
REVIEWS

Still Trapped in the Past?

*Michael Jones, **Reforming New Zealand Welfare: International Perspectives**,
Centre for Independent Studies, Sydney, 1997*

*Reviewed by **David Preston***

MICHAEL JONES is a senior lecturer in management at The University of Canberra and author of *The Australian Welfare State*, whose first edition was published in 1980. His new book on social welfare in New Zealand is a carefully crafted text which is likely to feature on university reading guides for some time. As a summary of key issues involved in the contentious area of welfare reform, it is notable for its breadth of coverage and its balanced presentation. Jones has an encyclopaedic knowledge of the literature in the field, and of the sometimes ambiguous research evidence which confronts those who want clear and simple answers.

The bibliographies which follow each chapter are impressive, with New Zealand and Australian material set in a wide international context. Jones is careful also in his citation of evidence to represent a diversity of views. At times, the attempted coverage of issues seems a little ambitious for a book of just under 200 pages, even when restricted to cash benefits. However, the breadth of the references cited makes this a good basic text for those who wish to pursue topics in greater depth elsewhere.

The text is divided into three main sections. The first picks up several key themes whose implications are sketched out here and in some cases followed up in more detail later. Jones identifies the unusual nature of the New Zealand welfare system (and the related Australian model) with its predominant reliance on a single tier of tax-funded flat-rate benefits, the key distinction being between the highly targeted income-testing regime for the working-age population and the non-contributory universal pension for the elderly. He sets this in the context of the wide variety of models operating around the world. He also stresses the contrast between the limited scale of welfare reform so far undertaken in New Zealand and the radical measures taken in some sectors of the economy. Most of the more detailed discussion in this section deals with reform issues related to the working-age population.

Jones's discussion of options and issues is more thoughtful than some other recent tracts in the field. In particular, he picks up the 'four types of welfare intervention' analysed by Deborah Mabbet, as well as Esping Anderson's more frequently cited 'three worlds' or models. Mabbet's approach identifies also the hidden redistribution effected through trade protection and cross subsidisation. The

demolition of this system as part of the economic restructuring of New Zealand has left many previously employed workers with limited job skills in a difficult transitional situation, and created a new type of dependence problem for the welfare state.

Although he sets New Zealand's problems clearly in an international context, Jones is cautious about the applicability of other countries' approaches to resolving them, particularly through social insurance. He does not see any easily importable solutions, but notes that New Zealand's system 'became trapped in its past' (p. 43) when confronting the problems of the 1970s. But despite its title, Jones's book is not a pamphlet with a set of final answers

The second section of the book deals with poverty and inequality. At times it seems to move away from the main themes of welfare reform, but the focus is restored as Jones picks up most of the key themes in the recent poverty debate, and relates them to the key issues that a reform strategy must deal with. He notes the ambiguous nature of most definitions and measures of poverty in developed countries, and also the lack of good statistics in New Zealand on how individuals' economic situations change over time. He also draws attention to the high ratio of benefits to wages, although the comparison is with equivalent social assistance elsewhere rather than with what is provided under contributory earnings-related schemes. Jones notes the recent trend towards greater inequality in income distribution in most OECD countries; and he cites the key economic factors identified by other academics, notably technology, trade competition, demand shifts and migration inflows from poorer regions, together with the interface problems and dynamics of the welfare systems themselves and of the groups they cater for. He raises but does not resolve the issue of the extent to which current trends are transitional rather than structural.

The third section of the book deals with issues of an aging society in New Zealand and elsewhere. Jones focuses on the major problems this poses for the design of pension systems and the cost of other support systems for the dependent elderly, such as health and rest-home care. Jones suggests that New Zealand, in contrast to the stricter Australian model, 'treats the aged as high class citizens' (p. 174). He notes that whereas New Zealand used to have a low proportion of elderly in the population by developed country standards, it will have a very high proportion of elderly in the 21st century. The former situation allowed the luxury of a generous tax-funded universal pension system at an early retirement age; but the future poses significant adjustment problems since New Zealand's current policies are 'a recipe for severe intergenerational conflicts after 2030' (p. 161). Jones's proposed reforms for the state-funded New Zealand Superannuation will come as no surprise to those who have followed the recent debate. They include lower pension-wage ratios, higher pensionable retirement ages, and means tests for assistance. These are essentially the same options as those advanced in mid-1997 by the government's Periodic Reporting Group in 1997, though the perspective is more pessimistic.

Jones also deals with another recent policy preoccupation in New Zealand: the development of a fully funded contributory retirement pension system. He judges that Australia's move in this direction has been, on balance, a desirable develop-

ment, despite its design problems and especially the cost of its tax concessions, which in 1994-95 amounted to the equivalent of 71 per cent of Australian pension outlays. On balance, Jones supports compulsory provision, and consider that 'If New Zealand rejects a funded individual retirement system it will probably have to make its retirement benefit system less attractive' (p. 179).

The conclusions Jones reaches on suggested future directions for the New Zealand welfare state as it applies to the non-aged are unsurprising and carefully nuanced. He notes that the shift to a more internationally competitive economy in New Zealand has had 'limited impact on the scale of social dependency' (p. 183), and that 'many of the non-aged dependent seem strangely insulated from broader economic changes and expanding employment opportunities'. However, he sees 'no simple solutions' (p. 184).

Rather than proposing specific policies or programs for the non-aged dependent, Jones gives indicative support for several broad directions of change. A key underlying theme is the idea of the 'developmental state' rather than the 'welfare state', the former of which involves policies which equip people for self-sufficiency rather than supporting passive dependence. This leads naturally towards making work a much larger ingredient in the policy mix. But Jones is less specific about how increased work requirements for a variety of beneficiaries is actually to be implemented. He discusses time limits on benefits, without reaching a clear conclusion. He notes that the Swedish model of active manpower policies focusing on training and job provision 'is expensive' (p. 186). He suggests that New Zealand should look at more significant work requirements for sole parents, without being very specific about what these should be.

In essence, Jones hands the problem back to the New Zealand authorities to solve. He ends with a hopeful endorsement of the capacity of New Zealand governments and its policy advisers to successfully address the key issues, and suggests that New Zealand 'once it gives the welfare state enough critical attention, will undoubtedly develop a reform strategy suited to its history, values, and particular social and economic circumstances' (p. 188).

Let us hope that he is right.

David Preston is a former General Manager of the New Zealand Social Policy Agency. In 1997 he was a member of the design team for the New Zealand Compulsory Retirement Savings Scheme proposal, and Technical Adviser to the Independent Referendum Panel.