduced as a consequence of finding that full benefits discouraged people from participating in the work force, then it is implicit that increased production is given a higher priority than the full attainment of the income maintenance objective of life and health. Similarly, in a priority ordering of income maintenance objectives, each preceding objective places certain limitations on each that follows. For example, if a maximum benefit limit is imposed on an earnings related income maintenance scheme, it is implicit that the objective which dictates this limit has had a higher priority ordering than that out of which any earnings relation arose (at least down to the point corresponding to that limit).

In spite of any limitations which may be placed on the extent to which any ultimate objective is attained, it is still worth while determining the criteria for that ultimate objective, since the relationship between it and standards of living still has to be confirmed if the cornerstone of the programme is not to be an assumption. Further, the quantified sub-objective is the yardstick against which the worth of a proposed programme may be assessed and the effectiveness of an implemented programme may be evaluated.

Conclusions

This paper has been concerned with identification of the steps implicitly or explicitly involved in the process of determining benefit adequacy under income maintenance programmes. The immediacy of the discussion becomes obvious if it is seen that such programmes are merely tools, or instruments, though larger and more complex than most, for achieving any one of a particular range of purposes. As with all tools, they are designed to achieve certain ends. Clearly, if there is only a vague idea of the ends to which such programmes are to be put, then it is foolish to expect that the particular tool created will fulfil the felt requirements well. It is for this reason that this paper has stressed the need to distinguish the ends to be achieved and the means to achieve them.

Making explicit the ends to be achieved, objectives to be met, and problems to be solved, leads to a knowledge of the character of the tools needed to do the job in hand. Cash inputs, the agent by which income maintenance programmes effect change, cannot be evaluated in their own terms but only against criteria external to a programme. To do otherwise is just "tinkering with the system".

Tools used to do any particular job are generally capable of doing a wide range of jobs of similar character. Thus, for example, all programmes which change cash inputs operate on standards of living to attain a variety of possible ends. Further, the range of effects of using any particular tool is always more general than the range intended. For example, motor vehicles create pollution and income maintenance programmes may reduce investment and consequently economic growth. The best designed tool is, then, one which achieves the intended results most effectively and accurately without creating worse problems than those it was constructed to solve.

A good deal of emphasis in this paper has been on making key concepts concrete, particularly those contained in ultimate or sub-objectives. Concrete definition facilitates confirmation of the links between the active agents in a programme, the general effects of a programme, and a specific ultimate objective. Only in this way can one have a well-grounded confidence that the programme will achieve what it was set up to achieve.

An important aspect of the paper is that it shows how policy-makers and scientists have a mutually supportive role in the process of programme design. In particular the attention of the policy-maker is channelled towards critical prescriptive decisions and away from preconceptions concerning such things as "adequate" benefit levels which can be determined empirically once the major choice as to values has been made.

It has not been suggested that the procedure outlined for determining benefit adequacy is an easy one. Obviously a great deal of work is required for the development of criteria, the construction of a standards of living scale, and to obtain a knowledge of the relationships between criteria and standards of living and standards of living and cash incomes, none of which replaces the need to make critical value judgments. But, as McNamara has stated:

The very development and use of [analytical] techniques has placed an even greater premium on . . . experience and judgment, as issues have been clarified and basic problems exposed for dispassionate examination. The better the factual basis for reflective judgment, the better the judgment is likely to be. The need to provide that factual basis is the reason for emphasising the analytical technique*.

* *New York Times Magazine*.

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*Appendix 20*IMPLICATIONS OF RELATIVE NEEDS FOR THE STRUCTURE
OF CASH BENEFITS

(Submission 262 from Social Security Department—abridged)

Introduction

Paper 11 by this Department, *The Determination of Benefit Adequacy* [see appendix 19], considered the total process for determining income adequacy working from values, ultimate objectives, and standards of living. This paper focuses on the relationship between cash incomes and standards of living and the personal, social, and environmental influences which interact with and change the relation between these two variables.

Assuming income, from whatever source, to be a main determinant of standard of living, this paper will concentrate on the variables which seem most likely to affect the standard of living that will be achieved by a given income. Or, expressed another way, it concerns the variables most likely to determine the different amounts of cash income required if individuals are to attain the same standard of living. Some examples are given of the degree of differential on some of those items which have emerged from overseas research.

Standards of Living and the Measurement of Equivalent Costs

In many countries there appears to be little done systematically to collect data or to reanalyse existing data to see what income or expenditure are necessary to enable individuals and families of different sizes and circumstances across a whole community, to achieve any specific standard of living. However, in a new book by Margaret Wynn already cited, a great deal of information is discussed and assessed from several hundred sources from many countries which has a bearing on cost equivalence and living standards. This section will draw especially from this source.

Individuals will be the reference units throughout this section. Although families are the basic social and economic units within the community, nevertheless they are merely aggregations of individuals, and, with the exception of certain household overheads, costs are related to the circumstances and characteristics of their sub-groups of individuals. To simplify the issues, allocation of income alone will be considered first, assuming that it relates to any particular standard of living. This seems justified when expenditure on "basic" needs is considered. Whatever standard of living is selected as an appropriate minimum for social security beneficiaries compared with the rest of the population, it is assumed that needs which are deemed to be "basic" for any particular standard of living will be intended to be attainable by the cash benefits provided. It is further assumed that the relative costs for these needs, to the extent that such costs vary according to age, sex, marital status, and other criteria, will be equally applicable to beneficiaries. The source and amount of income is therefore irrelevant at this point, the key issue being its differential allocation as this has been found to vary according to certain personal and environmental factors.

