

Tax and Welfare in a Post-Labour Defence Society

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Paper for the Australasian Tax Teachers Association Conference, Wairarapa,
New Zealand, 2017

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Abstract

The principle of labour defence has traditionally informed welfare policy in New Zealand. By promoting full employment and ensuring employers paid a living wage, government could foster economic security for the unionised workingman and his family. Nordic-style social insurance schemes, which were designed to shelter citizens from market vicissitudes, were, in the main, unnecessary. Protected and adequately paid workers, as patriarchs, could support their families, but also, as social citizens, could afford to pay income tax, and thereby contribute to the support of superannuated workers on a non-contributory, pay-as-you-go basis. Through income tax progressivity, money was redistributed from members of the middle class but they also benefited from universal pensions, mostly free healthcare and subsidised tertiary education.

Labour defence, characterised by its privileging of employment over a broader conception of inclusive citizenship, has strong roots in New Zealand but is challenged by global megatrends, notably, neoliberal globalisation, an ageing population and technologically determined job losses. This paper considers tax and welfare in a post-labour defence society but, nevertheless, a society in which employment is likely to retain a privileged status.

The discussion is grounded in local traditions and long-term trends, and avoids utopian or dystopian speculation. Note is taken of ‘the Fourth Industrial Revolution’ and predictions for ‘postcapitalism’ but the focus of the paper lies with plausible evolution in tax and welfare, not revolution.

The paper first identifies the principal models for welfare and the particular nature of welfare in New Zealand. Global threats to work and welfare are then outlined. Traditions and trends in New Zealand’s tax-welfare system are identified in order to consider how they may evolve in response to the challenges faced. Predictions are not, from a progressive perspective, optimistic. Indeed, the paper concludes that, notwithstanding the likelihood of technologically-determined job losses, employment will continue to be a privileged social status and the focus of tax-welfare policy.

I INTRODUCTION

In the taxonomy proposed by Francis Castles, the three main forms of welfare provision in the advanced economies have been ‘residual’ (or last resort), ‘institutional’, and ‘structural’ models.¹ ‘The *residual* model characterizes the provision of relief to those unable for a range of socially legitimated reasons to derive a bare minimum subsistence from the labour market and unable to support themselves from prior savings.’² The *institutional* model guarantees ‘a national minimum of sufficiency below which no one is allowed to fall.’³ In terms of the *structural* model, ‘whole areas of distribution are progressively removed from the influence of the market and which income transfers are designed not so much to alleviate poverty but, as to ensure a satisfactory and dignified level of living for all members of the social collectivity.’⁴ The structural model may be referred to as ‘decommodification’, which Gøsta Esping-Anderson defines as the ability of a person ‘to maintain a livelihood without reliance on the market’.⁵

In contrast to the structural welfare system established in Sweden or the United Kingdom’s post-war institutional model, Australia and New Zealand adopted residual systems.⁶ As Miguel Glatzer and Dietrich Rueschemeyer observe, ‘[w]elfare states in Australia and New Zealand differed radically from their northern counterparts because they depended on trade protection rather than economic openness and operated through wage policy rather than transfers and services.’⁷ This is not to say Australasian workers, who were protected by a ‘labour defence’ strategy, were necessarily worse off than their Scandinavian peers. Castles observes, ‘if there is full employment and wages are adequate, state intervention to alleviate poverty will be largely unnecessary, except for a small minority out of the labour market and unable to derive support from past savings or through dependence on a labour market participant.’⁸ Australasian ‘socialism without doctrine’ was achieved by protecting the earning capacity of invariably unionised working *men* through restrictions on immigration, and binding arbitration awards which ensured that the wages of the *paterfamilias* could support his family. Minimum wage regulations presented a ‘functional alternative to the strategy of extending citizenship rights by means of universal coverage of the social security system, as in the institutional model of the welfare state.’⁹ Australia and New Zealand were, then, ‘reluctant welfare states or, at best, very different kinds of welfare state’ from institutional and, more so, structural welfare states.¹⁰ The

¹ See, generally, Francis G Castles, *The Working Class and Welfare: Reflections on the Political Development of the Welfare State in Australia and New Zealand 1890-1990* (Allen and Unwin, 1985).

² Ibid, 77 (italics in the original).

³ Ibid.

⁴ Ibid, 79.

⁵ Gøsta Esping-Anderson, *The Three Worlds of Welfare Capitalism* (Polity Press, 1990) 21-2 cited by Martin Seeleib-Kaiser, ‘Welfare State Transformations in Comparative Perspective: Shifting Boundaries of ‘Public’ and ‘Private’ Social Policy?’ in Martin Seeleib-Kaiser (ed) *Welfare State Transformations: Comparative Perspectives* (Palgrave Macmillan, 2008) 1, 4.

⁶ Castles, above n 1, 81.

⁷ See Miguel Glatzer and Dietrich Rueschemeyer, ‘An Introduction to the Problem’ in Miguel Glatzer and Dietrich Rueschemeyer (eds) *Globalization and the Future of the Welfare State* (University of Pittsburgh Press, 2005) 1, 16 n 11.

⁸ Castles, above n 1, 82.

⁹ Ibid, 85.

¹⁰ Ibid, 109.

privileging of those in employment is a particular feature of welfare based on labour defence. Although, as Martin Seeleib-Kaiser notes, ‘even in Scandinavian countries citizens were never fully de-commodified, especially since these countries relied on a very strong tradition with regard to the duty of work.’¹¹

In an arrangement that broadly coincides with Thomas Marshall’s conception of social citizenship,¹² in New Zealand adequately remunerated employees could afford to pay income tax which funded unemployment benefits for workingmen temporarily out of work. Men had a social duty to work, reciprocated by a right to State support if work was not available. But unemployment should be exceptional in a context of macroeconomic policy in pursuit of full employment. Whereas unemployment for a man of working age might be unusual – and, most likely, morally suspect – superannuation could be seen as a chapter in the narrative of work. Wages, income tax and old age pensions were interlinked so that it was considered natural that superannuitants should become eligible for a retirement annuity paid from normal tax revenues. New Zealand has not, then, developed a tradition of actuarially-managed social insurance schemes covering superannuation or, indeed, unemployment and health care.¹³

Seeleib-Kaiser sketches a grand narrative of welfare moving from ‘the so-called golden age of welfare state capitalism’ to ‘a greater emphasis on private arrangements, said to be mainly resulting from a combination of three socio-economic developments: globalization, rapidly ageing societies and individualization.’¹⁴ We may add to this list of challenging developments: technologically-determined job losses, climate change, global financial crises and uncontrolled mass migration.¹⁵ The neoliberal model of globalisation has disrupted both labour defence and labour compensation models of welfare,¹⁶ and contributed to the growth in the ‘precariat’,¹⁷ for whom work is sporadic and wages insufficient to fund a dignified life.¹⁸ Developments in information technology have automated many traditional forms of manual work and increasingly decouple labour from income.¹⁹ Furthermore, the advent of the so-called Fourth

¹¹ Seeleib-Kaiser, above n 5, 4.

¹² See, generally, TH Marshall, *The Right to Welfare and Other Essays* (Heinemann Educational Books, 1981). In this scheme, ‘entitlements [are] associated with service’: see Engin F Isin and Bryan S Turner, ‘Investigating Citizenship: An Agenda for Citizenship Studies’ (2007) 1(1) *Citizenship Studies* 5, 5.

¹³ The principal exception to pay-as-you-go (PAYG) among New Zealand welfare schemes is workman’s compensation which has developed into the complex and comprehensive accident compensation scheme: see *Accident Compensation Act 2001* (NZ). See also n 70 below on the so-called Cullen fund.

¹⁴ Seeleib-Kaiser, above n 5, 1.

¹⁵ See Howard Glennerster, ‘The Sustainability of Western Welfare States’ in Francis G Castles, Stephan Leibfried, Jane Lewis, Herbert Obinger and Christopher Pierson (eds) *The Oxford Handbook of the Welfare State* (Oxford University Press, 2010) 689, 698.

¹⁶ Contemporary welfare schemes in Nordic countries have adopted some Anglo-Saxon features, notably ‘marketisation’ and ‘responsibilisation’: see Bengt Larsson, Martin Letell and Håkon Thorn, *Transformations of the Swedish Welfare State: from Social Engineering to Governance?* (Palgrave Macmillan, 2012) 281.

¹⁷ The term ‘precariat’ has been popularised by Guy Standing: see, inter alia, Guy Standing, *The Precariat: The New Dangerous Class* (Bloomsbury, 2011); Guy Standing, *A Precariat Charter: From Denizens to Citizens* (Bloomsbury, 2014). However, it seems that Dorothy Day first identified precarious labour in the 1950s: see Dorothy Day, ‘Poverty and Precarity’ *The Catholic Worker* (May 1952) 2.

¹⁸ See, generally, Arne L Kalleberg, ‘Precarious Work, Insecure Workers: Employment Relations in Transition’ (2009) 74(1) *American Sociological Review* 1.

¹⁹ See Amy Bernstein and Anand Raman, ‘The Great Decoupling: An Interview with Erik Brynjolfsson and Andrew McAfee’ 93(6) (2015) *Harvard Business Review* 66.

