

THE NEW ZEALAND SOCIAL SECURITY ACT

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IN THE New Zealand general election of 1935 the Labor Party, which for some years had occupied the position of an aggressive minority, was swept into power by a substantial plurality over its Conservative and Independent opponents. Under the leadership of Prime Minister M. J. Savage, numerous social reforms were put into effect, culminating in the adoption of the Social Security Act, 1938, one of the most liberal and comprehensive measures of its kind ever enacted. The law was not scheduled to come into operation until April 1, 1939. The Labor Party was returned to power in the general election of October 1938 by an imposing majority, following a campaign in which the major issue was the approval or disapproval of the Government's social security program.

The basic philosophy which motivated the adoption of the bill is embodied in the Prime Minister's statement: "A new principle has been introduced by this Act: citizens of the Dominion are insuring themselves against the economic hardships that would otherwise follow those natural misfortunes from which no one is immune." There is also recognition of the importance of a Government subsidy—in this case 50 percent or more. The levy of a contribution on all the private income of the community as the source of the remainder of the necessary revenue expresses the philosophy of the interdependence of all citizens in the general welfare. It is not surprising, therefore, that the Government should have committed itself to the task of increasing the national income at all costs. Thus, at one of the hearings before the National Health and Superannuation Committee which drew up the bill, Mr. Savage remarked: "Income should be a reflection of production but it never has been. We have come into power to make it that. Don't try to harness us to orthodox methods, because we are going to kick over the traces." It must be added, however, that there has been no official indication of the manner in which this result is to be achieved.

* Bureau of Research and Statistics, Old-Age Benefits Research Division. This article is based on data contained in the following publications: New Zealand, *Social Security Act, 1938* (2 Geo. VI, 1938, No. 7); National Health and Superannuation Committee, *Report, 1938*; and the *New Zealand Official Year-Book, 1937, 1938*.

During the meetings of the Committee as well as throughout the political campaign, there was strenuous objection to the plan, especially from the New Zealand branch of the British Medical Association, which advanced the same kind of arguments as are being expressed by its counterpart in the United States. Business, through the chambers of commerce, registered its strong protest against what it considered the lack of financial soundness in the undertaking, and other dissenting views were expressed by farmers' organizations and persons already covered by some private plan. The majority opinion of the population, however, overrode these objections.

As far back as 1898 a noncontributory plan for old-age pensions was adopted in New Zealand. This was amended on various occasions until 1926, when the Pensions Act of that year consolidated the various pension schemes already operating in the Dominion. Some of the significant measures incorporated into the 1926 Act were the Widows' Pensions Act of 1911, the Miner's Phthisis Act of 1915, and the War Pensions Act of 1915. In 1936 the scope of the program and the benefits were made more liberal in the Pensions Amendment Act. One of the most important amendments introduced provided a general invalidity pension to every person aged 16 or over who was totally blind or permanently incapacitated for work by accident, illness, or congenital defect, and who satisfied certain residential and other requirements. Earlier legislation on that subject recognized only blindness as a cause for compensation.

In March 1938 the Government made public its plan for a comprehensive state scheme of health services and pensions. A National Health and Superannuation Committee was set up to hear arguments from every interested person or group. The Committee was composed entirely of members of the House of Representatives and included seven members of the Labor Party, three members of the Opposition, and one Independent. The proposals of the Government were adopted, subsequently passed by the House of Representatives, and became law on September 14, 1938.

The act incorporates and liberalizes the services provided under previous legislation for old-age

assistance; pensions for widows and orphans, invalidity, miners, and war veterans; unemployment relief; and family allowances. It adds new provisions for universal superannuation benefits, general medical and hospital services and maternity care, and cash benefits during sickness. Thus the act represents the first attempt on a national scale to combine under one integrated system of economic security protection against all hazards which are covered by social insurance in other countries. Only the workmen's compensation legislation remains separate.

The New Zealand act differs from social insurance in its usually accepted form. Benefits are not measured in terms of contributions paid. Rather they are conditional upon the fulfillment of certain residence requirements, and, with the exception of the medical and universal superannuation benefits, they are granted only if the income of the beneficiary is below a specified amount. Moral qualifications have been retained in the liberalized provisions taken over from earlier legislation.

Medical, Hospital, and Related Benefits

The benefits which are to be made available under this section of the act are general practitioner services—not including specialist and consultant services—hospital treatment, pharmaceutical benefits, and maternity benefits. They are to be administered by the Minister of Health and are scheduled to come into operation on April 1, 1939, the effective date of the act, or as soon thereafter as their effective administration can be brought into operation. Every person over 16 years of age and ordinarily resident in New Zealand and every member of his family under 16 are entitled to the benefits regardless of income. Benefits are restricted, however, in cases in which a person receiving medical or other treatment is entitled to claim workmen's compensation or the recovery of damages. The Minister of Health is to "fix the terms and conditions subject to which the persons entitled to medical benefits . . . may claim such benefits." The Minister is also empowered to make arrangements for such supplementary benefits as in his opinion are necessary for the effective operation of the health services, including radiological and laboratory services,

administration of anesthetics, specialist and consultant services, dental and optical services, ambulance service, and home-nursing and domestic assistance.