Almost no data relevant to this field is available in New Zealand, and because of the uniqueness of each country's social structure and patterns of life, it is not possible to import findings for our own direct use. Nevertheless, the evidence accumulated from overseas can give valuable leads to the sort of personal and environmental factors which must be considered in New Zealand, as there is considerable agreement from many countries on the factors which do influence the capacity of income to achieve any particular level of living. Furthermore, although the sizes of different cost ratios which have been calculated are not relevant in their actual amounts, some factors have been found to cause variations sufficiently startling to sharpen the incentive to investigate them in our own community.

What Are "Basic" Needs and How Do These Vary?

Many of the specific criticisms of research . . . have related to masked value-judgments or preconceptions that have either been built into the studies or have limited their scope. As findings on relative costs have emerged many assumptions and arbitrary compartmentalisations have been challenged, and the compounding effect of the missing links in basic data have become more apparent in the following way:

- (a) Preconceptions of what constitutes "basic" needs in traditional "life and health" terms may preclude redefinition of "basic" needs today, when social conditions and community expectations have changed.
- (b) Preconceptions of the cost of meeting assumed "basic" needs may preclude examination of the standards of living that individuals and family groups attain at various income levels, and of the extent to which income and other factors contribute to differing standards.
- (c) Preconceptions about the equivalence of income and standard of living attained may preclude examination of the fluctuations in need and cost and of what can be deferred and what not deferred while still maintaining a certain standard.
- (d) Preconceptions on the relationship between income and standards of living (and the conceptual difficulties of measuring standards of living) may preclude consideration of the range of standards existing in the community.

All these can result in there being no assessed basis for defining social or economic objectives in terms of standards of living, either for the community as a whole, or for a population group such as the beneficiaries within it.

What is already clear is that a "basic" need will change over time according to many criteria. Historically, the use of minimum standards consisting of food, clothing, and shelter has been largely superceded. Differing needs, and differing costs of these needs, for individuals in different circumstances are emerging. Poverty studies have shown dramatically the extent to which present circumstances are conditioned by past opportunity, and also the way in which the allocation of income can be studied only in terms of what actually takes place rather than what experts and others think should occur. By comparison, little is known about the effect of past habits and social needs on the allocation patterns of those with standards of living above what is taken as poverty. However,

it is clear that such factors will similarly influence what must be regarded as "basic" at all levels, and therefore that such basic needs can only be identified by specific research and only made meaningful in terms of the standards of living to which they pertain when standards or levels of living have been defined and measured. No costing for the components of any particular standard can be done unless these facts are known. Definition and measurement of standard of living is by no means the end of the matter. This will supply information vital to a reasoned decision on objectives and also on the personal, social, and environmental factors which influence standards of living and their cost, but it cannot provide a decision to adopt an objective. . . . But, a study of standards of living across the whole community and the construction of a scale for their measurement seems, to many, the only effective way to getting to the complex inter-relationships which, until now, have so often been obscured by limiting preconceptions and value judgments. . . .

The Cost of a Child

Christopher Bagley, in 1969, in a study in the U.K. on "child poverty" wrote:

The answers to the problem of cost equivalence ratios between parents and children are neither known, nor self-evident. Nor are they obscure academic questions. They are vitally important for two reasons. Firstly, if it is not known accurately how much it costs to keep a child, how can the social security system know whether the [child] allowances it provides for families in need are in fact accurate? Secondly, how can an accurate estimate be made of poverty in society if it is not known accurately how much children cost relative to the cost of providing a reasonable living standard for their parents?*

Both Bagley and Wynn cite dozens of studies on the needs and costs of children, and make particular use of those carried out in the United States, Japan, and Europe, particularly in recent years for the Organisation for Economic Co-operation and Development. Although many of these differ in detail there is a remarkable unanimity on the main findings. It has been found in study after study, for instance, that the cost of maintaining a child increases steadily and continuously from minimum in early childhood to reach the full adult cost at about age 14. Estimates of the actual age that full adult cost is reached varies only between 13 and 15 on the evidence of studies over many years from many countries†. Many countries have found that after this age, costs rise above adult costs in the late teens, varying according to sex, whether the young adult is studying or at work, and if working, by the nature of the work. The reason for this is partly physiological, relating to the need for maximum nutritional requirements, particularly proteins, at a time of maximum growth. Superimposed on such a basic "life and health" need are many other more environmentally determined factors which increase cost, such as clothes (which at this age are still being outgrown), entertainment, and a general need to participate in the activities of their own age group. France, Germany, and the United States have all carried out detailed studies on the comparative need and cost of clothing for children and adults.‡

*Christopher Bagley, p. 7.

†For example U.S. Commissioner of Labour (1891-2), Germany (1891), EEC's co-ordinated family expenditure surveys (1963-4), Baden-Wurtemberg, West Germany (1965), Tokyo (1965, etc.). See Wynn and Bagley op. cit. and Alvin Schoor for further references and details.

‡M. Wynn, 1970, p. 64, and bibliography.