Industrial Revolution is commonly thought to foreshadow the redundancy of many white collar occupations which would disassociate large swathes of the middle class from work and guaranteed salaries.²⁰ These developments may be harbingers of a ‘post-labour defence society’. If a social duty to work underpins income tax-funded welfare in New Zealand, what does the future hold for tax and welfare should work itself become endangered? This paper engages with that question.

After this introduction, the paper has four parts. Part II sketches the position of work in the face of the megatrends – neoliberal globalisation, an ageing population, and technologically-determined job losses. Part III considers New Zealand welfare and tax traditions. The key features are privileging of work and a reluctance to tax capital. Part IV considers how the tax-welfare system might develop, taking into account the megatrends and traditions. In Part V, conclusions are drawn.

II CHALLENGES TO LABOUR DEFENCE

This part of the paper identifies the principal challenges faced by the labour defence model of welfare, notably, neoliberal globalisation; an ageing population; and technologically-determined redundancy. These threats to welfare can be expressed as sustainability issues.

A *Neoliberal Globalisation*

Pierre Bourdieu encapsulates the impact of neoliberalism in the following terms:²¹

The [Neoliberal] movement, made possible by the policy of financial deregulation, towards the neoliberal utopia of a pure, perfect market taken place through the transforming and ... *destructive* action of all the political measures ... aimed at *putting into question all the collective structures* capable of obstructing the logic of the pure market: the nation-state whose room for manoeuvre is steadily shrinking; work groups, with for example the individualization of salaries and careers on the basis of individual performance and consequent atomization of workers; collectives defending workers’ rights – unions, societies and cooperatives; even the family, which, through the segmentation of the market into age groups, loses some of its control over consumption.

Paradoxically, by forcing down labour costs,²² neoliberal globalisation may have delayed the replacement of labour by machines, and thereby preserved employment. The catch is that work has been devalued through the payment of lowest possible wages, neo-Taylorism,²³ and the loss of solidarity through collective action.²⁴ The principal feature of neoliberal globalisation is the free flow of capital internationally but a corollary of open economies is freer movement of expensive skilled labour but also of cheap unskilled labour.²⁵ Both the free flow of capital

²⁰ See Klaus Schwab, ‘The Fourth Industrial Revolution: what it means, how to respond’ World Economic Forum (2016) <<https://www.weforum.org/agenda/2016/01/the-fourth-industrial-revolution-what-it-means-and-how-to-respond/>>.

²¹ Pierre Bourdieu, *Acts of Resistance: Against the Tyranny of the Market* (Richard Nice trans, The New Press, 1998) 96 [trans of: *Contre-feux* (first published 1998)] (italics in the original).

²² See Paul Mason, *PostCapitalism: A Guide to Our Future* (Allen Lane, 2015) 17.

²³ See Martha Crowley, Daniel Tope, Lindsey Joyce Chamberlain, Randy Hodson, ‘Neo-Taylorism at Work: Occupational Change in the Post-Fordist Era’ (2010) 57(3) *Social Problems* 421.

²⁴ For an argument that, while collective action through trade unionism has declined, other forms of social solidarity will emerge, see Glennerster, above n 15, 698.

²⁵ See Michael Mandel, ‘Globalization vs. Immigration Reform’ *BusinessWeek* (New York), 6 April 2007, 40.

and the freer flow of labour threaten the labour defence model of work and welfare. The former encourages governments to make laws which favour investors, including restricted labour rights, and the latter exposes workers to global competition.

B Ageing Population

New Zealand Treasury has predicted that spending on state superannuation payments will grow from 4.3 per cent of gross domestic product (GDP) in 2010 to 7.9 percent in 2060.²⁶ Treasury further predicts that government spending on healthcare will increase from 6.8 per cent of GDP in 2010 to 10.8 per cent in 2060.²⁷ Projections of this sort are, of course, sensitive to the assumptions made but Treasury asserts that ‘changing our assumptions within realistic bounds makes little difference to the overall message: some major expense categories are growing.’²⁸ Superannuation and elderly health care therefore present significant affordability issues for New Zealand, particularly since the 65+ dependency ratio (the number of people aged 65 and older per 100 people aged 15-64) is predicted to decrease so ‘that for every person aged 65+, there is projected to be 2.2 people in the working-age group in 2051, compared with 5.5 people in 2004’.²⁹

A further consideration arising from an ageing population is a possible fall in economic growth per capita. In the calculations of Nicole Maestas and her co-authors, when the proportion of the population aged 60 and over increases by 10 per cent, the growth rate of per capita gross domestic product decreases by 5.5 per cent. ‘Two-thirds of the reduction is due to slower growth in the labor productivity of workers across the age distribution, while one-third arises from slower labor force growth.’³⁰

C Technology

Much has been predicted about the likely impact of developing technology, in particular, automation on current jobs.³¹ The Internet of Things (IoT), which ‘generally refers to a suite of technologies and processes that allows data to be tracked, analyzed, shared and acted upon

²⁶ The Treasury, *Affording Our Future, the Treasury’s 2013 Statement on the Long-Term Fiscal Position* (2013) 53 <<http://purl.oclc.org/nz/b-1581>>.

²⁷ Ibid, 4.

²⁸ Ibid.

²⁹ Kim Dunstan and Nicholas Thomson, ‘Demographic Aspects of New Zealand’s Ageing Population’ Statistics New Zealand (2006) 10 <<http://www.stats.govt.nz/~media/Statistics/browse...and...nz.../demo-as-nz-age-pop.pdf>>.

³⁰ Nicole Maestas, Kathleen J Mullen and David Powell, ‘The Effect of Population Aging on Economic Growth, the Labor Force and Productivity’ (NBER Working Paper No 22452, July 2016) <<http://www.nber.org/papers/w22452.pdf>>.

³¹ See, for example, Melanie Arntz, Terry Gregory and Ulrich Zierahn, ‘The Risk of Automation for Jobs in OECD Countries: A Comparative Analysis’ (OECD Social, Employment and Migration Working Papers, No 189, OECD Publishing, Paris. 2016). <<http://dx.doi.org/10.1787/5jlz9h56dvq7-en>>.

So-called ‘big data’ is also predicted to increase productivity and thereby potentially endanger jobs: see, for example, James Manyika et al, ‘Big data: The next frontier for innovation, competition, and productivity’ McKinsey Global Institute (2011) <<http://www.mckinsey.com/business-functions/digital-mckinsey/our-insights/big-data-the-next-frontier-for-innovation>>.

through ubiquitous connectivity',³² is predicted to be revolutionary.³³ Indeed, the combination of robotics and the Internet (the 'Fourth Industrial Revolution') has been characterised in terms of 'economic climate change'.³⁴ According to the estimates of Carl Frey and Michael Osborne, almost half of jobs in the United States are at risk from developing technologies.³⁵ It is widely assumed that work in Australasia will be similarly affected.³⁶ Indeed, Nick Srnicek and Alex Williams have predicted a future mostly without work for economically developed countries.³⁷ Likewise, in seeking to establish his 'postcapitalism' thesis, Mason argues that developments in information technology have 'reduced the need for work, blurred the edges between work and free time and loosened the relationship between work and wages'.³⁸ These predictions, of course, relate to the redundancy of existing jobs which might be lost but do not consider which future jobs might be created. It is plausible that 'technologies could lead to greater productivity, enhanced social good and the creation of new fields of work'.³⁹

D Sustainability

³² Deloitte, 'Tax Implications of the Internet of Things', *The Wall Street Journal* (online), 6 January 2016 <<http://deloitte.wsj.com/cfo/2016/01/06/tax-implications-of-the-internet-of-things/>>.

³³ Mason, above n 22, 276 proposes that the tax systems should be made 'intelligent' as part of the IoT, but does not explain how that might happen. Harald Sundmaeker and his co-authors envisage that radio frequency identification devices, embedded in bank notes and luxury goods, will help to combat tax evasion: see Harald Sundmaeker, Patrick Guillemin, Peter Friess and Sylvie Woelfflé, *Vision and Challenges for Realising the Internet of Things* (Cluster of European Research Projects on the Internet of Things (CERPIoT)) 25 <http://www.internet-of-things-research.eu/pdf/IoT_Clusterbook_March_2010.pdf>. Deloitte, above n *, predicts that tax issues will arise from the conflation of goods and services as the IoT develops. But, beyond deeply concerning possibilities for surveillance (see, for example, Rory Cellan-Jones, 'Office puts chips under staff's skin' BBC, 29 January 2015 <<http://www.bbc.com/news/technology-31042477>>), the likely influence of the IoT on the substance, rather than the administration, of tax-welfare is not yet clear, and will not be considered further in this paper.

³⁴ 'The technological advances shaping our future' Radio New Zealand (7 September 2007) <http://www.radionz.co.nz/audio/player?audio_id=201815160>.

