

PRESERVATION

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PRESERVATION

UNITS OF ASSESSMENT FOR SOCIAL SECURITY

A Paper Prepared for the Royal Commission on Social Policy

Department of Social Welfare

4 December 1987

TABLE OF CONTENTS

	Paragraphs
INTRODUCTION	1-10
I: ENTITLEMENT TO SOCIAL SECURITY IN NEW ZEALAND	12-21
II: ASSESSMENT UNITS CURRENTLY USED IN DETERMINING ENTITLEMENT	
Some Definitions	22-24
Eligibility Categories	25
Base Payment Rates	26
Actual Payment Rates	27
Summary and Discussion	28-34
III: PRESSURES TOWARDS AN INDIVIDUAL BASED SYSTEM	35
Changes in Labour Force Participation of Women	36-44
Changes in Patterns of Marriage and Child Rearing	45-47
Financial Arrangements Within Families	48-50
Increasing Variety of Household Types	51-55
Changing Ideas	56-59
IV: OPTIONS FOR ASSESSMENT UNITS TO BE USED IN DETERMINING ENTITLEMENT	60-61
Eligibility Categories	62-69
Base Payment Rates	70-74
Actual Payment Rates	75
Summary and Discussion	
- Options	76-78
- A Strict Individual Approach	79-82
- A Modified Individual Approach	83-92
V: ASSESSING THE RELATIVE MERITS OF FOUR ALTERNATIVE APPROACHES	
The Four Approaches Outlined	93-96
Comment on the Strict Individual Approach	97-100
Comment on the Modified Individual Approach	101-108
Comment on the Present System	109-115
Comment on the Non-State Communal Approach	116-119
VI: CONCLUDING COMMENT	120-123

INTRODUCTION

- 1 The present paper, Units of Assessment for Social Security, provides an examination of the assessment units which underlie present rules for determining entitlement to income support. The paper discusses pressures for change to the present approach and identifies possible alternatives. It provides an examination of the relative merits of the alternatives without, however, coming to any definite conclusion.
- 2 The topic of this paper, units of assessment, may seem - when baldly stated - to be abstract and esoteric. It is, however, a fundamental determinant of the nature of income support provisions.
- 3 The unit of assessment on which the income tested benefits are based is in essence the nuclear family - i.e. a couple and their children. (In practice, this unit is often encountered in reduced forms: solo parent with children, couple without children, or unattached individual.) However, persons over sixty years of age in receipt of national superannuation have individual eligibility (although the rate received is affected by marital status). Eligibility for family benefit is on yet another basis. Furthermore, there are many variations in assessment procedures to cover particular types of circumstances. These reduce the extent to which it is possible to give a straightforward account of the assessment units applying to various benefits.
- 4 It is clear from the forgoing that present procedures make use of a variety of assessment units. The procedures are the result of a lengthy process of incremental elaboration, and their great complexity is a source of dissatisfaction. However, they have compensating desirable features, and it is by no means clear whether, on balance, any of the available alternatives are superior.
- 5 In recent years there have been public pressures for various sorts of changes which could be summarised as a shift towards individual-based assessment. Support for such a shift seems to be quite broadly based amongst Pakeha New Zealanders. However, judging from submissions to recent task forces, few of the protagonists for such change have clearly thought out what they mean by "an individual-based social security system". This lack of precision appears to derive in part from lack of clarity about what is meant by the term "unit of assessment". It also derives from a presumption that, whatever it means, there is a single unit of assessment upon which the present social security system is based.
- 6 This paper offers a characterisation of the present system which shows that it uses different units of assessment for different types of decisions and for different categories of beneficiary. That characterisation is then used to generate alternative specifications. Examination of the alternatives enables clear identification of the range of meanings which might be given to the notion of a shift towards individual based assessment.

- 7 An analysis of the implications of such a shift indicates that it would make possible considerable simplification of eligibility but would increase expenditure (unless some rates of payment were reduced). Government is currently under pressure (because of economic conditions) to contain the growth in welfare spending. These two pressures are in conflict. There has also been advocacy from some Maori for a system which reflects Maori cultural traditions of collective action and collective responsibility. This is also in conflict with a move towards individual entitlement. Although the present assessment procedures are a source of dissatisfaction, any alternative approach which is put up for consideration will be contentious.
- 8 This paper grows out of an effort being made within the Department of Social Welfare to formulate a Departmental position on the assessment units most appropriate to various income support provisions. The Department has been examining this issue in relation to possible developments in New Zealand's income support system over the longer term (by which is meant the next two or three decades, rather than the next two or three years). Unfortunately it has not been possible to advance progress on that exercise to the extent of finishing it by the deadline which the Royal Commission on Social Policy has given the Department for any submission it wishes to make on units of assessment.
- 9 The Department's effort has developed to the stage of its having made a review of the present provisions and having identified some possible alternative approaches. However, the paper does not make any submission on which unit(s) are most appropriate, not least because of the absence of costings of alternative approaches.
- 10 In preparing this paper an attempt has been made to maintain the awareness of issues which arise from accepting a bicultural ideal, and some of the proposals made are specifically intended to stimulate further exploration of how that ideal might be expressed in relation to income support functions. However, the paper is itself not a product of a bicultural process.

I ENTITLEMENT TO SOCIAL SECURITY IN NEW ZEALAND

- 12 New Zealand's social security system is categorical in nature. To receive a social security benefit someone must first establish that they meet the criteria for inclusion in some category of persons who are presumed "... to be unable to derive adequate incomes from the market system, or who are most likely to face unusual expense in maintaining an acceptable standard of living". (Royal Commission on Social Security in New Zealand, 1972: 65). The eligibility categories are defined in terms of characteristics such as age, work status and responsibility for dependent children. There are different benefits corresponding to the different categories thus defined.
- 13 Once it has been established that an applicant meets the criteria for inclusion in one of the specified eligibility categories, their entitlement in dollar terms is determined using a two-step procedure:
 - (i) a base payment rate is specified in relation to the category and to the applicant's marital status and age, without reference to income; and
 - (ii) the level of abatement is established on the basis of income to determine the actual rate of entitlement. (In the case of national superannuation, the abatement takes the form of a tax surcharge.)
- 14 Establishing entitlement thus involves three sorts of determination: membership of eligibility category; base payment rate; and actual rate of entitlement. Some particular unit (for example the individual, the couple, the couple together with their dependent children) is employed when making each of these determinations. The unit varies according to the type of determination and the type of benefit. This conceptualisation of the process of establishing entitlement is derived from that offered by Edwards (1984).
- 15 The words eligibility and entitlement are often used interchangeably. In this report, the criteria which an applicant must satisfy to qualify for a benefit are referred to as "eligibility criteria", while the term "entitlement" generally refers to the amount received. Thus a parent who has care of two dependent children is eligible for the family benefit and has an entitlement of \$12 per week.
- 16 Most social security and related income transfers are provided by means of a system of nine benefits: domestic purposes benefit, widows benefit, sickness benefit, invalids benefit, unemployment benefit, national superannuation, family benefit, family support and guaranteed minimum family income.