Fuller examples of various calculations of equivalence ratios are given in appendix 1,* but some examples are now shown for children. As it is usual to standardise such calculations on some fixed adult reference point, although standardisation to an individual would be preferred, a married couple has been used to give comparability to the three examples which follow. Table 1 has been recalculated from data collected by the Community Council of Greater New York†, standardised so that 100 = a married couple comprising a working male, head of household aged 21-34, and a dependent, non-working wife, also aged 21-34. The cost assumes that all live in a family group rather than alone.

NEW YORK—*The Cost of a Child Compared with an Adult 100 = married couple.*

	Age:	Under 1	1-5	6-11	12-15	16-20	21-34
Not Working:							
M	..	14	21	29	{ 39	49	40
F	..							{ 38	43	33
Working:							
M	81	77
F	76	74

German and Japanese social security rates have been praised for their incorporation of differential rates for children of different ages which are based partly on large sample expenditure surveys over different areas of the country, and also on work by nutritional experts. Examples are given below of the ratios from the resulting payment scales. (In both cases the basic figure has been raised to 100, and the figure rounded, to provide comparability of style with other figures used here.) Japanese social security rates vary from region to region depending on local costs and living standards. The ratios quoted are from an area with relatively high standards of living. The ratio for 15-17-year-olds is particularly noteworthy.

JAPAN—*Social Security Ratios for One Area in 1963-64‡*

100 = 2 adults, male and female, aged 31-40.

Age:	0	1	2-4	5	6-8	9-11	12-14	15-17	31-40
Sex: M } F }	19	22	31	35	41	48	{ 59	66	55
							{ 56	57	..

The range of German social security payment ratios are given for 16 districts, in the table below. The ratio for 14-17 year-olds should be noted.

WEST GERMANY—*Social Security Ratios for 16 Districts at January 1966‡*
100 = married couple.

Age:	0-6	7-13	14-17	18	Single Adult
Range of ratio	22.5	39	46	43	53
across 16 districts	to	to	to	to	to
	28	41	50	45	57
Mean ratio	..	26.5	40	49	44
					56

*This appendix is not included in this abridged version of the submissions.

†Raw figures quoted by M. Wynn, 1970, p. 306, from: *A Family Budget Standard* (1963), published by the Research Dept., Community Council of Greater New York.

‡C. Bagley, pp. 18 and 20. The ratios for adults other than aged 31-40 were not given in this course.

The criterion for the single adult rate is not given in the source used. However, as family allowances are payable in addition to the rates represented by the ratios above (for three children, 7 to 8 percent of an average labourer's wage in 1969), it is assumed that the child/single adult differential would be reduced if family allowances had been included above.

Pregnancy is a further item relevant to the cost of a child which has received recent attention*. United States studies by the Department of Agriculture have shown that the nutritional needs of a pregnant woman are higher than all categories except that of a teenage boy, and that the nutritional needs of a nursing mother are highest of all. Some countries, such as Finland, include pregnant mothers with certain categories of sick people in higher rates of assistance.

A lot of work has been done over recent years on family benefits, payable either for all children or to particularly vulnerable sub-groups with children. Interest in this issue seems to have arisen for two main reasons. Firstly, because in certain countries, such as Israel and the United States, the introduction or revision of this provision has been considered. This, in turn, has been due to poverty findings showing the effect that children have on standards of living, even where there is a wage earner. Secondly, increasing work on the real cost of children has led to revision of the social security scales for children. However, because of the complex inter-relationship between family benefits, child tax allowances, wages and standard of living, international comparison of rates, however they are standardised, is fraught with difficulties beyond the scope of this paper.

The Cost of a Man Compared with a Woman

It is not very useful to try to generalise about the cost of all men compared to all women. Even for separate age groups, or for specific components of total cost such as food or clothing, many intervening factors have been found to influence costs, such as whether or not men or women work, whether they live alone or share costs with others, or whether they have any special needs, for example, those arising from poor health. For a long time it has been common practice in many countries for calculations of costs of food and clothing and other basic items to be used as a basis for benefit or assistance payments. These would often relate to a "life and health" level of protection, and as general expectations of protection rise towards "belonging and participating" or "continuity of status" objectives, reliance on such scales, has often been queried. One strong criticism has been the realisation that in the past insufficient data made such calculations rather arbitrary. This has masked a range of actual need and cost which differed widely, particularly where other intervening variables were neglected.

... One additional complication which is not overcome, even with adequate data on components of standards of living, relates to the inevitable compounding of costs from the overlay of several factors, and the need to either remove certain items, such as household overheads, or to arbitrarily assign them to a member of the household. Given descriptive data, there are mathematical techniques which can separate weights for different influences, but some researchers will calculate ratios which

*Quoted in M. Wynn, 1970, p. 72.

exclude overheads, while others will allocate them to individuals within a group. For example a husband's transport costs to work will usually be included in the cost of a working head of household, whereas the cost of running a family car by the housewife/mother, even if it is essential to her own and her children's ability to "belong and participate", is less likely to be included in the woman's cost, but more likely to be classed as a household overhead. This sort of arbitrary decision must be kept in mind when, particularly between countries, costs for a woman are compared to those for a man.