³⁵ Carl Benedikt Frey and Michael A Osborne, 'The Future of Employment: How Susceptible Are Jobs to Computerisation' Oxford Martin School (17 September 2013) <http://www.oxfordmartin.ox.ac.uk/downloads/academic/The_Future_of_Employment.pdf>. See also Michael Chui, James Manyika and Mehdi Miremadi, 'Where machines could replace humans – and where they can't (yet)' *McKinsey Quarterly* (2016, July) <<http://www.mckinsey.com/business-functions/digital-mckinsey/our-insights/where-machines-could-replace-humans-and-where-they-cant-yet>>; Daron Acemoglu and Pascual Restrepo, 'The Race Between Machine and Man: Implications of Technology for Growth, Factor Shares and Employment' MIT Economics Working Paper (2016, May) <<http://economics.mit.edu/files/11512>>.

³⁶ See, CAANZ, *future [inc]: A plan for Australia's + New Zealand's future prosperity* <https://nzier.org.nz/static/media/filer_public/6d/6e/6d6ecf8b-032c-4551-b0a7-8cd0f39e2004/disruptive_technologies_for_caanz.pdf>; New Zealand Labour Party, 'How technology is impacting on work - Implications for NZ's future and policy' (2015) <[https://d3n8a8pro7vhnmx.cloudfront.net/nzlabour/pages/3004/attachments/original/1438655730/Technology_paper_FINAL_31Jul15_\(1\).pdf?1438655730](https://d3n8a8pro7vhnmx.cloudfront.net/nzlabour/pages/3004/attachments/original/1438655730/Technology_paper_FINAL_31Jul15_(1).pdf?1438655730)>; Business Council of Australia, 'National Press Club Address by Catherine Livingstone' (2015) <<http://www.bca.com.au/media/national-press-club-address-by-catherine-livingstone>>.

³⁷ See Nick Srnicek and Alex Williams, 'The future isn't working' 22(3) *Juncture* 243-7.

³⁸ Mason, above n 22, xv.

³⁹ Institute of Directors and Chapman Tripp, 'Determining our future: Artificial Intelligence, Opportunities and challenges for New Zealand: A call to action' (2016) 2 <<https://www.iod.org.nz/Portals/0/Governance%20resources/Artificial%20Intelligence.pdf>>.

Howard Glennerster identifies three sustainability issues in relation to welfare: fiscal sustainability (will voters continue to support high taxes to fund the welfare needs of an ageing population?); political sustainability (will concerns for welfare be taken over by concerns for climate change, mass migration or global economic crises?); and moral sustainability (will care for the weak and social solidarity continue?).⁴⁰ The most pertinent sustainability issue appears to be whether the so-called ‘Millennial generation’ (people born between 1992 and 2000) will be prepared to fund generous superannuation benefits for previous generations when they may be shut out of the housing market and bear the burden of student debt. Being subject to ‘quasi-taxes’ (repayment of student loans) may reduce people’s willingness to pay real taxes,⁴¹ especially if members of the previous generation were not similarly burdened. Furthermore, climate change and planetary sustainability may be more pressing concerns for the next generation than domestic welfare issues.⁴²

E *Utopia/dystopia*

Paul Mason presents a utopian vision in which work has been greatly automated for general human benefit, yet this scenario bears an uncanny resemblance to Kurt Vonnegut’s 1952 dystopian novel *Player Piano*, in which technologically-informed retrenchment does not end well.⁴³ The moral of Vonnegut’s book is people want to work.⁴⁴ It may also be noted that, writing in 1980, André Gorz made similar predictions to Mason about robotic automation and human ‘liberation’ from labour.⁴⁵ Since Gorz’s speculation on a ‘post-industrial socialism’,⁴⁶ some highly lucrative jobs have emerged while others have lost market value but work has not gone away. Fifty years before Gorz made his predictions, John Maynard Keynes presented one of the best-known and most benign auguries for a future with limited work in his essay ‘Economic Possibilities for Our Grandchildren’. He forecasted:⁴⁷

for the first time since his creation man will be faced with his real, his permanent problem – how to use his freedom from pressing economic cares, how to occupy the leisure, which science and compound interest will have won for him, to live wisely and agreeably well.

In this equal and equable world of shared wealth and work, none of us, he predicted, would labour more than 15 hours a week.⁴⁸ Yet contemporary technology has made many employees available 24 hours a day, seven days a week, and, for them, a pressing concern lies with finding

⁴⁰ Glennerster, above n 15, 689.

⁴¹ Ibid, 695.

⁴² See Deloitte, ‘The 2016 Deloitte Millennial Survey: Winning over the next generation of leaders’ (2016) <<http://www2.deloitte.com/global/en/pages/about-deloitte/articles/millennialsurvey.html>>.

⁴³ See Kurt Vonnegut, *Player Piano* (The Dial Press, 2006, first published 1952).

⁴⁴ Matthew Beard, ‘With robots, is a life without work one we’d want to live?’ *The Guardian*, (online), 26 September 2016 <<https://www.theguardian.com/sustainable-business/2016/sep/26/with-robots-is-a-life-without-work-one-wed-want-to-live>>.

⁴⁵ See André Gorz, *Farewell to the Working Class: An Essay on Post-Industrial Socialism* (Michael Sonenscher trans, Pluto Press, 1982, 1997 ed) 126-44 [trans of: *Adieux au Proletariat*, 1980].

⁴⁶ Ibid, 115.

⁴⁷ See John Maynard Keynes, ‘Economic Possibilities for Our Grandchildren’ [1930] in *The Collected Writings of John Maynard Keynes Vol 9 Essays in Persuasion* (Royal Economic Society, 1971) 321, 328.

⁴⁸ Ibid, 329.

some respite from work,⁴⁹ not how to fill abundant leisure time ‘wisely and agreeably well’.⁵⁰ Certain employers may respond to technological changes by introducing shorter worker days, but the motive is likely to be extending the working lives of valued employees.⁵¹

Whether or not a future without work might deliver utopia or dystopia lies beyond the scope of this paper. Nevertheless, there is sufficient evidence to indicate that, although the heyday of labour defence in New Zealand is long gone, employment will continue to be a principal goal of government, and will retain a privileged social status.

III WELFARE AND TAX TRADITIONS IN NEW ZEALAND

Whig interpretations of history claim we have arrived at our current arrangements through processes of teleological progress,⁵² but we are only part way along the path to an ideal society. Conservatives claim imperfect social arrangements, particularly inequalities, are traditional, if not natural.⁵³ Neither version of the past or present is fully persuasive. And so, it is with some trepidation that, in this part of the paper, I seek to identify traditions and long-term trends in the New Zealand tax-welfare system that might persist and evolve in a post-labour defence era. Identifying these traditions and trends is not tantamount to approving of them. As in all societies, there is much about New Zealand history that is, in retrospect at least, condemnable. From a contemporary perspective, the principle of labour defence manifests elements of racism,⁵⁴ sexism,⁵⁵ patriarchy,⁵⁶ and other forms of discrimination, particularly against the children of the unemployed.⁵⁷ Nevertheless, labour defence has traditionally informed welfare in New Zealand and is likely to continue to do so in some form. A correlative of privileging labour is a focus on taxing earnings, rather than capital.

A *Pay-As-You-Go*

Bernard Cadogan notes the perceptual link between paying income tax and potential receipt of benefits: entitlement to benefits was seen to arise ‘from the payment of taxes, or the

⁴⁹ For Gorz, ‘[T]he boundary between work and non-work fades, not because work and non-work activities mobilize the same skills, but because time for living falls, in its entirety, into the clutches of economic calculation, into the clutches of value.’ See André Gorz, *The Immaterial: Knowledge, Value and Capital* (Chris Turner trans, Seagull Press, 2010) 22 [trans of: *L’Immatériel*, 2003].

⁵⁰ See, for example, Maura Thomas, ‘Your Late-Night Emails Are Hurting Your Team’ *Harvard Business Review*, (online), 16 March 2015 <<https://hbr.org/2015/03/your-late-night-emails-are-hurting-your-team>>.

⁵¹ Hazel Sheffield, ‘Mexico’s Richest Man Carlos Slim Says We May Soon Have a Three-Day Working Week’ *Independent*, (online), 5 August 2016 <<http://www.independent.co.uk/news/business/news/carlos-slim-mexico-three-day-work-week-six-hour-day-telmex-america-movil-productivity-a7173501.html>>.

⁵² See, generally, H Butterfield, *The Whig Interpretation of History* (1931, G Bell, 1951 ed).

⁵³ See Andrew Vincent, *Modern Political Ideologies* (2nd ed, Blackwell, 1995) 69.

⁵⁴ See, in particular, the notorious poll tax, aimed at discouraging Chinese immigration, established under section 5 of the *Chinese Immigrants Act 1881* (NZ). For a discussion, see Nigel Murphy, *The Poll-Tax in New Zealand* (New Zealand Chinese Association Inc/New Zealand/Office of Ethnic Affairs, 2002).

⁵⁵ See discussion at C below on the Domestic Purposes Benefit.

⁵⁶ See Jane Margaret Scott, ‘Discourses of Dependency Women, Work, and Welfare in New Zealand’ (PhD thesis, University of Auckland, 2001).