- 17 In all cases eligibility requires a period of residence in New Zealand (intended residence in the case of family benefit), and is limited to persons in specified age ranges. These residency and age requirements vary between benefits. Other eligibility conditions relate to marital status, length of marriage, parental status, current responsibility for the care of dependants, and health or employment status. These criteria are applied in various permutations under the different benefits.
- 18 The base payment rate, which is the amount a beneficiary will receive when there is no abatement for other income, is determined with reference to:
 - (i) Marital status. For example, the maximum rate for married couples without dependent children is 167% of that for single persons. No distinction is drawn between those living in de jure and de facto unions and the word "married" is used to cover both sorts of union.
 - (ii) The presence of dependent children. For example, the maximum rate for solo parents exceeds that for single persons.
 - (iii) Age. For example, the maximum rate for unemployed single persons aged less than 20 years is less than that for "adult" single persons.
- 19 For benefits other than national superannuation, actual entitlement is calculated by applying the income test to the other income of the applicant or, in the case of those who are married, to the other income of the applicant and his/her spouse. No account is taken of the income of other adults living in the household or of the income of dependent children.
- 20 Actual entitlement to national superannuation for those who meet the age and residency requirements is calculated by applying the national superannuation tax surcharge. Although this is (as the name implies) a tax measure, its object is to apply an income test to national superannuation. One feature of the operation of the tax surcharge is that married persons may assign their exemption (the income on which no tax surcharge is payable) to their spouse.
- 21 A person who does not meet the age or residency criteria may qualify for national superannuation by virtue of being married to a national superannuitant. The entitlement of such persons is determined by applying the income test to the joint income of the couple.

11 ASSESSMENT UNITS CURRENTLY USED IN DETERMINING ENTITLEMENT

Some Definitions

- 22 It was noted earlier that at different stages of the process for determining benefit entitlement, attention is directed at different units. These units are referred to as "assessment units".
- 23 It was also noted that, for social security purposes, a man and woman living in a de facto marriage are treated in the same way as a couple living in a de jure union. The word "couple" is used for both sorts of union.
- 24 Finally, the term "parent" is used to refer to any adult who has responsibility for the care and upbringing of a child whether or not they are the child's biological parent. The unit comprising parent, or parents, with one or more dependent children is referred to as a parent and child unit.

Eligibility Categories

- 25 For the invalids', sickness and unemployment benefits the eligibility category is defined in relation to the individual, without reference to any relationship (past or present) to another person. For national superannuation, the unit is also generally the individual, although it is possible for a person to be eligible because of marriage, thus introducing an element of couple-based determination. For the domestic purposes benefit, the eligibility category is defined in terms of the parent and children; the essence of eligibility is sole responsibility for the care of one or more dependent children. A domestic purposes benefit may also be granted to individuals who have a certain type of personal history (for example loss of husband's support after age 50, following at least five years of marriage), or who are providing full time care for an adult (not a spouse) who would otherwise be in hospital. In these cases the unit is the individual. A parallel situation applies to the widows' benefit. For the family benefit, the assessment unit is a parent (usually the mother) and dependent children. This applies whether the family contains one parent or both. In the latter case, the payment goes to the parent designated as "the caregiver". For family support and the guaranteed minimum family income the unit is the parent(s) and dependent children.

Base Payment Rates

- 26 The assessment unit used in determining the base payment rate is in some cases different from that used to define an eligibility category. For invalids', sickness and unemployment benefits, and also national superannuation, the base payment rate varies with marital status; the unit is thus the couple. For the domestic purposes benefit the unit is the parent and children or the individual, depending on the basis of eligibility for the benefit.

(The unit is the parent and children in the case of solo parent families; it is the individual in the case of women alone receiving the benefit, and for persons providing care for a sick person.) For widows benefit the unit is, similarly, the parent and children, or the individual, depending on the basis of eligibility. For family benefit, the unit is a parent ("the caregiver") and children, while for family support and for the guaranteed minimum family income the unit is the parents and children.

Actual Payment Rates

27 In determining the actual rate of entitlement for sickness, invalids' and unemployment benefits reference is made to the joint income of the applicant and spouse, so the assessment unit is the couple. For the domestic purposes and widows' benefits the unit is the individual. The unit is also the individual for national superannuation, except in cases where a spouse qualifies by being married to a qualifying person; in such cases the unit is the couple. For family support and the guaranteed minimum family income, the unit is the parents. No income test is applicable to the family benefit.

Summary and Discussion

28 The assessment units applying to the different benefits at each of the three stages of the assessment process are summarised in the following table.

Units Used at Different Stages of Entitlement Assessment

UNIT USED IN DETERMINING

Benefit type	Membership of eligibility category	Base payment rate (ie. rate before abatement resulting from income test)	Rate of entitlement (ie. rate after abatement for income)
Domestic Purposes Benefit	parent and dependent children (solo parents) OR individual (women alone or those caring for a sick person)	parent and dependent children OR individual	individual
Widows' benefit	parent and dependent children (solo parents) OR individual (those with no dependent children)	parent and dependent children OR individual	individual

Sickness benefit	individual	couple	couple
Invalids' benefit	individual	couple	couple
Benefit type	Membership of eligibility category	Base payment rate (ie. rate before abatement resulting from income test)	Rate of entitlement (ie. rate after abatement for income)
Unemployment benefit	individual	couple	couple
National Superannuation	individual OR couple (where spouse qualifies by reason of marriage)	couple	individual OR couple
Family benefit	parent (the "care-giver") and dependent children	parent (the "care-giver") and dependent children	not applicable (no income test - entitlement equals base rate)
Family support	parents and dependent children	parents and dependent children	couple
Guaranteed minimum family income	parents and dependent children	parents and dependent children	couple

29 A feature of the current assessment procedures which is apparent from the preceding discussion and the summary table is the variety of assessment units used for making different determinations for different benefits. This is one source of the apparent complexity the social security system. This issue is addressed below.

30 Another noteworthy feature is the use of the couple as the unit of assessment both when determining the base payment rate in some cases and when determining the actual entitlement in some cases. Two rationales can be given for using the couple as the unit of assessment. The first, where the couple is used as the unit when determining the base payment rate, is that marital status is an

indicator of living arrangements: being married means sharing; being unmarried means not sharing. On the basis that those who share enjoy the benefits of economies of scale in household operation, the rate for married couples (those who share) is set at less than twice the rate for unmarried persons (those who live alone).

- 31 The second rationale, which results in the use of a couple's joint income when determining actual entitlement, is that married persons are financially interdependent. If one spouse becomes sick or unemployed, for example, they are presumed to be able and willing to rely on their spouse for financial support. In other words, they have a claim on their spouses' income. The converse presumption is that unmarried adults have no one on whom they can rely, or on whom they can be expected to rely, for financial support.
- 32 The 1972 Royal Commission on Social Security explicitly endorsed this treatment of married persons:

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 in the interests of most women that this concept should remain, at least until the pattern of women's employment substantially changes. (RCSS, 1972: 270-271.)

- 33 This statement itself identifies a major issue in any assessment of the appropriateness of this treatment of married persons: are married women any longer generally financially dependent on their husbands? However, there are other considerations. First, the Royal Commission's reasoning applies only to the second rationale for using the couple as a unit of assessment. Any reassessment of the appropriateness of this provision must therefore also consider the adequacy of marital status as an indicator of living arrangements. Second, the issue of financial interdependence between married persons raises the more general issue of what financial dependencies are recognised in the social security system and whether it is still appropriate to recognise these but not others.
- 34 It should be noted here that the 1972 Royal Commission itself received submissions which questioned the appropriateness of using the couple as the unit of assessment when applying the income test. It reports (RCSS, 1972: 270) that the perception of unfairness was strongest for those who had lost an income through sickness. The Royal Commission reports only one argument put to it, an argument that is echoed in many submissions to recent Task Forces. This is that:

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. (RCSS, 1972: 270)

This argument for abandoning joint income testing is discussed below.