The Cost of Working Compared with Not Working

Costs to three main categories of individuals are involved here; those who are working, those who are not working but are able to, and those with either no expectation of returning to work full time or are unable to work. Although focus on the standard of living of workers and on family life cycles was a feature of much of the work in earlier decades, those in employment appear to have been comparatively neglected until recently. But the realisation that work alone not only does not necessarily result in an acceptable standard of living being attained but is not even a guarantee against poverty, has led, in the hunt for causal factors, to greater insights into the cost of work as well as the return. Some possible costs include transport, clothes, dearer housekeeping, the cost of meals, union payments, essential work materials, and so on. An example follows of ratios calculated for New York* of the influence of working on living costs. Rent and other family overheads are excluded from the following calculations. No conclusions can be drawn from these findings that are relevant to New Zealand benefit rates. It is possible that differences along the same lines would emerge for New Zealand, but some of the New York items, such as cost of working, could well produce greater extremes of differences there than would be found here.

NEW YORK—*The Cost While Working*

100 = man not working, aged 35-54.

	Age:	16-20	21-34	35-54	55-64	65 and over
Men:						
Working	210	200	184	152	152
Not working	127	105	100	96	91
Women:						
Working	199	192	160	157	157
Not working	111	87	85	82	77

A much greater proportional cost is likely to ensue for certain groups such as sole-supporting parents,† whether their situation is due to death, marriage breakdown, or illegitimacy, or because of effective lack of support from one of a couple through invalidity, long-term sickness, or other disability. For such parents the cost of work may well coincide with the cost of child care, and the necessary use of labour and time-saving aids in the home. Very little seems to be known in New Zealand

*Community Council of Greater New York, quoted in M. Wynn, p. 83.

†See Margaret Wynn, 1964, and S. Yudkin and A. Holme.

about the needs encountered by men compared with women if they are bringing up children single handed, and, for both, the extent to which income can help them meet their needs. Provisions such as housekeepers' allowances and higher rates of exempted earnings for widows, depend essentially on the effectiveness of other parts of the system. If housekeepers are available, if jobs and child care are accessibly located and financially possible, then such solutions may be appropriate. But with the great changes now taking place in paid employment available to women (other than housekeeping), in the return to work of grandmothers, in the mobility of their children and in community expectations of child care, this is probably an area requiring particular attention for equitable cost differentials to be calculated, and to assess the extent to which cash, as opposed to other services, would be the most appropriate solution.

The magnitude of the wider issues . . . are succinctly put by Lynes* who writes: "Social security in Britain today is based on an economic system in which the primary means of acquiring income is through work. . . . In terms of relative need, however, there is little reason to suppose that those who work should receive higher income than those who do not. On the contrary, the man who is unable to work, whether through sickness or through lack of a suitable job, may well need more rather than less. . . . There is already a need therefore to re-examine the assumptions underlying the present relationship between earnings and benefits. How do the financial needs of the sick, the unemployed, the pre-employed (trainees and students), the retired, and the "non-productive" groups compare with those of the working population?"

Economies of Scale

The cost of living alone compared with living with others—Where one person is living alone there will obviously be no sharing of costs, and housing and overheads must be met from one income. It is difficult to feel confident that all sources of research are known, but compared with work on other differentials it seems that there is not a great deal of research on this particular topic, except as it directly relates to social security payments. A further difficulty with overseas material is that the basis of calculations is frequently rather obscure. However, the United States Social Security Administration† found, for those with low incomes, and consumption already close to a minimum level, that it may cost only a little less for someone living alone than it does for a couple. It was later estimated that . . . the average amount required for people living on their own to maintain a comparable living standard was 80 percent of the rate for a married couple. However, the proof that research findings cannot be assumed from policy (whether because of the intervention of political or economic expediency or some other reason) is demonstrated by the fact that in 1967, 3 years after this 80 percent recommendation, the average United States payment to those living alone was still only 57 percent of that paid to married couples. A recent British White Paper‡ recommended a rate of benefit to a single person amounting to 78 percent of the rate recommended for a couple, where only the husband has been working (and 71 percent where both have

*Tony Lynes in *Social Security Research*, p. 151.

†Molly Orshansky, Jan. 1965, p. 6.

‡U.K. White Paper, 1969, p. 5.

been working). At the time of the White Paper the ratio actually paid in social security benefits was 61 percent. . . .

However, quoting rates for those single and living alone does not identify possible sources for differences relating to overheads, costs, and total income, which are not always referred to, or necessarily recognised in social security policy. It is not enough to compare those living alone with those living with others nor yet those "single" with those who are "married". The two variables must be taken in conjunction to assess cost, and in relation to total relevant household income to assess means. A single person household and a married couple household may both have one person earning and therefore housing costs and household overheads being paid from one income. But one income will be paying for the personal living expenses of two people and the other for only one. On the other hand, both of a couple may be working and overheads shared with others, part of whose incomes will also be contributing to overheads. . . . In other words, the total cost of the household is the cost of each individual plus overheads, and the sharing of actual cost within any household in terms of what each earner must actually spend on basic needs will depend on the number of his or her dependants and the number who are sharing the costs of overheads. . . .