⁵⁷ See discussion at B below of the In-Work Family Benefit element of Working for Families.

desiderative wish to do so, if provided work'.⁵⁸ Living wages,⁵⁹ guaranteed by arbitration awards,⁶⁰ made income tax affordable. Pay-As-You-Go (PAYG) funding of benefits, rather than social insurance schemes, became normalised.⁶¹ This principle is most clearly seen in state-sponsored superannuation benefits. In 1898, New Zealand became the first country to establish a non-contributory old age pension scheme. This was funded on a PAYG basis.⁶² David Preston observes, '[t]his pension established the key features of almost all subsequent public pension policy in New Zealand.'⁶³ Preston further notes: 'In 1938 the Social Security Act established a two-tier pension system. The first tier consisted of a low-rate universal pension (Universal Superannuation), payable at age 65, without any income or assets test. The second tier consisted of an income- and asset-tested "Age Benefit" at a higher payment rate, payable from age 60.'⁶⁴ The principle of a basic, universal pension entitlement continues in the current NZ Super which, along with high rates of home ownership,⁶⁵ has greatly contributed to the country's low rates of elder poverty relative to the OECD average.⁶⁶

Compulsory superannuation contribution was enacted by the Labour government in 1974 but was immediately repealed by the incoming National government.⁶⁷ In place of compulsory contribution, the Muldoon administration introduced 'perhaps the most generous universal pension scheme ever introduced in any country in any era'.⁶⁸ This arrangement has

⁵⁸ Bernard Cadogan, 'Welfare Policy: Governance: History and Political Philosophy' Treasury (2013) 86 <<http://www.treasury.govt.nz/government/longterm/fiscalposition/2013/pdfs/lfts-cadogan.pdf>>.

⁵⁹ The concept of a 'living wage' was derived from *Ex parte H.V. McKay* (1907) 2 CAR 1 (generally known as 'the Harvester decision'). For a discussion, see Harrison Moore, 'The Living Wage in the Australian Arbitration Court' (1912) 12(2) *Journal of the Society of Comparative Legislation* 202.

⁶⁰ The *Industrial Conciliation and Arbitration Act 1894* (NZ) established the world's first compulsory system of state arbitration for workers' wages. This Act was repealed in 1973 but its underpinning principles continued to be influential until the introduction of the anti-collectivist *Employment Contracts Act 1991* (NZ).

⁶¹ When the first benefit schemes were instituted, many New Zealanders worked seasonally. Periodic wages could not provide a suitable basis for social insurance: see Cadogan, above n 58, 86.

⁶² See Chris Pierson and Matthieu Leimgruber, 'Intellectual Roots' in Francis G Castles, Stephan Leibfried, Jane Lewis, Herbert Obinger and Christopher Pierson (eds) *The Oxford Handbook of the Welfare State* (Oxford University Press, 2010) 32, 38.

⁶³ David A Preston, 'The Compulsory Retirement Savings Scheme Referendum of 1997' 9 (1997) *Social Policy Journal of New Zealand Te Puna Whakaaro* <<https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/journals-and-magazines/social-policy-journal/spj09/compulsory-retirement-savings-scheme-referendum.html>>.

⁶⁴ Ibid.

⁶⁵ For example, 77.5 per cent of 70-74 years olds in New Zealand own their own homes: see Sally Keeling, 'Later Life in Rental Housing' (2014) 10(3) *Policy Quarterly* 49, 49.

⁶⁶ See Organization of Economic Co-operation and Development, 'Old-age Income Poverty' in *Pensions at a Glance: Retirement-income Systems in OECD and G20 Countries* (OECD, 2011).

⁶⁷ Prime Minister Muldoon's attempt to override the *New Zealand Superannuation Act 1974* (NZ) before it had been repealed by Parliament was the subject of the country's leading constitutional law case, *Fitzgerald v Muldoon* [1976] 2 NZLR 615 (SC).

⁶⁸ Preston above n 63. 'A flat-rate taxable pension, which for a couple was equal to 80% of the average ordinary-time wage before tax, was payable from age 60. For a single person the rate was 48% of the average wage. The pension could be claimed whether retired or still working full-time, and had no income test. Only 10 years residence in the country was required for full entitlement.' The current rate for a couple is 66 per cent of the net average wage. For current amounts, see *New Zealand Superannuation and Retirement Income Act 2001* (NZ), s 12 and sch 1.

understandably proved popular with voters. When in opposition, Labour has flirted with reintroducing compulsory contribution,⁶⁹ but, when in government, its response to concerns about future superannuation costs was to establish a sinking fund from general revenue,⁷⁰ and to establish the voluntary KiwiSaver superannuation scheme.⁷¹ A non-contributory, universal old age pension is considered ‘untouchable’ in New Zealand,⁷² and will necessarily remain a critical part of welfare in the future. As Cadogan asks, ‘[d]o we yet know of any economy or alternate society or policy that may better provide for ... the mass of the population?’⁷³

B Work-related Benefits

The Ministry of Social Development lists 56 different types of welfare benefits but most are emergency-specific and petty.⁷⁴ Other than NZ Super, the two principal benefits, both directly related to employment, are Working for Families (a tax credit for low and middle income earners) and Jobseeker Support (a benefit for the unemployed who are actively seeking employment).

Working for Families comprises four benefits: family tax credit (a payment for each dependent child); in-work tax credit (an entitlement for families who are in paid work); minimum family tax credit (a payment made to families with dependent children, to ensure a minimum, weekly, post-tax income); and parental tax credit (a payment made when a taxpayer has a baby).⁷⁵ In-work family benefit, as its name suggests, is reserved for those in employment and is, therefore, status-based, rather than needs-based. Susan St John, often representing the Child Poverty Action Group, has cogently explained the substantial inequality consequences of this distinction for the children of the unemployed.⁷⁶ Working for Families manifests a deep-seated

⁶⁹ A policy proposal for compulsory KiwiSaver contributions was included in the 2014 Labour Party manifesto, along with a capital gains tax and increasing the NZ Super qualification age to 67. Labour suffered its worst electoral defeat since 1922: see Claire Trevett, ‘Election 2014: Cunliffe already in sights of Labour’s MPs’ *The New Zealand Herald*, (online), 22 September 2014 <http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=11328988>.

⁷⁰ The New Zealand Superannuation Fund was created by the *Superannuation and Retirement Act 2001* (NZ) to pre-fund future superannuation costs. The fund is generally known as the ‘Cullen Fund’ after the Michael Cullen, who was the Minister of Finance for the Fifth Labour Government. The National-led government suspended contributions to the Fund in 2009. Contributions are expected to recommence after 2020. See NZ Super Fund, ‘Contribution Suspension’ <<https://www.nzsuperfund.co.nz/nz-superfund-explained-purpose-and-mandate/contributions-suspension>>.

⁷¹ As at June 2015, KiwiSaver schemes had 1.3 million members who made annual contributions amounting to NZD 4.8 billion. See KiwiSaver, ‘Joining KiwiSaver’ <<http://www.kiwisaver.govt.nz/statistics/annual/joining/>>.

⁷² Susan St John, ‘Improving the affordability of New Zealand Superannuation’ (Working Paper 2015-1, Retirement Policy and Research Centre, University of Auckland, 2015) 7 <<https://cdn.auckland.ac.nz/assets/business/about/our-research/research-institutes-and-centres/RPRC/WorkingPaper/wp-2015-1-nzs-affordability.pdf>>.

⁷³ Cadogan, above n 58, 119.

⁷⁴ See Work and Income, ‘A-Z benefits and payments’ Ministry of Social Development <<http://www.workandincome.govt.nz/products/a-z-benefits/>>.

⁷⁵ ‘Future Directions – Working for Families’ Ministry of Social Development <<https://www.msd.govt.nz/about-msd-and-our-work/work-programmes/policy-development/working-for-families/future-directions-working-for-families.html>>.

⁷⁶ See Susan St John and M Claire Dale, ‘The New Zealand Experience of Child-Based Work Incentives’ (2010) 12(3) *European Journal of Social Security* 216; Child Poverty Action Group, ‘Why Fix Working for Families’ <<http://www.cpag.org.nz/campaigns/fix-working-for-families-fwff-campaign/>>.

sentiment that the working poor and their families should be preferentially treated relative to the unemployed and their dependants. This preference does not, however, mean that children of the working poor do not suffer. Indeed, 37 per cent of children in poverty have two working caregivers.⁷⁷

Job Seeker benefit is a Blairist import.⁷⁸ Gorz notes that:⁷⁹

‘Workfare’ in its Blairist version, which has eventually spread to other countries, abolishes unemployment benefit, replacing it with a ‘job-seeker’s allowance’ and assuming that this job-seeking is the ‘work’ the unemployed person must necessarily perform as assiduously as possible, including by acquiring more saleable skills than they currently possess. The obligatory production of oneself becomes a ‘job’ like any other.