Criticism of these provisions, expressed by the New Zealand branch of the British Medical Association during the Committee hearings, was based on three principal premises. The first and most important was the assertion that a universal service was unnecessary as long as many people were able to pay for the attention of their own doctor or preferred to do so. The association also claimed that the enactment of the bill would lead to a deterioration of the standards of medical service and would tend to create class distinctions. In reply to the first argument, the attitude of the Committee was that "few people can with certainty claim that they will always be able to pay for their own medical services. Even if they could establish their claim, this is no more an argument against a universal service than is the suggestion that because a man can afford to pay for his child's schooling, education should not be freely available to all." In addition, the Committee based its opinion on the findings of Sir Henry Brackenbury, member of an advisory committee to the British Ministry of Health and former chairman of the Council of the British Medical Association, who served in an advisory capacity to the New Zealand branch of the Medical Association and the Government Committee. In its report the Committee quoted Sir Henry's statement: "I do claim . . . that the securing of early and adequate medical attendance and ancillary services for all classes of the population is an extremely desirable and valuable thing for any nation, and that the most satisfactory method of securing this is by a compulsory insurance scheme."

With respect to the argument of the Medical Association that the standard of medical service would deteriorate, the Committee stated: "We believe that the standard of integrity of the medical profession is as high as in any other, and we are satisfied that if the doctors are fairly and equitably remunerated for their service they will render the highest possible degree of care and efficiency." In answer to the contention that the bill would lead to social distinction, the Committee remarked: "It is almost inevitable that under present conditions the person who can pay

most will get the best service from his doctor. Under the Government's scheme the need of the patient will be the measure of the doctor's attention."

In an official publication the Government has stressed the point that the conditions of medical service under the act are to be determined only after consultation with representatives of the medical profession and any question affecting that profession will be dealt with only after consideration by a committee fully representative of the medical profession.¹

Medical and Pharmaceutical Benefits

The Minister of Health is to appoint such committees or other advisory boards as he may consider necessary to assist him in fixing the terms and conditions under which the services are to be furnished or in hearing complaints or disputes which may arise concerning benefits. The terms and conditions so fixed will operate as an offer of contract and service to every registered medical practitioner or registered pharmacist, and any person signifying his willingness to provide benefits in accordance with those terms shall be deemed to have entered into a contract with the Minister. A fine of not more than £50 may be imposed upon any practitioner who fails to render "to the best of his knowledge, skill, and ability, all proper and necessary medical, surgical, and other services that may be required of him under the contract." Provisions are also made for setting up a special court of inquiry which shall, in cases of breach of contract, recommend to the Minister whether the contract shall be terminated. These courts shall consist of a member of the judiciary, acting as president, and not less than two other persons, who shall belong to the same profession as the individual whose contract is under investigation. A practitioner whose contract has been voided under these conditions may never again enter into a new one.

A person entitled to claim medical benefits is authorized to select his own doctor from among those registered, but the doctor's acceptance must in each case be obtained. If the person fails to select a doctor, or if the doctor selected does not agree to serve, the selection may be made by an

¹ *Social Security: A full explanation of the Social Security Act, 1938* . . . 1938, p. 25.

appropriate committee to be appointed by the Minister of Health. Although the act does not specify how this administrative procedure will be carried out, the assumption may be made that, since the Dominion is divided into a number of health districts, the medical officers of health will act as the Government's representatives. All persons entitled to medical treatment are also entitled to such medicines, drugs, materials, and appliances as may be prescribed. The Minister is empowered to fix the terms under which they are to be supplied.

Hospital Treatment

Under the Hospitals and Charitable Institutions Act of 1926 a number of hospital districts were created, in each of which a hospital board operates and manages public hospitals, sanatoria, maternity homes, and similar institutions. The act provides for free treatment in any of the board institutions. Payments from the Social Security Fund for these treatments are yet to be fixed, but an amount of 6s. per day per occupied bed was suggested by the Committee. Treatments may also be given in recognized and approved private hospitals, and a payment equivalent to the amount of grant to public hospitals will be made to the licensee, the balance to be met by the patient. Special provision will be made for grants in the case of certain hospitals which are operated by religious organizations and do not charge fees in the regular manner.

Maternity Benefits

A woman who is confined in a maternity hospital shall be entitled to all necessary medical and nursing attendance, maintenance, and care during confinement and for a period of 14 days following the birth of the child. When the confinement is at home, provisions are made for the services of a medical practitioner and an approved midwife for the same period. The stipulations concerning payments to public and private hospitals, respectively, from the Social Security Fund are the same as those described in the previous paragraph. The woman has the right to select her own physician, but this decision will be subject to the doctor's authorization to practice in the hospital of her choice. The patient may also choose the nurse or midwife who attends her in her own home.

Superannuation and Social Security Benefits

One section of the act brings together and liberalizes provisions for pensions of various types already in force under existing legislation. It also introduces the principle of "universal superannuation," described by the Prime Minister as "a system that will eventually provide universal superannuation of an adequate amount for every citizen irrespective of other income and property." The benefits under this section are to be administered by a Social Security Department, the executive officers of which are the three members of a Social Security Commission, acting under the general direction and control of a Minister of the Crown.