III PRESSURES TOWARDS AN INDIVIDUAL BASED SYSTEM

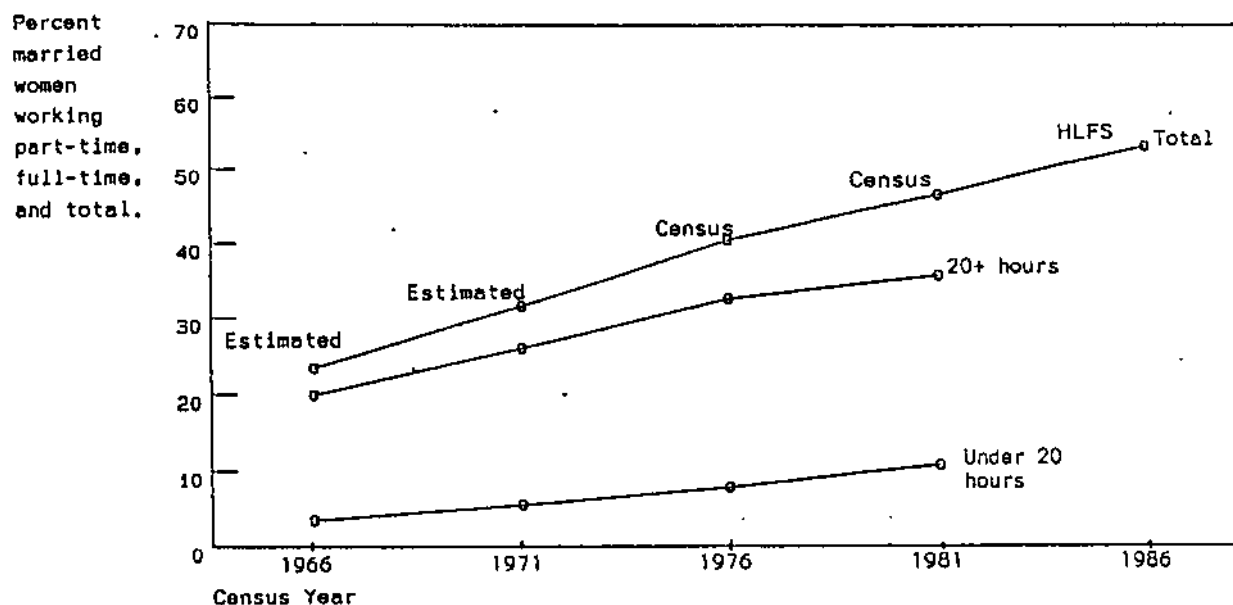
- 35 For the purposes of this discussion it is convenient and useful to group pressures for moving toward the individual as the unit of assessment under five headings:
- Does increased labour participation of women since the 1960's mean we should assume most adults of labour force age earn an income and are financially independent?
 - Are changing patterns of marriage and child rearing encouraging women's financial independence?
 - Do financial arrangements within families support the notion of women's financial independence?
 - Does the increased variety of household types make it no longer appropriate to use marital status as an indicator of living arrangements and no longer appropriate to reinforce only certain sorts of financial dependency.
 - Is there any evidence of change in commonly held views about dependency relationships in families?

Changes in Labour Force Participation of Women

- 36 Koopman-Boyden and Scott (1984:205) observe that "The increasing economic and social independence of married women in the last decade has undoubtedly made policy-making extremely difficult ...". Changes in rates of participation in the paid labour force by women, particularly married women, are an important dimension of this increased social and economic independence.
- 37 That the last two or three decades have witnessed large increases in labour force participation rates of women, especially married women, is beyond dispute. The following figure from a recent report (Hall, 1987) shows quite clearly the magnitude of the change between 1966 and 1987. The base year of 1966 is particularly appropriate because the latest information on labour force participation available to the 1972 Royal Commission on Social Security was that from the 1966 Census. At that date almost exactly 20 per cent of married women were in paid work full-time (defined as 20 or more hours per week), while very few married women were in the paid work force on a part-time basis. Hall estimates the overall participation rate for 1966 to be 23.4 per cent. By 1986 (according to the Household Labour Force Survey) more than 53 per cent of married women were in the paid labour force.
- 38 Splicing together labour force participation rates derived in different ways (some of them not entirely satisfactory) and reported

of other countries to predict the future for New Zealand, that experience clearly suggests that further increases in labour force participation by married women in New Zealand are likely.

Labour-Force Participation of Married Women - Full-Time, Part-Time and Total



- 39 What does such change have to do with the question of the unit of assessment for social security? In brief the fact that married women are likely to be in paid employment is prima facie evidence that a majority of married women have achieved some degree of financial independence. As noted by the 1972 Royal Commission, when women who have in fact achieved a degree of independence become sick or unemployed, they are forced into a position of financial dependence. In presuming that women are willing to become financially dependent on a spouse, the social security system demeans their efforts to secure a more autonomous state.

- 40 There is another side to this which helps to indicate why any presumption in the social security system of financial dependence between spouses is already controversial and likely to become more so. This is that the presumption is not sexist; married men are presumed to be no less dependent on their spouse than are married women. When labour force participation by married women was less common than it is now, and women's incomes were lower, the implications of that presumption for married men were less likely to emerge. For most, the application of the income test to joint income was of no consequence. Today, however, entitlement of many married men to social security is reduced, or eliminated, on account of their spouse's earnings.
- 41 A particular dimension of this issue concerns taxation. Personal income tax is, with the exception of family assistance and a few minor provisions, an individual based system. It is commonly charged, therefore, that the social security system is "unfair" because a married earner pays taxes as an individual but has to claim social security as a member of a married couple. The basis of this charge appears to be that paying taxes creates an entitlement to social security. As noted above (paragraph 23) the 1972 Royal Commission reported that it had heard this argument, and did so in a way that implies it accepted it.
- 42 It is true that the notion of contribution is evident in debates over the years about New Zealand social security provisions. However, the notion of contribution to which reference is made is broader than financial contribution or contribution by way of taxes. For example, The Old Age Pensions Act of 1898 states that:
- It is equitable that deserving persons who during the prime of their life have helped to bear the public burdens of the colony by the payment of taxes, and to open up the resources by their labour and skill, should receive from the colony a pension in their old age.
- Such a broad interpretation of contribution is also found in the report of the 1972 Royal Commission itself. In its discussion of the arguments for a universal superannuation heard during the Parliamentary debate on the 1938 Social Security Act it emphasises "... rights to benefit by virtue of ... past contributions to tax revenue and production ...". (RCSS, 1972; 204).
- 43 If the notion of contribution that underlies the social security system is broad, no specific additional weight can be given to the argument that increased labour force participation by women means they are now contributing more than previously. This is not to say, however, that some reassessment of the appropriateness of joint income testing is not warranted on account of increased labour force participation by women.
- 44 The charge of unfairness based on a comparison with the personal income tax system is echoed by similar charges based on a comparison of social security with the accident compensation system.

Changes in Patterns of Marriage and Child Rearing

45 Since 1972 there has been an increase in the number of persons who are separated or divorced, an increase in the number of women raising families on their own, and an increase in serial marriage and in the number of reconstituted families.