Large Households—Economies of scale between small and large households are often assumed to exist, particularly in relation to food. Doubt has been thrown on the validity of this assumption for several reasons. Molly Orshansky* found that families with large numbers of children had an average per capita income which was lower than families with fewer children. Although it is a common view that goods are cheaper by the dozen, it is possible that funds may be insufficient even with bulk buying, and only a low dietary standard maintained. Further, Caplovitz, already quoted, found that the poorest in the population, who also had larger than average families, in fact were charged more per person for basic commodities, including food, in effect because they had little money and were therefore dependent on high credit charges. He also found that they obtained lower quality goods and hence a lower standard of living than they might have obtained had alternative means of allocation been available to them. Bulk buying may well be more economical but ability to make use of it may depend on other factors such as access to bulk supplies, transport for them, storage (which might have to be a deep-freeze) and so on. It could be that those most able to make use of this sort of economy are those without the greatest need to economise. It is not known what economies of scale relating to food, if any, exist in New Zealand and, as these examples show, they cannot be presumed.

Needs in Relation to Housing and Other Overheads

Housing—Housing is discussed separately from other household overheads because it is a major, unavoidable expenditure item and because of the complexity of the subject. As a major item of basic costs, housing is a significant item in determining standards of living, and yet there is probably no component of living standards where so little is known about the relationship between individual and community needs, or about the means and the effectiveness of the policies of the many agencies with an interest in housing. Housing provides the basic needs for shelter,

*Molly Orshansky, 1965, p. 8 et seq.

and also to a great extent, fixes location which, in turn, influences such factors as available employment, transport, education, and child care facilities. Therefore, it is a crucial variable in present and future standards of living for the individuals and families concerned.

What are some of the individual and community needs that housing has to meet? The provision of shelter is the primary need. Then, certain standards of size, structure, space per person, location, amenities, and perhaps cost must be met. Official statements specify what the community needs from its housing in terms of safety, health, social, and, to a certain extent, visual standards. It further follows that individuals will require housing that meets these requirements appropriate to their own family size within the income they are able to allocate to housing. If individuals buy house space according to the size of their households and if costs depended on size, we would expect to find a high correlation between the proportion of income spent on housing and the size of the household for each income level. In fact, it has been found* from consumer studies in North America and Europe that the proportion of income spent on housing within each income group is almost independent of family size, and that this is true of countries with high as well as with low average standards of living. One can only speculate about why this is so, and whether or not the same findings would arise for New Zealand.

As with other commodities, in addition to meeting what is traditionally regarded as a basic life and health need (in this case for shelter) in line with official standards, there are also what amount to basic social needs in any community which are more or less associated with levels of income and resulting standards of living. These include such things as styles of housing, type of tenure, location, perhaps land size, and, consequently, cost. Presumably, these factors outweigh the effect that family size might otherwise have. This is apparently so even though family composition plays such a large part in producing differentials for other commodities. . . .

Given the importance of housing to living standards, differences of commitment and access to housing income have important implications for income maintenance policy, particularly social security cash benefits. If a mortgage was contracted at a time of perhaps quite high past income, then a fall in standard of living could occur if no allowance were made for payment of mortgage while on benefit. At the other extreme, an individual may be living in slum conditions or a family may be overcrowded because of inability to afford better or larger accommodation, after other essential commitments have been paid. If unacceptably low housing standards are found to be due to insufficient money to obtain better, then, it may be felt that specific housing income of a higher amount should be provided in addition to benefit.

While it has been found that the proportion of income spent on housing within each income group is almost independent of family size, local conditions can vary the cost of housing considerably. For example, the cost of housing in large cities is often higher than in other areas in the same country. Often other costs are also higher so that the proportions allocated to various commodities may remain the same. But it is clearly very important to know what the facts are in any country so that, for instance, appropriate social security provision can be made if significant differences in cost exist.

*References to many studies in this area are given in Wynn, p. 106 et seq.

Some countries do make explicit allowance for these differentials. Denmark and Sweden for example, pay housing or rent supplements which vary according to the locality. The United Kingdom makes rent an independent item for supplementary benefits. (The British Civil Service and many private firms pay "cost of living" supplements to employees in London.) In addition some countries assess total benefit rates differentially by area, and housing will be one of the important variables, along with food costs. (West Germany is a good example with such a range of differential payments.)

Other Overheads—Other overheads include furnishing, appliances and materials for cleaning, cooking and heating, and expenses of household maintenance. The main cost of furnishing will usually be borne when a house is first bought, with maintenance and replacement at infrequent intervals after this. The other items will be a continuous expenditure, perhaps with some seasonal variation.

Furnishing, including the purchase of domestic appliances, is likely to be a costly business, usually at the time of house purchase. Particularly for a family where the mother has ceased work and is caring for children this is likely to be a stringent time in life cycle finances. Margaret Wynn* quotes a French survey which showed that "families of comparatively modest means" bought household appliances "at the sacrifice of expenditure on current consumable goods". Caplovitz had similar findings in an American study†. Hire purchase is a frequent means of obtaining furnishings and appliances which contribute to present levels of living by allocating future income. The days when it was a recognised virtue to pay for everything strictly in cash are no doubt past. Many of yesterday's luxuries such as television and clothes driers extend today's definition of basic household needs not only to save time, but also because, in a culture placing value on the ownership of certain consumer durables, relative deprivation will be felt without them. But, just as a greater proportion of the population now expect income maintenance schemes to cover them and to protect their standards of living, so increasing numbers are likely to have some current income committed to non-deferrable expenses of this sort.

—Also, whenever and however such things are bought they will not last indefinitely and some income must be allocated over time to replacement of items if an achieved standard of living is to be maintained. If income falls or ceases and income has to be maintained partly or wholly by social security cash benefits, then, as with mortgage commitments, account must be taken of current non-deferrable costs resulting from past commitment, and of the need to replace or maintain past purchases. Obviously, before such calculations can be made for different population groups facts must be available on patterns of such expenditure as they relate to standards of living.