Nancy Fraser describes these types of measures as ‘[p]unitive, androcentric, and obsessed with employment despite the absence of good jobs’.⁸⁰ Furthermore, Simon Chapple argues that New Zealand’s welfare system is focused on getting people off benefits but fails to measure the true economic costs and benefits of doing so.⁸¹

The charity Caritas observes, ‘[t]he differences between Labour’s work-focused incentives and National’s “unrelenting focus on work” are mostly differences of degree’.⁸² Caritas concludes:

The spirit and intent of the legislation as set out in the long title to the 1938 [Social Security] Act has now been lost and replaced with a list of factors that focus predominantly on employment as the ultimate goal for everyone. A statement that says sustainable employment is desirable in itself appears unobjectionable. However, holding this up as a statutory purpose of legislation designed to ensure that the basic needs of those on the

⁷⁷ See Eleanor Ainge Roy, ‘New Zealand’s most shameful secret: ‘We have normalised child poverty’’ *The Guardian* (online, 16 August 2016) <<https://www.theguardian.com/world/2016/aug/16/new-zealand-s-most-shameful-secret-we-have-normalised-child-poverty>>.

⁷⁸ See the Welfare Working Group, ‘Reducing Long-Term Benefit Dependency’ (2011) and its principal recommendation for a new single work-focused welfare payment to replace all existing categories of benefit, to be called Jobseeker Support.

⁷⁹ Gorz, above n 49, 25.

⁸⁰ Nancy Fraser, *Justice Interruptus: Critical Reflections on the “Postsocialist” Condition* (Routledge, 1997) 42.

The experience of Greece, which has very high and persistent unemployment among the young, indicates governments will continue to try to encourage work, even when the situation appears hopeless. On Greek initiatives to engage with youth unemployment, see Susanne Kraatz, ‘Youth unemployment in Greece: Situation before the government change’ Employment and Social Affairs Briefing European Parliament’ European Parliament, <[http://www.europarl.europa.eu/RegData/etudes/BRIE/2015/542220/IPOL_BRI\(2015\)542220_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2015/542220/IPOL_BRI(2015)542220_EN.pdf)>.

⁸¹ See Simon Chapple, ‘Forward Liability and Welfare Reform in New Zealand’ (2013) 9(2) *Policy Quarterly* 56.

More generally, the relationship between direct welfare and indirect welfare is often obscured through a lack of scientific analysis. Seeleib-Kaiser says ‘tax incentives are core to many labour market activation measures and private social policies; although tax expenditures have been around for decades in most OECD countries in some form or another, they have not been at the centre of scientific scrutiny.’ See Seeleib-Kaiser, above n 5, 7.

⁸² Caritas Aotearoa New Zealand, ‘The Unravelling of the Welfare Safety Net’ (2008) <<http://www.caritas.org.nz/sites/default/files/Unravelling%20of%20the%20Welfare%20Safety%20Net%202008.pdf>>.

lowest incomes are met necessarily removes the meeting of need as the legislation's primary concern.

The attitude to work of neoliberal governments, which in New Zealand means all administrations since the mid-1980s, is paradoxical. On the one hand, relative to capital,⁸³ work has become a devalued commodity, and laissez faire policies have been instrumental in suppressing wages. On the other hand, neoliberal governments expect welfare beneficiaries to assume self-responsibility for their unemployment and to become 'activated' for this demeaned conception of work. Work activation can be seen in terms of 'recommodification',⁸⁴ whereby any shelter welfare may have provided against the vicissitudes of the market is removed.

Seeleib-Kaiser observes that "enabling" citizens to work can also be understood as in accordance with the concept of social citizenship, which not only entails rights for individuals to receive benefits, but also duties, including the duty to work'.⁸⁵ This idea is consistent with Marshallian social citizenship, and the traditional, social democratic valorisation of work. Will Hutton, for example, argues that work is a 'means of acting and interacting with the world that fulfils an individual's humanity ... brings self-esteem ... sharpens the capacity to be and to do'.⁸⁶ Indeed, some may even portray work activation in terms of liberation.⁸⁷ Certainly the principal promise of anti-globalisation, populist politicians, including Donald Trump and Bernie Sanders in the United States, Nigel Farage and Jeremy Corbyn in the United Kingdom, Pauline Hanson in Australia, and Winston Peters in New Zealand, 'is to "bring back the jobs" because they understand how important a decent job is to most people', and how they are stigmatised without one.⁸⁸

C Vestigial Labour Defence

Under the labour defence model, the quid quo pro for the duty to work was a living wage and secure employment – not precarity. It would be implausible to claim an undiminished form of labour defence continues to exist in New Zealand; nevertheless, vestiges remain.⁸⁹ Full employment is not an express goal of contemporary government economic policy but, whether by design or luck, New Zealand has a relatively low unemployment rate (4.9 per cent in

⁸³ In terms of Ricardian doctrine, paying heed to comparative advantage will ensure global capital is allocated most efficiently among countries. While some will suffer, the aggregate benefits of the winners are expected to outweigh the losses of the losers: see Paul A Samuelson, 'Where Ricardo and Mill Rebut and Confirm Arguments of Mainstream Economists Supporting Globalization' (2004) 18(3) *Journal of Economic Perspectives* 135, 135. The domestic political risks of this attitude has been demonstrated by the Brexit vote in Europe and the phenomenal rise of Donald Trump as a lightning rod for the discontents of American 'losers' from globalisation: see, for example, Eric Bovim, 'Globalization and its discontents: How the Trump/Brexit movements might herald New World Orders' Salon (26 June 2016) <http://www.salon.com/2016/06/25/globalization_and_its_discontents_how_the_trumpbrexit_movements_might_herald_new_world_orders/>.

⁸⁴ Seeleib-Kaiser, above n 5, 6.

⁸⁵ Ibid, 6-7.

⁸⁶ Will Hutton, *The State We're In* (Random House, 1995) 231.

⁸⁷ See Frank Lovett, *A General Theory of Domination and Justice* (Oxford University Press, 2010). A viewing of Ken Loach (dir), *I, Daniel Blake* (2016) might temper that optimism.

⁸⁸ Tim Dunlop, 'Farewell to the till', *Sunday Star Times*, (New Zealand) 11 December 2016, A10.

⁸⁹ Echoing historical restrictions of the supply of foreign labour, The Salvation Army has called for a curb on migrant labour to alleviate youth unemployment in New Zealand: see Alan Johnson, 'What's Next? Addressing New Zealand's Youth Unemployment' (The Salvation Army Social Policy & Parliamentary Unit, 2016) <<http://www.salvationarmy.org.nz/sites/default/files/uploads/20161019TSA-Youth-Report-FINAL.pdf>>.

September 2016).⁹⁰ Real wage rates have decreased in the neoliberal era,⁹¹ but a statutory minimum wage (NZD15.50 per hour) must be paid to all workers over the age of 16.⁹² There is no longer an Arbitration Court to guarantee a living wage but Working for Families goes some way to compensate breadwinners for low, in-market incomes.⁹³ Notwithstanding inadequate wages, all employees benefit from a broad and long-standing, minimum code of employment rights. Furthermore, the National-led government, the presumptive ally of business, has demonstrated a willingness to act against abuses of employer power, such as unfair wage deductions and zero hour contracts,⁹⁴ and to significantly improve occupational health and safety for most sectors.⁹⁵ The point here is that employment remains as much a special social status as it was under the New Zealand version of Marshallian social citizenship. In contrast, unemployment remains an inferior social status which confers a reduced version of citizenship on the unemployed and their dependents. But, if the absence of in-market work were to become normalised, the maintenance of stigma against unemployment could become unsustainable.

The Domestic Purposes Benefit ('DPB'), which the progressive Kirk government introduced in 1972,⁹⁶ exceptionally aimed to directly benefit people other than working men, those being single mothers. But the DPB has proved to be a lightning rod for 'beneficiary bashing'.⁹⁷ In the spirit of 'activation' and 'responsibilisation', DPB has been renamed 'Sole Parent Support' and 'helps single parents and caregivers of dependent children *get ready for future work*'.⁹⁸ More recently, some recognition has been given to work done at home as being equivalent to in-market work. The Ministry of Health's funded family care policy pays certain caregivers the minimum wage for looking after their family members who might otherwise need to be cared for by a professional caregiver.⁹⁹ But Gorz cautions about out-of-market work being used

⁹⁰ 'Unemployment rate falls to 4.9 percent as employment grows' (2016) Statistics New Zealand <http://www.stats.govt.nz/browse_for_stats/income-and-work/employment_and_unemployment/LabourMarketStatistics_MRSep16qtr>.

⁹¹ 'New Zealand's Low-Wage Economy: How the policies of the past thirty years have driven us there' (2014) New Zealand Confederation of Trade Unions <http://union.org.nz/sites/union.org.nz/files/CTU_low_wage_economy.pdf>.

⁹² See *Minimum Wage Act 1983* (NZ), s 4. Around three percent of the New Zealand workforce is paid the minimum wage: see Ministry of Business, Innovation & Employment, 'Minimum Wage Review 2015' <<http://www.mbie.govt.nz/publications-research/publications/employment-and-skills/Minimum-Wage-Review-report.pdf>>.

⁹³ A current, unofficial living wage of NZD 19.80 per hour is designed to allow a family of four with 1.5 FTE working parents to live a dignified life. The family and in-work tax credits are taken into account. See Peter King and Charles Waldegrave, 'Report of an investigation into defining a living wage for New Zealand' Family Centre Social Policy Research Unit (2013) <http://www.familycentre.org.nz/Publications/PDFs/Living_Wage_Investigation_Report_2013.pdf>.