- Between 1971 and 1981 the proportion of persons over 16 declaring themselves to be married decreased from 67.3 per cent to 61.1 per cent. The proportion of separated and divorced people increased from 2.8 per cent to 6.3 per cent. In 1986 separated and divorced people made up more than seven per cent of the population aged 15 and over (1986 Census, Series C, report 1).
- Between 1976 and 1981 one parent families increased from one in nine to one in seven of all household groups. (Mowbray and Khan, 1984).
- An increase in the incidence of serial marriage and of reconstituted families is indicated by marriage statistics. Marriages involving two divorced partners increased from 2.8 per cent of all marriages in 1971 to 11 per cent in 1983. Thirty per cent of 1983 marriages involved at least one partner previously married or divorced (SMG, 1985: 55). In 1986 about ten per cent of married people described themselves as "remarried". (1986 Census, Series C, report 1).

The picture that emerges is one of increasing diversity of family forms. How have these changes affected financial arrangements within households and the financial independence of women?

46 We can reasonably assume that women who pass through a series of household arrangements (e.g. marriage, solo parenthood, second marriage) become accustomed to managing their own financial affairs. As solo parents they have little option but to be financially independent of another adult, and in a second marriage it is unlikely they will relinquish that independence. Many will enter a second marriage with considerable property; some will own a house, which may be retained as the matrimonial home. The household formed by the marriage may include children of a previous marriage (or the previous marriages of both partners). In such circumstances a degree of separation of financial arrangements becomes more likely.

47 Thus, the increasing diversity of marriage and family arrangements is probably reinforcing the effect of increased labour participation in encouraging financial independence of women. Some degree of independence may now be viewed not just as desirable, but as the norm for married women. Conversely, lack of financial independence is a cause of marital strife. The Society for Research of Women refers to one magistrate's view, in the mid seventies, that discontent about arrangements for financial decision-making had a lot to do with marriage breakdown. The Society's own research confirmed that "there is obviously a strong association between disagreements over money and the breakdown of marriage". (SROW, 1981: 9, 42).

Financial Arrangements Within Families

- 48 It does not follow that because many married women have separate incomes they have achieved financial autonomy, or that traditional patterns of specialisation of roles within marriage are no longer to be found. A review during the 1970s of New Zealand studies of roles within marriage found that old stereotypes were changing only gradually. Women still undertook the lion's share of domestic and caring work, but "the more involved women become in work outside the home, the less they accept the traditional division of responsibilities between husbands and wives the economic support of the family is more frequently than before a shared responsibility in New Zealand homes." (Novitz, 1978:82).
- 49 SROW's study of women and money found a very considerable amount of shared decision-making between married couples, with younger women and income-earning women taking a larger role in decisions about money. "If younger women maintain the level of control they showed in these data there should be continued steady movement towards shared responsibility for all age groups of women in the future!" (SROW, 1981:39). These findings are in line with the overseas literature, which suggests a relationship between a wife's earnings and her power in decision-making. (Edwards, 1984).
- 50 SROW's study suggests that the most common financial relationship between married couples in New Zealand is better described in terms of partnership than dependency. Even if married women with labour market earnings do not maintain a fully independent financial status or "control the purse strings", their income often gives them a degree of influence within the marital relationship which is quite at variance with the presumption of financial dependence that is built into the social security system.

Increasing Variety of Household Types

- 51 The table below summarises census data on changes in the distribution of household types since 1966, and shows that there has been a decline in the proportion of all households that are "family households", and an increase in the proportion of "non-family households". The term "family household" refers to households containing a couple, or parents and their children. The term "non family household" refers to households containing a single person, or a group of persons who may or may not be related.

Distribution of Households by Type, 1966-1981

Household (HH) Type	<u>Percentage in Each Group, by Year</u>			
	1966	1971	1976	1981
Family HH	81.55	80.58	78.65	75.41
of which:				
Single Family HH	69.05	69.50	68.89	65.92
non-Family HH	18.45	19.42	21.35	24.59
of which:				
Single person HH	12.50	14.10	15.55	18.50

(Source: ESCAP, 1985: 143)

- 52 Since 1966 there has been an increase in the proportion of single parent households, most headed by a woman, and a decrease in the proportion of two parent households. The proportion of households containing more than one family has remained constant, despite a decline in the proportion of all households which are family households. It is likely that this reflects the number of extended family groups as a result of immigration from the Pacific Islands.
- 53 Household types which differ from a two parent nuclear family are more visible than in the 1960s. For example, state housing enclaves exist in which a high proportion of houses are occupied by solo parent families. Some solo parents share accommodation. Adults in homosexual relationships are more likely than in the past to live together openly. It is more expected that young adults will flat together. There is greater recognition of the preference for extended family living among Maori and Pacific Island Polynesian groups.
- 54 Increased diversity of household types, and increased awareness of that diversity, have two important implications for the unit of assessment. First, it is no longer credible to take marriage as the only indicator of shared living arrangements among adults, and the only pointer to economies of scale that result from sharing. A more appropriate response might be to assume sharing among those who live together, and to provide extra assistance to those who live alone. Secondly, many New Zealanders live in relationships which imply mutual dependencies similar to those in heterosexual marriage. Homosexual couples are an obvious example. Interdependent relationships within extended family groups, though somewhat different, reach beyond marriage partners to include obligations to other relatives.

- 55 Two options are possible for accommodating such relationships. First, the income support system could take account not only of marriage, but of all culturally sanctioned financial dependencies. Thus all adults' entitlements would be tested against the income of those expected to maintain them; the entitlement of those responsible for dependants would be increased. Alternatively, the system could ignore the claims and obligations of all relationships, and focus only on individuals. The latter option would be administratively simple, would promote individual choice, and would minimise state interference in personal life. But it could be seen as advancing Pakeha individualism and ignoring the emphasis placed on family and group values by Maori and Pacific Island Polynesian communities.

Changing Ideas

- 56 The discussion above is concerned with the empirical evidence of change. It is more difficult to be specific about the extent to which views about appropriate financial dependencies within families have changed in ways which might increase pressures for moving toward the individual as the unit of assessment.
- 57 The 1972 Royal Commission on Social Security did not consider that assumptions about the dependence of married women clashed with prevailing opinion. There is some evidence that ideas have changed. One of the main themes in submissions from women to the Budget 85 Task Force was the need for economic independence and individual entitlement. (Budget 85 Task Force: Review and Summary 1986:62) The arguments were often based on notions of an individual right to independent status. Such arguments are perhaps strengthened by the attention given to human rights in recent years through the establishment of a Human Rights Commission and the proposal for a Bill of Rights. More specifically, the growth of the women's movement in New Zealand since the early 1970s has promoted the spread of ideas about equal rights for women. While it is difficult to be precise about the extent to which opinion has changed, the direction of change is clear.
- 58 There has been no similar ferment of ideas about children's rights, although the concept is not unknown. Easton recently expressed the view that every child has the same fundamental rights as every adult, (Easton, NZ Listener, 17 October 1987) but there is no evidence that this view enjoys wide public support. Nor have there been changes in the relationships between children and parents which have created pressures for individual treatment of children in the income support system.
- 59 Of more current significance for the income support system is the increased awareness of ideas about social relationships amongst Maori. Part of the renaissance of Maori culture has been to stress the importance of whanau, hapu and iwi rather than the individual. Governments have been forced to recognise the legitimacy of these values which run counter to those which would support an individually-based system.