One further factor is house maintenance. Until relevant data is collected in New Zealand, it is not known how expenditure on house purchase, plus rates, and maintenance for owner-occupiers compares with rent, and any other attendant costs for tenants. It may be that a similar cost or proportion of income is involved, with perhaps only regional variation.

*M. Wynn, p. 127, 1970.

†D. Caplovitz, 1963.

(Or it may be quite otherwise.) But, it must be recognised that whatever the cost, and whatever type of tenure is involved, that house maintenance constitutes a basic commitment which cannot be deferred.

Needs, Income, and Standards of Living Over Time

Although mention has been made of the effect of past levels of living on present income allocation, the fact remains that the cost equivalents quoted relate to a fixed point in time. Many leads can no doubt be taken from overseas work about where significant differentials will occur:

The comparative needs of individuals and families of different sizes and compositions show on the whole a remarkable consistency from one country to another. Indeed, whatever the absolute standard of living, the *comparative needs* do not greatly differ. This is not, perhaps, surprising if only because children grow up at roughly the same rate everywhere. The needs of an adult depend upon whether he or she is the head of a household or only a dependent, on whether he or she goes out to work or stays at home. Basic needs, if there are children to be looked after, depend upon whether there are two parents or only one, and if there is only one parent, upon whether child-minding has to be paid for. All these factors have been taken into account in assessing basic needs in one country or another*.

But over time, needs, incomes, and general aspirations change. Therefore, it is perhaps just as important to understand these fluctuations over time for individuals and families as it is to understand the differences in need and cost between individuals at any one time. Many issues arise which are related to the need to take some measure of account of past, present, and future, and which have important implications for deciding objectives for programmes associated with income maintenance. As an introduction to this topic and as an illustration of the day-to-day implications of differential costs, the life cycle of a hypothetical "average" family is now outlined.

... Oversimplified though ... [the] selection of events [indicated on the chart] is, and arbitrary though the margin between income and expenditure may be, nevertheless the pattern over the family life cycle is recognisable—with its time of comparative affluence before and in the early years of marriage, increasing stringency during child rearing, comparative affluence pre-retirement, and again stringency in old age. The influence of the past on present and future is also perhaps more easily kept in mind when expressed over time for the same people.

What becomes immediately obvious when attempting to construct even a crude model of this sort is ignorance of the validity of even simple assumptions about an "average" New Zealand family. This ignorance would probably be even greater for the single or formerly married, whether they live alone or with others. . . .

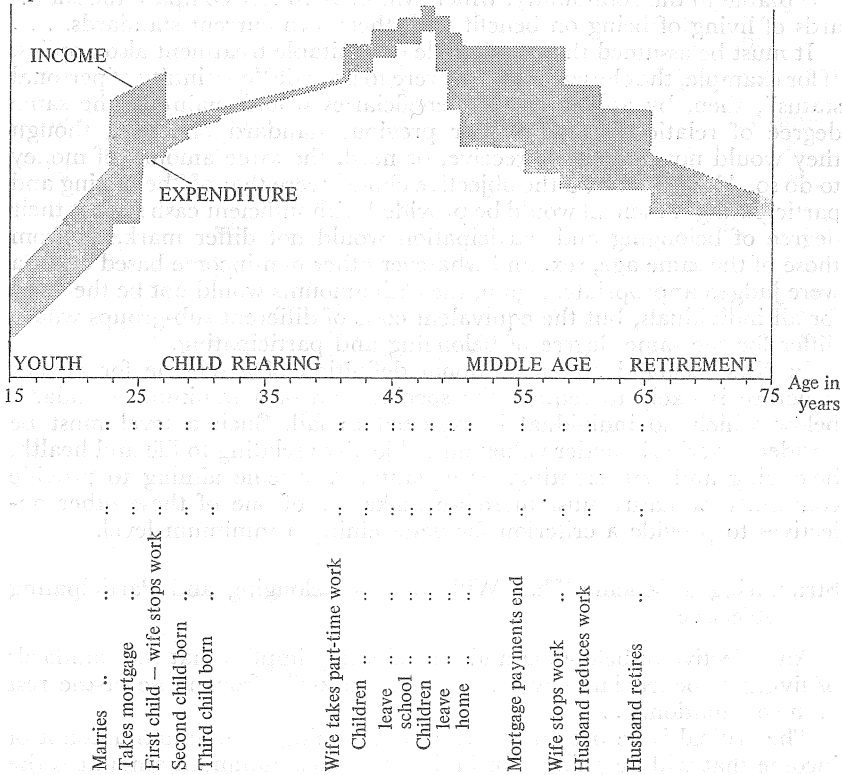
Many questions are raised which must be answered . . . and the only economical and efficient way that this seems feasible is by means of a specific standard of living study. . . .

This list of questions is . . . formidable. And we certainly cannot import the answers from elsewhere. On the other hand it is obvious that answers could be found with comparative ease if there was the will to do so. A strong incentive could be that such answers would be of value not only to social security nor even just to other schemes concerned with income, but also to housing, education, employment, and other inter-related systems which must all be considered if social and economic planning is to produce co-ordinated objectives. . . .