⁹⁴ See Employment Standards Legislation Bill 2015 (NZ).

⁹⁵ See *Health and Safety at Work Act 2015* (NZ).

⁹⁶ See David Grant, *The Mighty Totara: The Life and Times of Norman Kirk* (Random House, 2014) 346-347.

⁹⁷ See, in particular, the comments on Siena Yates, 'Battle against beneficiary bashing' *Waikato Times* (2 October 2012) <<http://www.stuff.co.nz/national/politics/7759711/Battle-against-beneficiary-bashing>>.

⁹⁸ 'Sole Parent Support', Ministry of Social Development <<http://www.workandincome.govt.nz/products/a-z-benefits/sole-parent-support.html>> (emphasis added).

⁹⁹ See *Public Health and Disability Amendment Act 2013* (NZ) and *Spencer v Ministry of Health* [2016] NZHC 1650.

as an instrument for validating in-market work.¹⁰⁰ As a society, we might value and reward out-of-market activity because it is intrinsically good or simply because the grounds for privileging one form of activity over another are ideological, rather than because it might act as a substitute for in-market work.

D *New Zealand Tax Norms*

Progressive income taxation has never been pursued in New Zealand as vigorously as in other countries;¹⁰¹ capital gains tax has not taken hold in the popular imagination;¹⁰² and capital transfer taxes were abandoned long ago.¹⁰³ The Tax Working Group¹⁰⁴ gave some indication of New Zealand's tax norms, particularly in choosing to avoid the kinds of radical recommendations made by the 2001 Tax Review, for example, taxing imputed income.¹⁰⁵ New Zealand has an ostensibly broad tax base but policymakers have shown a reluctance to tax capital, other than speculative gains. Focus lies in taxing earned income. Income tax rates are mildly progressive. The negative income tax features of Working for Families seem well-entrenched. Nothing more than token tax relief is available for retirement saving via KiwiSaver but no tax relief is extended to private medical or other insurance. Administrative simplicity is valued. A neutral goods and services tax, levied at a flat rate (15 per cent), is a significant source of tax revenue (30 per cent, compared to the OECD average of 19 per cent).¹⁰⁶

In short, the New Zealand tax system aims to be as simple as it can be in a complex modern economy, and as neutral as is politically plausible. And so, when Mason argues taxes should also be reshaped 'to reward the creation of non-profits and collaborative production',¹⁰⁷ we can be reasonably confident that such directive use of taxes will not happen in New Zealand.

E *Provisional Conclusions*

Cadogan observes that, '[s]hort of attempting blue skies futurology, it is hard to get beyond the habit of welfare, except to prevent it from distorting economic development. Welfare is a problem in the "ecology" of an economy, a constituent part of the modern polity, an aspect of the fiscal constitution.'¹⁰⁸ Glennerster notes that doom has been predicted for state welfare

¹⁰⁰ See Gorz, above n 49, 28.

¹⁰¹ Compare with the United Kingdom's peak 98 per cent marginal rate for investment income: see Tom Clark, 'The Limits of Social Democracy? Tax and Spend under Labour, 1974-79' The Institute for Fiscal Studies WP 01/04 (2001).

¹⁰² See Jonathan Barrett and John Veal, 'Equity versus Political Suicide: Framing the Capital Gains Tax Debate in the New Zealand Print Media' (2013) 19(2) *New Zealand Journal of Taxation Law and Policy* 91.

¹⁰³ Estate duty was abolished in 1992 but an ineffectual gift duty remained on the statute books until 2011.

¹⁰⁴ Victoria University of Wellington Tax Working Group, *A Tax System for New Zealand's Future: Report of the Victoria University of Wellington Tax Working Group* (2010).

¹⁰⁵ See *Tax Review 2001* (Treasury, 2001) [3.18]-[3.34]. The Tax Working Group's plausible proposal for a national land tax was summarily dismissed by government, although a land tax on non-residents remains a live issue: see 'Land tacks', *New Zealand Listener* (online), 6 May 2016 <<http://www.listener.co.nz/commentary/features/land-tacks/>>.

¹⁰⁶ 'Revenue statistics 2015: New Zealand' OECD <<https://www.oecd.org/tax/revenue-statistics-new-zealand.pdf>>.

¹⁰⁷ Mason, above n 22, 278.

¹⁰⁸ Cadogan, above n 58, 40.

since the late 1960s but these predictions have not been fulfilled.¹⁰⁹ We might therefore conclude that, like the Biblical poor,¹¹⁰ welfare will always be with us,¹¹¹ in the imaginable future, at least. The pertinent consideration is, then, how welfare might evolve in the face of the fiscal threats presented by globalisation, an ageing population, and the likelihood of technologically-determined job losses.

IV EVOLUTION

This part of the paper seeks to develop the ideas outlined in the preceding parts to consider how the New Zealand tax-welfare system might develop. Tax-welfare policies do not always develop from what is familiar – once revolutionary ‘Rogernomics’¹¹² and ‘Ruthenasia’¹¹³ have become normalised in New Zealand – but evolution is more politically plausible than revolution.¹¹⁴ New Zealand is commonly cited as an example of a country which effected significant and wide-scale retrenchment of welfare.¹¹⁵ Before the mid-1990s, government could implement unpopular cutbacks because the first past the post electoral system typically led to a clear Parliamentary majority and so did not necessitate coalition and consequent compromise with minority parties.¹¹⁶ In contrast, European governments, elected on a proportional representation basis, were required to temper neoliberal reforms for the sake of political compromise.¹¹⁷ The current mixed member proportional representational (‘MMP’) system, which came into effect in New Zealand in 1996, similarly ensures that ‘[c]oalitions or agreements between political parties are usually needed before Governments can be formed’.¹¹⁸

¹⁰⁹ Glennerster, above n 15, 690.

¹¹⁰ See Matthew ch 26 v 7.

¹¹¹ It is arguable that modern welfare, albeit in a most embryonic form, emerged with *The Poor Relief Act 1601* (43 Eliz 1 c 2), a measure both charitable and disciplinary.

¹¹² ‘Rogernomics’ refers a wholesale programme of free market reforms, instituted by Labour’s Minister of Finance, Roger Douglas, in the mid-1980s: ‘The 1980s: Overview’ New Zealand History (Ministry for Culture and Heritage) (2013) <<http://www.nzhistory.net.nz/culture/the-1980s/overview>>.

¹¹³ ‘National’s most radical reformer was Ruth Richardson, finance minister during the 1990–93 Bolger government. Wanting to reduce the size of government and encourage self-reliance, she slashed welfare benefits and introduced the Employment Contracts Act 1991, which de-unionised much of the workforce – leading critics to dub the reforms ‘Ruthanasia’. See Colin James, ‘National Party - Shifting rightwards’ *Te Ara - the Encyclopedia of New Zealand* <<http://www.TeAra.govt.nz/en/national-party/page-3>>.

¹¹⁴ In its call for social security for all, the International Labour Organization cautions ‘one size does not fit all’, rather ‘[b]asic social security guarantees should be provided through the most effective and efficient combination of benefits and schemes in the national context.’ See International Labour Organization, *The Strategy of the International Labour Organization. Social Security for All: Building Social Protection Floors and Comprehensive Social Security Systems* (ILO, Social Security Department, 2012) 6. This advice on welfare being culturally specific may be specifically addressed to less developed countries but is also relevant to OECD countries.

¹¹⁵ See, for example, Jonah D Levy, ‘Welfare Retrenchment’ in Francis G Castles, Stephan Leibfried, Jane Lewis, Herbert Obinger and Christopher Pierson (eds) *The Oxford Handbook of the Welfare State* (Oxford University Press, 2010) 552, 558.

¹¹⁶ See, generally, Geoffrey Palmer, *Unbridled Power? An Interpretation of New Zealand’s Constitution and Government* (Oxford University Press, 1979).

¹¹⁷ Miguel Glatzer and Dietrich Rueschemeyer, ‘Conclusion: Politics Matters’ in Miguel Glatzer and Dietrich Rueschemeyer (eds) *Globalization and the Future of the Welfare State* (University of Pittsburgh Press, 2005) 203, 210 n 6.

¹¹⁸ Electoral Commission, ‘MMP Voting System’ <<http://www.elections.org.nz/voting-system/mmp-voting-system>>.

MMP makes radical reforms less likely. Besides, cuts are most easily achieved when they impact on a poor and politically quiescent minority. Because we all benefit from broad forms of welfare, such as state pensions, education and health care, overall social spending tends to adapted but not decline.¹¹⁹

To reiterate, identifying norms or trends is not tantamount to approving of them. I support more progressive and equitable goals for the future tax-welfare system, including, in principle, a universal basic income. But, in Cadogan's plausible, realist view, '[w]elfare policy must proceed on the basis then that we have been starting to live in a new "normal" for a while now, that it has been developing around us from the mid-20th century, and that we will remain in a gradual climb up this gradient.'¹²⁰ This new normal does not indicate progress towards a structural welfare utopia, but rather to broader responsibilisation, an expansion of the New Regulatory State, and increased inequality.