IV OPTIONS FOR ASSESSMENT UNITS TO BE USED IN DETERMINING ENTITLEMENT

60 The preceding examination of current social security provisions has shown that three units are presently used in assessments of entitlement. The units are:

- (i) the individual
- (ii) the couple (ie. a man and woman who are married or living in a relationship which is in the nature of marriage)
- (iii) parent(s) and dependent children (ie. a person or couple with responsibility for the support and upbringing of one or more dependent children).

61 There are a number of other possibilities:

- (i) the family household - ie. the unit comprising all family members within a household;
- (ii) the household whatever its type (including households of unrelated persons flatting together);
- (iii) mutual dependence groupings not presently recognised by the social security - for example, homosexual couples, communes;
- (iv) kinship groups - for example, the nuclear family extended to include parents, brothers and sisters or adult children of adult members; amongst Maori people, the whanau; and
- (v) for Maori people, the tribe (iwi).

Eligibility Categories

62 In relation to the first stage of assessment (determination of eligibility category), the present system recognises only two units; the individual and the parent-and-child. Use of any unit other than the individual would imply either: a presumption of dependency (so that it is appropriate for some persons to apply for benefit on behalf of themselves and others for whom they are financially responsible); or recognition of groups of persons whose financial affairs are interwoven to the extent that a collective application is deemed appropriate.

63 The only presumption of financial dependency presently made at the first assessment stage is the presumption of children's dependency on adults. Are there other presumptions which are worth entertaining? The clearest candidate would be in relation to spouses of persons who have been "breadwinners". The traditional view of the position of wives in European societies has tended to include such a presumption. One would imagine that social security provisions based on such a presumption might have appeal in a traditionalist society where wives were invariably financially dependent on husbands and were denied any separate recourse to social security. However, to

adopt this sort of provision in New Zealand today would be to move directly in opposition to the trend towards greater financial autonomy of married women.

- 64 There is even less merit in extending a presumption of dependency beyond marriage to embrace, for example, extended family groups or households of unrelated adults. Although there are undoubtedly instances where members of such groups regard themselves as having obligations to financially maintain other members, it would be incorrect (and unfair) to make the presumption that such obligations are generally recognised and accepted. To do so would result in either some persons being left without support (because their need was acknowledged neither by the social security system nor by those presumed by the system to have a duty to provide support), or the necessity for developing elaborate and draconian machinery to try to coerce those presumed to have obligations to carry them out. Not only would this violate principles of social security administration and, more generally, social justice, it would also have a chilling effect on the sorts of social interactions and living arrangements people would be willing to contemplate.
- 65 The other possibility alluded to earlier is that the social security system might recognise groups from which collective applications would be accepted. This idea might be fruitfully developed in relation to Maori tribal (iwi) structures. In recent years it has been suggested on several occasions that it would be more constructive if unemployment benefits paid to individual Maori beneficiaries were provided instead to iwi authorities. The iwi would use the money for its own economic advancement, and provide schemes to give employment and economic support (not necessarily through money income) to iwi members who otherwise would be unemployed. The claim is made that this approach would be welcomed by many Maori as being in harmony with traditional Maori economic concepts and institutions, offering a means of giving expression to those traditional institutions within a modern market economy. It could also be seen as giving effect to pledges made in the Treaty of Waitangi to protect "treasures" (including cultural treasures) of the Maori, and to give them "the same rights and duties of citizenship as the people of England." This approach will be referred to as that of the iwi economic enterprise.
- 66 This approach is a radical departure from anything previously tried in this country in the social security field. Before it could reach the stage of practical application many fundamental (and unfamiliar) issues would have to be resolved. Prominent among these would be issues relating to coverage, entitlements, and the determination of the quantum of funding provided to the iwi economic enterprise.
- 67 Concerning the first of these issues, it would be necessary to devise a formula for ensuring that the state did not "pay twice" for Maori persons requiring assistance, through individual benefits, and by providing block funding to iwi enterprises. One way of avoiding such double outlays would be to require Maori persons to elect to

participate in one system or the other, perhaps for a specified period. Those electing to be covered by the operations of an iwi economic enterprise would cease to be eligible for ordinary social security assistance. The actual entitlements of a person making this election would depend on the nature of the enterprise and its mode of operation. For such an approach to succeed, the entitlements offered by the iwi authorities would obviously need to be sufficiently attractive to cause an appreciable number to elect in favour of this option. It is beyond the scope of this paper to speculate on what the entitlements might be.

- 68 Some formula would also be needed for determining the quantum of funding to be provided by the state to the iwi economic enterprise. One approach would be to base an estimate on the amount of benefit expenditure the state had been saved through Maori persons electing for the iwi scheme. To make a realistic estimate of the amount would be difficult but there is no reason to suppose it would not be possible. The legitimacy and success of the approach would depend on this matter being successfully resolved.
- 69 It is possible that some non-Maori persons would also find appeal in this approach. There is no reason, in principle, why the social security system should not also recognise non-iwi-based economic support co-operatives which such persons could elect to join.

Base Payment Rates

- 70 The present social security system makes use of all three of the "traditional" assessment units when determining base payment rates. This is to say, in some cases the rate is assessed in relation to the individual, in other cases in relation to the couple, and in yet other cases in relation to the parent-and-child unit. Is there scope for expanding the range of units employed?
- 71 This issue is best approached by examining in some detail the way in which present assessment procedures operate. The parent-and-child unit is used for sole parent applicants, and its rationale is straightforward; the solo parent must maintain a household which includes one or more dependent children. For other types of applicant, the base payment rate is determined with reference to the applicant's marital status. The rationale for this is that married couples achieve economies of scale compared with other persons who are assumed to live alone. While the assumption about economies of scale has a lot of empirical support from studies of household expenditure, the assumption that unmarried persons live in one-adult households holds less often than previously. In fact data from the 1981 census shows that many single persons share flats with others or board with their parents. The use of marital status as an indicator of living arrangement is no longer empirically valid. If benefits are to be paid at different rates to those maintaining their own households and those benefiting from economies of scale (a point which is sometimes contested), it would be best if categories were defined in terms of the nature of the household in which the beneficiary is living. The simplest sort of distinction would be that between persons maintaining their own households and persons living with other adults.

- 72 It is now possible to return to the point concerning whether the second assessment stage should recognise such units as the family household, the non-family household (eg. a group of unrelated "flatters"), homosexual couples, and so on. The significant element which all of these have in common is that they offer economies of scale in household operation. The issue is resolved if the present distinction between those who are married and those who are not married is replaced by a distinction between those who are maintaining separate households and those who are living with other adults.
- 73 If social security is extended to include alternative forms of assistance delivered through iwi economic enterprises (and economic support co-operatives), those persons electing for the alternative assistance would not be subject to second stage assessment procedures. (The alternative forms of assistance may involve parallel assessment procedures, but they would be part of the operation of the alternative systems, not part of the state social security system.)
- 74 The possible units for use in setting base payment rates are taken to be: the individual, the couple or household (put forward as alternatives as previously discussed), and the parent-and-child.

Actual Payment Rates

- 75 The assessment units presently used to determine actual entitlement are the individual and the couple. Where the couple is the unit, the income test is based on the combined income of both partners. The rationale for the joint income test is that a spouse may be presumed to be financially dependent on their partner. There are many difficulties in extending the presumption of financial dependency to other types of living arrangements. These were discussed earlier, and are deemed to be of such magnitude as make the prospect of any such extension unrealistic. Accordingly, that prospect will not be considered further. Nor is the issue of a third stage of assessment relevant to provisions based on the iwi enterprise or economic support co-operative. Thus, the possible units for use at the third assessment stage are taken to be the individual, the couple and the parent-and-child.