*M. Wynn, pp. 49-50.

INCOME AND EXPENDITURE OVER A FAMILY LIFE CYCLE

Dollars of income and expenditure



The Implications for Social Security Programmes

In order to tie together all the issues raised in this paper so that they can be seen in perspective their implications for alternative structures of social security programmes are now briefly discussed.

Any programme has to decide on its objectives in terms of the level of protection that is to be provided. The end is not merely to provide some income, as income itself is only a means to attaining a standard of living. . . .

The point can also appropriately be made that cash alone is not necessarily the most appropriate solution to maintaining or attaining the standard required. There are times when social security schemes may pay cash benefits in default of services from other systems, for example, retraining, job placement, or child care. It seems to be the responsibility of policy makers and administrators to recognise the extent to which the needs are not being met and that cash assistance may be no more than a partial or interim measure until more complete means of meeting the need are developed.

It seems safe to assume from the developments in the New Zealand scheme since 1938, from inevitably rising expectations of protection from newer economic hazards, and from general international trends, that a "life and health" criterion is no longer either appropriate or likely to be acceptable to the community, which will increasingly compare the standards of living of being on benefit with their own current standards. . . .

It must be assumed that a principle of equitable treatment also applies. If for example, the chosen objective were to provide "continuity of personal status", then, by and large, all beneficiaries would maintain the same degree of relationship with their previous standard of living, though they would not necessarily receive, or need, the same amount of money to do so. Alternatively, if the objective chosen were that of "belonging and participating", then all would be provided with sufficient cash so that their degree of belonging and participation would not differ markedly from those of the same age, sex, and whatever other non-income based criteria were judged appropriate. Again, the cash amounts would not be the same for all individuals, but the equivalent costs of different sub-groups would differ for the same degree of belonging and participating.

In New Zealand any operational definition of a scheme for benefit structure is likely to require the specification of a minimum standard, below which no individual is expected to fall. Such a level must be decided by criteria under values and objectives relating to life and health, belonging and participating, or equality. A scheme aiming to provide continuity of status must therefore make use of one of these other objectives to provide a criterion for determining a minimum level.

Structuring a Scheme That Will Meet a Belonging and Participating Objective

An objective of belonging and participating implies that the standards of living of beneficiaries will not differ markedly from those of the rest of the population. . . .

The critical issue becomes that of determining a minimum amount of income that will be paid to an individual. This minimum amount is the keystone to the whole structure, the base amount to which all provisions for all individuals and all family groups must be equitably related.

For some on low incomes with numbers of dependants, equity in relation to standards rather than income could mean that a benefit amounting to more than 100 percent of previous earnings could be paid to a family. This is logically unavoidable, but would be less likely to arise if family benefit was more closely related to the actual cost of a child.

There are the potential complications for standards of living, of differing regional costs which have not so far been considered in an applied way. Two families of identical composition and income may differ widely in the cost of meeting these needs if one lives, say, in Greymouth, and the other in Wellington. Varying cost can result in considerable differences either in the standard attainable for the same money, or in different amounts of savings (and presumably therefore different amounts of security and resilience) at the same standard of living. If housing or any other item was found to stand out as a significant differentiator then a solution might be to treat such an item separately on a regional basis with different rates in order to achieve national equity.

One of the reasons for the high cost of teenagers, compared with children and adults, has been found to be the social needs of peer-group

participation, over and above their already higher nutritional needs. Similarly, part of the extra cost of a woman working relates to higher clothing and personal care costs if she is to meet the perhaps more demanding norms of working life in terms of appearance. The amount of money that it costs various sub-groups will obviously vary and the extent to which provision is successful depends on the extent to which no young beneficiary child is disadvantaged compared with any other child of the same age, nor any invalid's standard differ markedly from that of a non-invalid of the same age and sex, as far as this is possible. The last example may well mean, that in line with equivalent costs it will cost more for an invalid to achieve the same standard. It probably also involves some non-cash services from other systems if comparable mobility or holidays or household repairs are to be a potential reality rather than a well-intentioned possibility. . . .

Another issue relates to incentives and interaction with the services of other systems. To what extent should income be provided to enable continued participation, when what really makes an individual different from his age or occupation group is the lack of a job or relevant training, or the ability to find enabling child care?

These sorts of decisions arise with any standard of living objective. They are certainly more visible, and perhaps more important in a scheme which logically would provide flat-rate payments for very large population sub-groups.

Structuring A Scheme to Provide Continuity of Status

If income is the main enabling factor to the standard of living presently achieved, then an objective of continuity of status would result in some proportion of former income—usually past earnings—being paid to those whose income had fallen or ceased.

The continuity of status objective would have to be defined operationally in terms of the degree of continuity to be provided. This could be expressed as an aim to provide, for example, sufficient cash income to ensure that some particular lower level on the measured standard of living scale be maintained.

One of the most significant findings on cost equivalence is that "the influence of family responsibilities on the standard of living is seen to be as important as that of take-home pay for the great majority of people."* This means that at any standard of living a full cross section of characteristics will be represented—all ages and states of health, many if not all occupations, work patterns, and so on, and also, a full range of household size from a single person living alone to large family groups, which may include dependent children, invalids, or old people.