A *Broader Responsibilisation*

Under the conditions of neoliberalism, Gorz tells us, '*People must become enterprises for themselves*; for themselves, as labour-powers, they must become a fixed capital demanding to be continually reproduced, modernized, expanded and valorized.'¹²¹ If people are unemployed, it is a 'sign of their deficient 'employability' and it will be for them to restore it.'¹²² The unemployed and members of the precariat have, then, been coerced into 'responsibilism'. Glennerster predicts for the United Kingdom that '[t]here will be more pressure on those who do not actively seek work, positive help for those who do return, and higher subsidies for lower-paid jobs. Work and longer years of paid work are likely to remain a central part of social welfare policy'.¹²³ A similar approach to work and welfare can be expected in New Zealand. Of course, mass unemployment due to automation could make such a strategy unworkable but it is submitted, while the quality of work and the in-market reward for that work might decrease, work as such is unlikely to disappear.

As Cadogan explains, 'the role of the state [is moving] from providing benefits that compensate for risks to one that enables beneficiaries to actively exercise responsibility in coping with risks.'¹²⁴ But the unemployed poor are not the only beneficiaries of welfare, and '[t]he state cannot support the lifestyles of long-term middle class unemployment, as well as of the poor and the unskilled.'¹²⁵ The principle of responsibilisation indicates the middle class should 'assume as much responsibility for life risks as possible, through subscription to voluntary schemes, on the KiwiSaver principle'¹²⁶

At some stage, it may occur to a generation laden with study debt, who cannot afford to buy houses, who must support an unprecedented number of superannuated and ill forebears that it is a remarkable luxury to pay universal superannuation to people who could support themselves

¹¹⁹ Glennerster, above n 15, 691.

¹²⁰ Cadogan, above n 58, 131.

¹²¹ Gorz, above n 49, 19.

¹²² Ibid, 25.

¹²³ Glennerster, above n 15, 695-6.

¹²⁴ Adalbert Evers and Anne-Marie (eds) *Social Policy and Citizenship: The Changing Landscape* (Cambridge University Press, 2012) 364.

¹²⁵ Cadogan, above n 58, 95.

¹²⁶ Ibid.

from their accumulated wealth. Owner-occupation of a house provides shelter from market forces and constitutes ‘a form of social insurance’.¹²⁷ Furthermore, savings may provide a basis for self-responsible welfare in retirement or unemployment for the middle class. If the middle classes were to become subject to the responsabilisation already imposed on the unemployed, we might see Working for Families restricted to the worst-off; no more subsidies for the middle classes through interest-free student loans;¹²⁸ and KiwiSaver principles extended so that, if a person wants more than a survival minimum, they will need to self-fund.

B *Expansion of the New Regulatory State*

Mason’s postcapitalist prediction that a future without work will be characterised by benign mutualism may be attractive but is implausible.¹²⁹ It seems more likely that the New Regulatory State,¹³⁰ which has privatised twentieth century state functions, such as retirement benefits,¹³¹ but continues to regulate them, will expand its reach. In short, rather than mutualism, we may see greater individualisation under the regulation of the State.

C *Inequality*

Following the shock of Rogernomics and Ruthanasia, income inequality has been broadly stable in New Zealand since the early 1990s.¹³²

According to Brian Perry, ‘Wealth inequality is usually around double the level of income inequality (using the Gini measure). The most wealthy 10% hold around 50% of all household wealth, whereas the top 10% of income earners receive a 25% share of all income. NZ’s wealth inequality is about average for the OECD.’¹³³ Home ownership is the principal determinant of a person’s wealth profile. ‘[T]he home-ownership rate in 2013 for Māori was 35.0 percent, and

¹²⁷ Tony Fahey and Michelle Norris, ‘Housing’ in Francis G Castles, Stephan Leibfried, Jane Lewis, Herbert Obinger and Christopher Pierson (eds) *The Oxford Handbook of the Welfare State* (Oxford University Press, 2010) 479, 491.

¹²⁸ See New Zealand Productivity Commission, ‘New models of tertiary education: Draft report’ (2016) <http://www.productivity.govt.nz/sites/default/files/FINAL%20Tertiary%20education%20draft%20report_2.pdf>.

¹²⁹ Mason, above n 22, xv argues ‘the spontaneous rise of collaborative production: goods, services and organizations are appearing that no longer respond to the dictates of the market and managerial hierarchy.’ Wikipedia is the commonly cited example of such new collaborative production outside the market, but, as Owen Hatherley observes, Wikipedia is dependent on ‘the non-postcapitalist labour of academics in nearly the entire operation. Wikipedia is less a new form of knowledge than a novel packaging of an old one.’ See Owen Hatherley, ‘One Click at a Time’ (2016) 38(13) *London Review of Books* 3.

¹³⁰ For an identification of the principal features of the New Regulatory State, see John Braithwaite, ‘The New Regulatory State and the Transformation of Criminology’ (2000) 40 *British Journal of Criminology* 222.

¹³¹ See Lutz Leisering, *The New Regulatory State* (Palgrave-Macmillan, 2011) on the role of governments in creating and regulating private pensions in the since the 1980s.

¹³² See Bryan Perry, ‘The Material Wellbeing of NZ Households: Overview and Key Findings from the 2016 Household Incomes Report and the Companion Report Using Non-income Measures’ (Ministry of Social Development, 2016) 12.

¹³³ Bryan Perry, ‘Household incomes in New Zealand: Trends in indicators of inequality and hardship 1982’ to 2014 (Ministry of Social Development, 2015).

the Pacific rate was 24.4 percent. In comparison the European home-ownership rate was 54.6 percent.¹³⁴

Intergenerational inequality is exacerbated by older people's accumulated superannuation savings, a phenomenon which is pronounced in Australia,¹³⁵ and is likely to become increasingly manifest in New Zealand as KiwiSaver accounts accumulate.¹³⁶

Emerging technology holds the potential for intensifying structural inequality, indeed, to cause new forms of inequality. Robert Shiller notes, '[T]ruly extreme gaps in income and wealth could arise from many causes ... Innovations in robotics and artificial intelligence, which are already making many jobs uncompetitive, could lead us into a world in which basic work with decent pay becomes impossible to find.'¹³⁷

What are the tax-welfare responses likely to be to the problem of inequality?¹³⁸ Beyond local authority rates, there is no (non-speculative) capital or wealth taxation in New Zealand and neither of the two leading political parties currently indicate that they would change the status quo. Nevertheless, at some stage, a low-rate land tax, as preferred by most members of the Tax Working Group,¹³⁹ must be given serious policy consideration. I support an Irish-style capital acquisitions tax but recognise any impediment to an older generation passing its wealth to a younger generation – whatever the inequality consequences among the members of the recipient generation – may be politically implausible.

D *Universal Basic Income*

The idea that everyone in society should be guaranteed a minimum share in the social product may be ancient,¹⁴⁰ but recognisable policy proposals for a universal basic income ('UBI') have been on the welfare agenda since the Beveridge investigation into welfare was conducted in

¹³⁴ Statistics New Zealand 'Wealth differs by ethnicity' (media release), 4 November 2016, <http://www.stats.govt.nz/browse_for_stats/people_and_communities/Net%20worth/ethnicity-media-release.aspx>.

¹³⁵ See Helen Hodgson, 'Wealth inequality shows superannuation changes are overdue' *The Conversation* (online), 25 July 2016 <<http://www.theconversation.com.au>>.

¹³⁶ Inequality in the regard may be more pronounced in Australia, but it may be noted that, in 2015, 'The top 1 percent of New Zealand households had 18 percent of total net worth – the same as the OECD average, but slightly higher than in Australia (where the top 1 percent has 13 percent of net worth).' See Statistics New Zealand, 'Household Net Worth Statistics: Year ended June 2015' <http://www.stats.govt.nz/browse_for_stats/people_and_communities/Households/HouseholdNetWorthStatistics_HOTPYeJun15/Commentary.aspx#house>.

¹³⁷ Robert J Shiller, 'Today's Inequality Could Easily Become Tomorrow's Catastrophe', *The New York Times* (online), 26 August 2016 <http://www.nytimes.com/2016/08/28/upshot/todays-inequality-could-easily-become-tomorrows-catastrophe.html?em_pos=small&emc=edit_up_20160831&nl=upshot&nl_art=6&nlid=52727791&ref=headline&te=1&r=0>.

¹³⁸ Whatever a particular government's tolerance for inequality may be, the negative social consequences of inequality are observable. See, generally, Richard Wilkinson and Kate Pickett, *The Spirit Level: Why Equality Is Better for Everyone* (Penguin, 2010). The OECD has estimated that rising inequality in New Zealand since the mid-1980s reduced economic growth by one third: see Directorate for Employment, Labour and Social Affairs, 'Does income inequality hurt economic growth?' OECD (2014) <<http://www.oecd.org/els/soc/Focus-Inequality-and-Growth-2014.pdf>>.

¹³⁹ See Tax Working Group, above n 104, 67.