Summary and Discussion

- 76 Twenty options for the units to be used at the various stages of the assessment process were identified in the preceding discussion. These are shown in the following table. The table also shows the types of benefits to which the combinations currently apply.

Possible Options for Units to be Used in Entitlement Assessment

UNIT TO BE USED IN DETERMINING:

Option	Membership of eligibility category	Base payment rate	Rate of entitlement (ie. rate after income test)	Current benefits to which the combination of units applies
1	individual	individual	individual	domestic purposes (some cases) widows' (some cases)
2	individual	individual	couple	
3	individual	individual	parent-and-child	
4	individual	couple or household	individual	national superannuation (some cases)
5	individual	couple or household	couple	sickness, invalids, unemployment, national superannuation (some cases)
6	individual	couple or household	parent-and-child	
7	individual	parent-and-child	individual	
8	individual	parent-and-child	couple	
9	individual	parent-and-child	parent-and-child	

Option	Membership of eligibility category	Base payment rate	Rate of entitlement (ie. rate after income test)	Current benefits to which the combination of units applies
10	parent-and-child	individual	individual	
11	parent-and-child	individual	couple	
12	parent-and-child	individual	parent-and-child	
13	parent-and-child	couple or household	individual	
14	parent-and-child	couple or household	parent-and-child	
15	parent-and-child	couple or household	parent-and-child	
16	parent-and-child	parent-and-child	individual	domestic purposes (some cases), widows' (some cases)
17	parents and-children	parents and-children	couple	family support, guaranteed minimum family income
18	parent and child	parent and child	parent and child	
19	iwi economic enterprise	not applicable	not applicable	

Option	Membership of eligibility category	Base payment rate	Rate of entitlement (ie. rate after income test)	Current benefits to which the combination of units applies
20	economic support co-operative	not applicable	not applicable	

77 In examining the options, two general considerations are given precedence. First, it is desirable that assessment procedures be as simple and uniform as possible. A feature of current provisions is the use of a considerable number of combinations of units. In part, this reflects past efforts to tailor the conditions of particular benefits to the needs of particular client groups. In examining the options it is useful to consider whether it is possible to achieve greater simplicity.

78 The second general consideration arises from the increasing advocacy for a benefit system which has greater orientation towards the individual as the primary basis of assessment. Attention will therefore be directed at options which reflect that orientation.

A Strict Individual Approach

79 The option which goes furthest towards meeting these two considerations (and which, indeed, meets them completely) is option 1 which uses the individual as the unit in making all three determinations. There are difficulties with this option (including, its cost), which make it unlikely contender while current social and economic conditions prevail. Nevertheless, it is worth considering in some detail for what it reveals about the general implications of shifting the focus of benefit eligibility towards the individual. It is this option which fits with Edwards' definition of an individual based social security system. (Edwards, 1984: 156)

80 Under this option there would be separate entitlements for adult men and women, irrespective of their marital position. This is also a feature of the second option discussed below; consideration of it is therefore deferred. The most striking implication exclusive to the strict individual option is in relation to children. As the economic dependence of children on their parents is not recognised within this option, it implies the creation of universal support entitlement for children. This is referred to below as the "universal child benefit". The difference between the universal child benefit and the current family benefit (aside from the level) is that the recipient of the universal child benefit would be the child, as with the current orphan's benefit. In practice, some adult (presumably one of the child's parents in most instances) would usually act as trustee, taking receipt of the benefit on behalf of the child and using it in the child's interests.

- 81 How should the level of the universal child benefit be set? One approach is to set it at the level required to support a child on the grounds that children lack an income. An alternative is to regard the child as having a constructive claim for support on the income of his/her parents. This could be seen as providing the child with a notional income, which could be used to abate the amount paid. Thus in practice the amount of support provided would be affected by the income of the parents.
- 82 Some implications of providing children with a separate entitlement are as follows:
- No social security benefits paid to adults would include differential amounts to cover the costs of dependent children because their support would be provided for through the universal child benefit.
 - A thoroughgoing application of option 1 would eliminate benefits specifically for solo parents. If the function presently performed by the domestic purposes benefit was to be continued the amounts received by children cared for by solo parents would need to be sufficient to support both the parent and child.
 - The rationale for family support would be eliminated.

A Modified Individual Approach

- 83 Another approach is to retain the principle that no adult be regarded as financially dependent on another adult but to regard children as financially dependent on adults. This approach results in a more modest shift towards an individual orientation to assessment.
- 84 This modified individual approach would require two systems of assessment. First, there would be the assessment procedure applying to persons with responsibility for the care and support of children. This could be based either using the parent-and-child as the unit throughout (option 18), or on option 16 (which differs only by the use of the individual at the last stage of assessments). The more straightforward choice is option 18. A particular feature of this option is that the income test made at the third stage of the assessment procedure is based on the income of both the parent and the children. Such a test is not used in the present benefit system. It is true that most children do not have much income, but there are some exceptions. For example, there is a minority of children in whose names trusts have been set up. Such a trust may generate substantial income for the support and education of the child. There seems no good reason why this income should not be taken into account in assessing the amount which the state should provide for the support of the child.
- 85 Second, there would be a distinct assessment procedure applying to persons who did not have responsibility for children. The option which would provide the clearest expression of an orientation towards the individual is Option 1, the strict individual approach. The

approach represented by the choice of options 18 and 1 for persons with and without children respectively is what most often seems to be envisaged by those who say that social security should be based on "a more individual approach".

- 86 Use of this approach implies that an adult's entitlement would be unaffected by the existence of a spouse or the income of a spouse. Thus, for example, an unemployed married person who was willing and able to work would be entitled to the unemployment benefit irrespective of the income of their spouse.
- 87 Two basic questions arise in relation to children. First, there is that of whether the presence of children in families is to permit a waiving of any "willingness to work" criterion as a condition for a benefit. Second, there is the question of how the presence of children affects the level of benefit which is paid.
- 88 An answer to the first question suggested by current child-rearing practices is to enable couples with children to receive support through benefit for a limited period of time during which one spouse would be principally engaged in child care to the exclusion of paid work. The parent not working would receive a parent support benefit, irrespective of spouse's income. Outside of that period the presumption would be that both parents worked. Continued support through the benefit would be available for those unable to find work or who were medically unfit for work. For solo parents, the same approach might apply. However, eligibility might continue until the child reached a higher age, reflecting the greater demands which child care places on solo parents.
- 89 A straightforward answer to the second question (the effect of children on the quantum of support), would be to regard the costs of supporting children as equally shared between the partners in a two-parent family. Thus the rate of benefit paid to the non-working partner would be based on the presumption that the partner was responsible for half the family's child support costs. For a sole parent, it would be presumed that the benefit covered all child costs.
- 90 The calls for a shift towards a more individual orientation within the social security system have tended to come from Pakeha women, and most especially from women with a feminist perspective. There have been calls from within the Maori community for a move in precisely the opposite direction, towards provision which would reflect traditional Maori ideas of collective responsibility. There are groups in Pakeha society (for example, some of those involved in experiments in communal living) who might also welcome such provisions. This advocacy for a move in the countervailing direction is reflected in options which allow some social security functions to be performed by iwi-based organisations (referred to as iwi economic enterprises) and economic support co-operatives. This alternative approach is conceived as operating parallel with the conventional social security approach.