Under a continuity of status objective, given such a range of personal characteristics and possible combinations of individuals with differing equivalent costs, it is probable that one could not think in terms of providing a set percentage of previous income for all units. The cost of needs appropriate to various standards of living will probably vary according to the characteristics of the individuals, their circumstances and the size of the family unit in which they live and the consequent allocation of a large part of the household income to cover individual and differing costs.

*M. Wynn, 1970, p. 153.

There are various ways that a formula for the amount of benefit actually paid to each economic unit could be derived once decisions have been made about the level of protection to be provided in relation to a past standard of living, and once the significant variables differentiating costs were known. But it is the derived structure rather than the method of getting there that is of relevance here.

In order to construct a benefit providing continuity of status it is suggested that each individual at every standard of living should be allocated a percentage of his previous share of household income after common overheads had been deducted, such that his own standard of living would be attained at the new level specified. Such calculations need not, of course, be made for every individual separately but would be calculated on the basis of standard of living findings for equivalent key population sub-groups who were found to have significantly different costs for meeting needs at differing levels. This does not mean that a separate benefit would necessarily be paid to each household member, but that the aggregated amount would recognise in the compounded elements comprising it, the differential costs of family overheads. Such an approach, of course, would be equally applicable to the single person living alone and to households of two or more people.

Conclusion

When a decision on alternative structures must be taken many of the issues which have been raised in this paper will require value-judgments by policy makers. But these decisions relate mainly to the ordering of priorities in terms of what the community wants as demonstrated by its behaviour, modified by the minimum standards required by experts in relevant fields, again modified by what policy makers themselves feel is possible and desirable in line with the overall objectives of social and economic policy. The area of value-judgment can be reduced if data on how the community lives now and how this measures up to expert standards is available, quantified, and able to be costed.

A final reiteration is also necessary of the need to see any social security scheme constantly as only one part of a system of income maintenance, which, in turn, is only one part of a social and economic system in which each component element depends on and is depended on to interact efficiently and economically with many others.

Finally, a sobering quotation from Margaret Wynn, whose collection of work on equivalent cost has been so invaluable for this paper:

The balance between immediate consumption and investment in a country's future is a political matter. Every country will work out the balance in its own way. In the past, however, the balance has been achieved almost unconsciously, without full understanding of the likely consequences of this or that policy upon either the immediate or more distant future. The background of sociological knowledge and understanding today is still such that decisions on social or family policy are matters of judgment and expediency. There is a great need for more social research to support the decisions of politicians*.

*M. Wynn, 1970, p. 274.

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Appendix 21

PRESENT POLICIES FOR PAYMENT OF BENEFITS AND PENSIONS FOLLOWING ADMISSION TO HOSPITAL

Class	Public Hospital	Mental Hospital
Social Security Benefits—		
Unmarried persons without dependent children	Continued at full rate for 3 months then reduced to \$4.50 a week and paid indefinitely	Reduced to \$4.50 a week then continued for 6 months only.
Unmarried persons with dependent children	Continued at full rate indefinitely ..	Reduced to \$4.50 a week then continued for 6 months only. Payment for children considered on its merits.
Married persons without dependent children	Continued at full rate indefinitely but reduced to \$4.50 a week each if <i>both</i> parties in hospital over 3 months	Reduced to \$20.50 a week in aggregate and continued for 6 months, then further benefit for party not in hospital paid on own entitlement. If both in hospital \$4.50 a week each is paid for 6 months.
Married persons with dependent children	Continued at full rate indefinitely ..	Continued at full rate for 6 months, then further benefit for party not in hospital paid on own entitlement.
Family benefits	Continued indefinitely ..	Payment suspended.
War economic pensions—		
Unmarried persons	Continued at full rate indefinitely ..	Reduced to \$4.50 a week then continued for 6 months only.
Married persons without dependent children	Continued at full rate indefinitely ..	Reduced to \$20.50 in aggregate and continued for 6 months, then further pension to party not in hospital paid in aggregate \$16 a week.
Married persons with dependent children	Continued at full rate indefinitely ..	Continued at full rate indefinitely.

War veterans allowances*—		
Unmarried persons	Continued at full rate indefinitely ..	Reduced to \$4.50 a week then continued for 6 months only.
Married persons without dependent children	Continued at full rate indefinitely ..	Reduced to \$20.50 in aggregate and continued for 6 months, then further allowance to party not in hospital paid in aggregate \$16 a week.
Married persons with dependent children	Continued at full rate indefinitely ..	Continued at full rate indefinitely.
War disablement pensions—		
War disablement pension where admitted for "non-service" disability	Continued indefinitely	Continued or accumulated in whole or in part as appropriate.
War disablement pension where admitted for "service" disability	Increased to rate for total disablement and continued indefinitely	Increased to rate for total disablement then continued or accumulated in whole or in part as appropriate.

*War service pensions, introduced from 1 April 1971, follow the same general policy as war veterans' allowances.

CHAPTER I

The first part of the history of the world is the history of the creation of the world.

The second part of the history of the world is the history of the fall of man.

The third part of the history of the world is the history of the redemption of man.

The fourth part of the history of the world is the history of the consummation of the world.

The fifth part of the history of the world is the history of the judgment of the world.

The sixth part of the history of the world is the history of the resurrection of the world.

The seventh part of the history of the world is the history of the new heaven and new earth.

The eighth part of the history of the world is the history of the new Jerusalem.

The ninth part of the history of the world is the history of the new creation.

The tenth part of the history of the world is the history of the new world.

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