¹⁴⁰ See, for example, Basic Income Earth Network, 'History of basic income' <<http://basicincome.org/basic-income/history/>>.

the early-1940s.¹⁴¹ Proposals for UBI schemes take different forms but a broadly accepted model would see a guaranteed income, say, two-thirds of the average wage. Anyone whose income is less than the minimum receives a state top up. Anyone who already has an income equal to the minimum receives that amount free of income tax. A UBI proposal has obvious communitarian appeal but also enjoys wide support among conservatives and libertarians.¹⁴² The arguments for a UBI are well-rehearsed,¹⁴³ and will not be reprised here other than to note the effects of a UBI when applied to an entire community.¹⁴⁴

Between 1974 and 1979, the 10,000 residents of Dauphin, a rural town in the Canadian province of Manitoba, were eligible for a guaranteed income of 60 percent of the low-income cut-off (poverty threshold) as established by Statistics Canada.¹⁴⁵ Because the UBI was reduced by 50 cents for every dollar of other income, only around one-third of residents received some payment.¹⁴⁶ Ashifa Kassam observes that residents saw the UBI ‘as a source of stability, buffering them from financial ruin in the case of sudden illness, disability or unpredictable economic events’.¹⁴⁷ Specific outcomes included: children from the most economically disadvantaged families stayed on to graduate from high school, and thereby improve their career opportunities; women took longer maternity leave; and hospitalisation for accidents, injuries and mental health issues was reduced.¹⁴⁸ Evelyn Forget concludes a UBI, ‘implemented broadly on society, may improve health and social outcomes at a community level’.¹⁴⁹ A UBI is then a plausible and effective welfare option but is, unfortunately, often freighted with utopian expectations.

In Mason’s postcapitalist scenario, a UBI would:¹⁵⁰ first, formalise the separation of work and wages; second, subsidise the transition to shorter working periods; and, third, ‘paid for out of taxes on the market economy given to people to build positions in the non-market economy’.¹⁵¹ While his proposals may be attractive they butt up against plausibility. Work has not yet been

¹⁴¹ See William Beveridge, ‘Social Insurance and Allied Services: Report by Sir William Beveridge (1942) <[http://www.who.int/bulletin/archives/78\(6\)847.pdf](http://www.who.int/bulletin/archives/78(6)847.pdf)>.

¹⁴² See, for example, FA Hayek, *Law, Legislation and Liberty Volume 2 The Mirage of Social Justice* (Routledge & Kegan Paul, 1976) 150.

In Canada, a proposed experiment for Ontario has been driven by Hugh Segal, ‘a Conservative political strategist’: see Ashifa Kassam, ‘Ontario Pilot Project Puts Universal Basic Income to the Test’, *The Guardian* (online), 28 October 2016 <<https://www.theguardian.com/world/2016/oct/28/universal-basic-income-ontario-poverty-pilot-project-canada>>.

¹⁴³ See, in particular, Jennifer Mays, Greg Marston and John Tomlinson (eds) *Basic Incomes in Australia and New Zealand: Perspectives from the Neoliberal Frontier* (Palgrave Macmillan, 2016).

¹⁴⁴ The legislature of Prince Edward Island, Canada’s least populous province, has voted to trial a UBI: see Matt Payton, ‘Canadian province takes major step towards universal basic income’, *Independent* (online), 8 December 2016 <<http://www.independent.co.uk/news/world/americas/canda-universal-basic-income-prince-edward-island-pilot-programme-a7462916.html>>.

¹⁴⁵ See Evelyn L Forget, ‘The Town with No Poverty: The Health Effects of a Canadian Guaranteed Annual Income Field Experiment’ (2011) 37(3) *Canadian Public Policy* 283, 289.

¹⁴⁶ See *ibid.*

¹⁴⁷ Kassam, above n 142.

¹⁴⁸ See Forget, above n 145, 289.

¹⁴⁹ See *ibid.*, 300.

¹⁵⁰ Mason, above n 22, 284.

¹⁵¹ *Ibid.*, 285-6.

separated from wages. For many, work may have been separated from a *living* wage but job seekers, for example, receive benefits because they commit themselves to search for wages. In the future, many more people may work for insufficient wages, and their access to state support will depend on their seeking some in-market income.

Mason suggests a minimum wage pegged at three times the UBI to, on the one hand, incentivise those who can work but, on the other hand, make not working practicably achievable.¹⁵² But this is not true separation of work from income. Even in Mason's utopian vision, in-market work – any in-market work – would remain more socially valuable than out-of-market work, such as child care or looking after an infirm parent.

Keith Rankin, a long-term proponent of a UBI in New Zealand, dismisses concerns about the sufficiency as a diversion,¹⁵³ but adequacy is important in practice and in principle. From a practical perspective, a sufficient UBI may be simply unaffordable, and, if part of a progressive income tax system, may require extremely high marginal tax rates to accommodate tapering.¹⁵⁴ If a UBI is insufficient, it simply becomes a subsidy to employers.¹⁵⁵ Rather than enabling out-of-market activity, which a UBI as an emancipatory mechanism might do, an insufficient UBI would ensure that people perform in-market work for sub-market rates because they cannot afford to do anything else.

For Susan St John, a UBI could represent a logical extension of Working for Families and the universal superannuation benefit so that a universal benefit should be incrementally paid to different groups in society.¹⁵⁶ More plausible than an extension of universal benefits is a scenario whereby more people become eligible for the In-Work Family Benefit as their jobs lose market value in the face of automation. The predisposition against 'bludging' is strong in New Zealand and the valorisation of work in employment is unlikely to disappear until work of any type – not just rewarding work – itself becomes rare.

V CONCLUSION

New Zealand has often been the locus of utopian imaginings,¹⁵⁷ but it has never been the mythical 'Sweden of the South Pacific'.¹⁵⁸ New Zealand, along with Britain, 'temporarily became welfare state leaders in the 1930s and 1940s, but', as Castles observes, 'then reverted to type, becoming in the process leaders of an initially largely English-speaking push towards

¹⁵² Ibid, 285.

¹⁵³ Keith Rankin 'Basic Income as Public Equity: The New Zealand Case' in Jennifer Mays, Greg Marston and John Tomlinson (eds) *Basic Income in Australia and New Zealand: Perspectives from the Neoliberal Frontier* (Palgrave Macmillan, 2016) 29, 44.

¹⁵⁴ See M Brewer, T Clark and M Myck 'Credit where it's due? An assessment of the new tax credits' The Institute for Fiscal Studies (Commentary 86) (2001).

¹⁵⁵ See Gorz, above n 49, 130.

¹⁵⁶ See Susan St John, 'Can Older Citizens Lead the Way to a Universal Basic Income?' in Jennifer Mays, Greg Marston and John Tomlinson (eds) *Basic Income in Australia and New Zealand: Perspectives from the Neoliberal Frontier* (Palgrave Macmillan, 2016) 95-114.

¹⁵⁷ See, for example, Samuel Butler, *Erewhon* (Penguin Books, 1970, first published 1872).

¹⁵⁸ See Linda Bryder, 'Review of Alexander Davidson, *Two Models of Welfare. The Origins and Development of the Welfare State on Sweden and New Zealand, 1988-1988* (Political Science Association, 1989)' (1992) 26(1) *New Zealand Journal of History* 110.

dismantling the welfare state'.¹⁵⁹ Those benefits which did tend towards Scandinavian structural welfare, notably the DPB, have transformed into work incentive schemes.¹⁶⁰ Relative to Nordic structural welfare schemes, New Zealand's labour defence model may be portrayed in terms of 'Clayton's welfare'.¹⁶¹ Rather than sheltering citizens from the vicissitudes of the market, labour defence sought to ensure that working men were robust market participants who did not require welfare except in emergencies. The immigration restrictions, compulsory unionisation, and living wage awards which empowered labour in the market were greatly swept away by the tide of neoliberal globalisation.

Employment retains its special social status and a job is the principal goal of contemporary welfare. For an employee, a comprehensive code of basic employment rights applies, including a minimum – albeit, not living – wage, and Working for Families, as a negative income tax, subsidises low earnings. Superannuitants are entitled to a pension pegged against the average wage, without consideration of their needs. Conversely, benefits for the unemployed are principally determined by status, rather than need. Whether or not these distinctions are justified, they will be slow to change, even in the face of the job losses predicted to arise from automation. Indeed, only if any form of work becomes unusual would a UBI become likely and serious consideration might be given to taxing capital in New Zealand.

¹⁵⁹ Francis G Castles, 'The English-Speaking Countries' in Francis G Castles, Stephan Leibfried, Jane Lewis, Herbert Obinger and Christopher Pierson (eds) *The Oxford Handbook of the Welfare State* (Oxford University Press, 2010) 630, 634.

¹⁶⁰ See Maureen Baker, 'Family welfare - Family policy, 1980–1999', *Te Ara – the Encyclopedia of New Zealand* (13 July 2012) <<http://www.TeAra.govt.nz/en/family-welfare/page-6>>.

¹⁶¹ Tony Deveson and Graeme Kennedy (eds), *The Oxford New Zealand Dictionary* (Oxford University Press, 2005) defines 'Clayton's' as '(used of a poor imitation of the 'real' thing) existing in name only; not genuine, worthless ... origin from the proprietary name of a soft drink marketed as 'the drink you have when you're not having a drink'.

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