- 91 People would elect to be covered by one system or the other. For example, a Maori person who elected to have a state financial contribution made on his or her behalf to an iwi economic enterprise might forego the right to claim unemployment benefit. If that person subsequently became unemployed, his or her claim for assistance would be on the iwi economic enterprise. The iwi economic enterprise would not necessarily discharge its obligation by paying a cash benefit; it might draw the person into a communal work programme. The support provided might be a combination of money and "in kind" assistance (e.g. food and accommodation). The state would not define the relationship of mutual obligation between the iwi economic enterprise and those choosing to affiliate with it, although the state might have some regulatory role.
- 92 Each of the approaches identified above involves change from the status quo. In assessing the relative merits of these alternatives, it is useful to consider also the present system; it exists for good reason and is therefore a candidate for retention. There are, therefore, four alternatives to consider. It is assumed that in all cases discussed, the present rate differential based on marital status is replaced by one based on living arrangements.

V ASSESSING THE RELATIVE MERITS OF FOUR ALTERNATIVE APPROACHES

The Four Approaches Outlined

- 93 The first approach derives from the notion of adopting a fully individualised assessment procedure, and is referred to as the "Strict Individual Approach". The main features are that the eligibility of adults would be unaffected by the income of spouses, and all children would be entitled in their own right to a support benefit, the universal child benefit. Benefits would be available to all persons irrespective of their spouses' incomes provided they were unemployed and seeking work, medically unable to work or had assumed full-time responsibility for the care of children. For those in the last-mentioned category, eligibility for benefit would cease when the youngest child reached a certain age.
- 94 The second approach represents a more limited move towards individualised entitlement, and is called the "Modified Individual Approach". It is based on the presumption of children's dependency on adults, but rejects any presumption of adult-on-adult dependency. The main feature of this approach (as of the strict individual approach) is that it does not include any income test based on a spouse's income. One of the conspicuous features of both the first and second approaches is that they offer essentially uniform treatment of all persons with responsibility for the support and care of children, irrespective of whether they have partners. It therefore eliminates the need to ascertain whether a person with the care of dependent children is involved in a relationship which is "in the nature of marriage".
- 95 The third approach is simply the approach embodied in the present social security system modified by the introduction of a supplement for solo adult households to replace the present rate differential based on marital status. A conspicuous feature of the present system is that it incorporates certain presumptions of both child and adult financial dependency.
- 96 The fourth approach might be called "Non-State Communal Approach". Two forms have been sketched out. The one specifically for Maori people is based on the idea of extending the traditional role of the iwi in Maori society through the creation of a new type of institution, which has been referred to as the iwi economic enterprise. The other form, referred to as the economic support co-operative, would be a similar type of institution for Pakehas and other non-Maori groups. This approach would operate in parallel to the conventional system. Individuals electing for this type of alternative coverage would cease to be eligible for assistance through specified parts of the conventional social security system.

Comment on the Strict Individual Approach

- 97 This approach has some highly desirable feature. It would:
- achieve conceptual simplicity and clarity

- simplify social security administration (including elimination of the need to inquire into the personal affairs of persons with responsibility for children to ascertain whether they are living in a marriage-like relationship)
- broaden participation in social security, with possible enhancement of social cohesion, broadening of the constituency of support for social security, reduction in the number of persons with a sense of grievance over their exclusion from social security coverage.

98 However, it also has some serious disadvantages. It would:

- greatly increase expenditure (due both to the payment of benefits to some persons presently made ineligible because of the income test on spouse's income, and the payment of a benefit to each child at a level corresponding to the actual cost of maintaining a child and not affected by level of parental incomes) and
- fail to achieve more than slight targeting of additional expenditure to those who are worst off

99 The strict individual approach is almost certainly in conflict with current prevailing views of the status of children. Most people currently accept the appropriateness of children being financially dependent on parents and subject to their oversight and control. This perception about the proper role of children is deeply entrenched, finding expression in laws on child custody and the financial obligations of parents. Some people however, would welcome the strict individual approach as endorsing a view of children which put greater weight on their autonomy. Thus the approach probably reflects a conception of the status of children for which there is little mandate in current attitudes.

100 It is conceivable that at some future time great advances in national affluence and the importance accorded to giving symbolic recognition to the autonomy of children might result in this approach having widespread appeal. However, both current economic conditions and current social attitudes about status of children count against its receiving serious attention at present.

Comment on the Modified Individual Approach

101 The modified individual approach has some unambiguously attractive features. It would:

- achieve considerable conceptual rationalisation of the present system
- simplify social security administration (including the elimination of the need to inquire into the personal affairs of persons with responsibility for children to ascertain whether they are in marriage-like relationships)

- remove financial incentives (sometimes pointed to as an element of present provisions) for couples with children to separate, and remove financial disincentives for such couples to become reconciled
- remove financial disincentives for solo parents to marry (or form marriage-like relationships).

It has other features which would evoke a mixed response, applauded by some and condemned by others according to their beliefs about preferred patterns of family life and the autonomy of women.

- 102 There are many women presently denied unemployed benefit and sickness benefit by reason of the income of their spouse. Whether this is appropriate is a matter of varied opinions. On the one hand, it contributes to the targeting of income support payments to households with the greatest financial need. It also reinforces traditional ideas about the appropriate division of roles and responsibilities within families. On the other hand, these features of the present system will be seen as disadvantages by those who favour greater autonomy for women.
- 103 Aside from the specific issue of greater autonomy for women, there is probably growing support for the notion that individual entitlement is the appropriate basis for social security. For many people there is considerable force in arguments to the effect that it seems unfair that persons who have been working and paying taxes should be ineligible for unemployment or sickness benefit because of their spouses' income. While the logic of such arguments may not hold up very well to examination, they reflect a growing feeling about the inappropriateness of current social arrangements.
- 104 The financial pressures experienced by many families (made greater in recent years by increasing housing costs) has produced a powerful incentive for both parents to be in paid work. Many feel ambivalent about this, believing that it would be preferable for children to receive a greater level of parental care, at least during their early years. By giving a substantial boost to the incomes of two-parent families with only a single income the modified individual approach returns to parents the option of one taking the role of breadwinner and the other the role of principal child carer.
- 105 The obverse of the above consideration is that the modified individual approach would involve the withdrawal of benefit eligibility when the youngest child reached a specified age. This implies an expectation that, irrespective of circumstances, parents would be in paid work after their youngest children had reached that age. The requirement would probably attract criticism. Conservatives would see the expectation that parents of older children be in paid work as an attack on the traditional ideal of family life, while some liberals would perceive it as unduly harsh, particularly as it applied to solo parents.

- 106 A more general consideration, related to the preceding points, is that the modified individual option would be neutral with regard to the gender preference and level of commitment entered into between adults in affectional relationships. The present system inadvertently generates some very strange anomalies. The present provisions discriminate against declared heterosexual unions in favour of homosexual unions and lesbian unions. They also discriminate in favour of covert heterosexual unions, thus encouraging deception. The modified individual option would eliminate these anomalies. However, its neutrality would be seen as a cause for criticism by people with socially conservative views.
- 107 Another feature of the modified individual approach which makes it potentially controversial is that it would broaden participation in social security. It would result in most families at some time being in receipt of an income tested benefit. Those who favour minimal state participation in income support will see this as a disadvantage. On the other hand, it will be seen as a positive feature by those who believe that broad participation in social security (especially when this emphasises principles of reciprocity and mutual support) enhances social cohesion and creates support for social security and the humane values on which it is based.
- 108 A related implication of the modified individual approach is that it would increase social security expenditure. The extent of the increase would depend partly on the values assigned to key parameters. The Ministerial Task Force on Income Maintenance prepared some costings for a "carers' allowance" and individual entitlements to income tested social security benefits. A very rough extrapolation of the Task Force's figures suggests that the immediate annual cost of the modified individual approach might be in the range of several hundred million dollars to around a billion dollars, depending on how the parameters were specified. If the approach were adopted but its introduction delayed, the cost would be lower if it had become more common for women to make an early return to the workforce following the birth of children.

Comment on the Present System

- 109 Many of the strengths and weaknesses of the present system have been identified in the previous discussion. Two clear virtues of the present system are that it:
- achieves a high level of targeting of expenditure to those most in need, and thus is relatively economical
 - probably represents a fairly good compromise between the conflicting expectations and ideas of appropriateness to be found presently among New Zealanders (although it might be falling behind prevailing expectations in specific matter of the joint income testing of couples).

110 The system also has some readily apparent drawbacks. It:

- is complex, with a diversity of benefits and assessment procedures
- is difficult to administer, especially with regard to the need to ascertain whether applicants are involved in personal relationships which might be in the nature of marriage.

111 As previously noted, there is a variety of public views on the purposes of social security (and also, more generally, on the desirability of some of the directions of social change occurring in New Zealand society). Because of this diversity of views, many features of the present system are applauded by some but condemned by others.

112 The disadvantages of the existing system are well known because they are readily visible. For that reason they tend to loom large in any examination of the system, making it easy to undervalue and overlook its strengths. The present system is in a sense highly refined, being the result of a long process of incremental adjustment and many finely crafted compromises. In recent years the goal which has underpinned much of the change has been to increase the extent to which transfers are directed at those in need. This is advisable in itself, but in the long run it could lead to a shrinking of the purposes of social security and a lowering of the general social commitment to maintaining a comprehensive and humane provision.

113 The targeting of income support presents a dilemma, having both desirable and undesirable aspects. A high degree of targeting represents an efficient application of available funds to the objective of relieving poverty. However, an unavoidable consequence of a high degree of targeting is the creation of "poverty traps". A benefit without an income test (such as the present family benefit) avoids the problems of "poverty traps", but at the cost of having no targeting beyond that achieved through the eligibility conditions.

114 It was noted previously that one of the problematical administrative requirements of the current system is the application of a joint income test to applicants in a heterosexual relationship which is "in the nature of marriage". The difficulties this creates are of three types. First it is necessary to inquire into the circumstances of persons applying as sole parents. The practical difficulties in enforcing the rules encourage and facilitate duplicity on the part of beneficiaries. Second, the joint income test is resented by some married people because it contains the presumption that it is proper for them to be regarded as financially dependent on their spouses. Third, the requirement discriminates against heterosexual unions. As social diversity increases, with growing numbers of people living in relationships which do not correspond to the traditional models of married and unmarried life, the maintenance of this distinction within social security is going to become more and more difficult.

115 The present system is not in a state of crisis or collapse. Retention of the present approach, in the meantime at least, is a practicable option. However, the present system is under a variety of stresses which because they arise from continuous social changes, can be expected to increase. It is useful, therefore to try to look forward to the sort of model which will be best able to reduce these stresses, accepting there is no model which will entirely eliminate them.

Comment on the Non-State Communal Approach

116 This approach has been sketched in only the broadest outline. However, that is not because it arises from considerations which are peripheral or unimportant. It is because definite ideas must emerge from processes of consultation between Maori and Pakeha which will establish the legitimacy of the ideas. This process has barely begun; it is vital that progress be made in exploring the implications for social security of the bicultural ideas implicit in the Treaty of Waitangi. This ideal implies a conception of New Zealand society as an equal partnership between Maori and Pakeha.

117 The starting point in the formulation of the Non-State Communal Approach has been a recognition of the monocultural assumptions which underlie the present social security system, and of the capacity of those assumptions to undermine the values of other cultures. This paper (taken as a whole) is in the same monocultural mould. It is hoped that acknowledgement of this may be a move towards breaking the mould.

118 The chief merit of for the Non-State Communal Approach is that it could provide a mechanism for an alternative, parallel system capable of incorporating objectives and principles incompatible with those of the predominant approach. It could facilitate an avenue of social experimentation yielding worthwhile benefits, not all of which may be able to be anticipated. On the other hand, the approach needs to be developed with an awareness of potential obstacles. There may in reality be very little demand for the sort of provision envisaged, resulting in an expenditure of effort with ultimately little to show for it. Also, it is likely to be difficult to make the approach practicable. For example, it may be difficult to devise a robust and satisfactory way of estimating the quantum of state support to be provided to iwi economic enterprises and economic support co-operatives. It may also be difficult to apply the approach in a way which enables adaptation to different economic conditions. There is a chance, for example, that a scheme developed in a period of high unemployment, and thus possibly attracting a large government contribution, might cease to be viable during a later period of lower unemployment, resulting perhaps in its failure. However, such possibilities should not at this point be a source of discouragement; to foresee the nature of practical difficulties is to begin the search for ways to avoid or overcome them.

119 While there are obvious difficulties to be overcome there is no reason at the present preliminary stage of thinking to suppose that they are insuperable. The approach is likely to be greeted very hesitantly by many because it represents such a huge departure from familiar approaches to social security. Its unfamiliarity, however, is also a source of its potential promise. That promise is at least sufficient to merit the approach being explored in detail. There would be some cost in doing this, and in setting up schemes which would give expression to the approach. However, this cost would be minuscule in relation to social security expenditures, and the approach is not inherently costly as it would be funded principally from resulting reductions in expenditure on conventional social security programmes.

VI CONCLUDING COMMENT

- 120 This paper has examined the various units used in current social security assessment procedures, with a view to identifying their appropriateness and the possibility of improvements. Those matters are currently being actively debated within the Department. As a consequence, the Department is not presently able to put forward firm conclusions. However, as a result of the analysis developed here, the Department offers the following observations.
- 121 On the specific matter of the marital status test currently used in determining the base payment rate there is a strong case for change. The most straightforward alternative would be for the present regime to be replaced by one in which there is a standard base payment rate for all adults, with those not living with other adults eligible to receive a supplement to compensate them for the higher living costs they will generally incur.
- 122 The choice about units of assessment used in the social security system comes down to one between retention of essentially the present procedures or their replacement by what has been called the Modified Individual Approach. That approach would achieve considerable simplification, and would make possible a relatively uniform treatment in social security of solo parents and married person not in paid work because of child care responsibilities. It would also eliminate the need to inquire into the nature of beneficiaries' personal relationships. All these features are regarded by the Department as being advantages. On the other hand, the approach has many contentious features and it would increase social security expenditure to an extent which is presently unknown.
- 123 This paper has raised the possibility of the state providing finance for the development and operation of non-state schemes of collective economic support which would operate in parallel to the state social security system. People wishing to come under such schemes would formally elect to do so. This approach would amount to a specific and restricted form of "contracting out" of responsibility for fulfilling certain of the state's social security obligations to the persons concerned. It was conceived initially in the context of seeking ways to build on Maori tribal structures and traditions. However, the approach might have appeal for other groups. The Department commends to the Royal Commission the merit of this approach being further explored.

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