Universal Superannuation and Age-Benefits

Under the Pensions Act, 1926, amended in 1936, old-age pensions were payable on a means-test basis to men at age 65 and to women at age 60. The maximum payment under this earlier legislation was £58 10s. per year, subject to a reduction of £1 for every pound of income over £52, and an additional reduction of £1 for every £10 net capital value of accumulated property. The income limit, including the pension, for eligibility was £110 10s. a year for a single person and £169 jointly for a married couple.

Superannuation benefits, under the 1938 act, are available to all persons reaching the age of 65, without regard to other income or property. The sole qualification is that of residence, namely, 10 years for persons living in New Zealand on March 15, 1938, and 20 years for those arriving in the country after that date. Payments will begin on April 1, 1940, and will amount to £10 in the first year, increasing thereafter by £2 10s. yearly until the maximum of £78 is reached in 1968. These automatic increases will apply to recipients in the first year as well as to annuitants entering later; thus, a person reaching age 65 in April 1941 would start with a pension of £12 10s., the amount payable in the fiscal year 1941-42.

Superannuation benefits do not, however, replace the existing provisions for old-age pensions on a means-test basis. The latter are not only retained but are further liberalized by making such pensions payable to both men and women at age 60, thereby taking care of aged persons between the ages of 60 and 65. These pensions,

referred to in the act as "age-benefits," maintain the means-test principle by disqualifying as recipients single persons with a total weekly income (including benefit) of over £2 10s. per week, and married couples with a total income exceeding £4 per week. The basic rate of benefit is £1 10s. per week, i. e., £78 per year, which, it will be noted, is the maximum figure to be reached ultimately under universal superannuation. However, this benefit is to be reduced as follows:

For unmarried persons:

- (a) By £1 for every pound of private income in excess of £52 per year, and
- (b) By £1 for every £10 of the net capital value of accumulated property of the applicant.

For married persons (both 60 or over):

- (a) By 10s. for every pound of private income in excess of £52 per year.

For married persons (husband over 60, wife under 60):

- (a) By £1 for every pound of private income in excess of £130 a year. In other words, they are allowed an income of £2 10s. per week.

In addition, the rate of age-benefit for persons who have a child or children under the age of 16 may be increased by the Social Security Commission by such amount as "it considers fit," not to exceed £13 a year per child. Moreover, persons receiving age-benefits may, on reaching age 65 in 1940 or thereafter, qualify either for the universal superannuation payment or continue to receive age-benefits if the latter are greater. For example, a single man who was 63 years of age in April 1939 and had no private income would be qualified to receive £78 per year under the age-benefits provision. In 1941, when he became 65, the universal superannuation rate would be only £12 10s., and he would accordingly continue to be paid under the age-benefits provision. In 1968, when the superannuation benefit reaches the maximum of £78 per year, the present age-benefit will be superseded, and there will be universal superannuation of £78 per annum.

Invalidity Benefits

The act states that every person who has attained the age of 16 years and who is not qualified to receive an age-benefit shall be entitled to an invalidity benefit, if he is (a) totally blind or

(b) permanently incapacitated for work as a result of an accident or by reason of illness or any congenital defect. Certain residential qualifications must be satisfied, and the disability must have been acquired during residence in New Zealand and must not be self-induced. Under the 1936 act, when invalidity pensions were first introduced, the weekly rate of benefits was £1 for the invalid, 10s. for his wife, and 10s. for each dependent child under 16. Under the new provisions the rate of benefits will range from £1 10s. a week for an individual over 21 years of age and without dependents—£1 for those under 21—to a maximum of £4 per week for a man and wife with four or more children. The income allowable in addition to the benefit is £1 per week for single persons, £1 10s. for a married man or widower with dependent children, and £2 per week for a married woman.

Special provision is made for blind persons in that personal earnings up to £2 15s. a week are not to be taken into account in computing the allowable income. Moreover, a totally blind person who is employed will be entitled to an additional allowance equal to 25 percent of his average weekly earnings for the year, so long as his total income, including benefits, does not exceed £4 5s. a week.

Widows' and Orphans' Benefits

The original Widows' Pensions Act, 1911, as amended in 1926 and 1936, provided for a maximum of £1 10s. a week to a widow with one child under 15 years of age and 10s. for each additional child under 15, the aggregate not to exceed £4 10s. a week. Under the new act the maximum payment remains the same, but the age limit of the child is raised to 16 years, and the weekly payment to a widow with one child is increased to £1 15s. Income allowable from other sources is set at £1 10s. a week. The act also provides for payment of benefits to two special classes of women who have dependent children but are not actually widows: (a) married women who have been deserted by their husbands and who have been unable to obtain payment under a maintenance order, and (b) married women whose husbands are under treatment in mental hospitals.

Under the old law, widows' pensions ceased when the children reached the age of 15. The new legislation provides a weekly benefit of £1

for the widow after the youngest child has ceased to be eligible. The qualification in this case is that the duration of her marriage and the time that, as a widow, she had the care of any of the children under 16 must not have been less than 15 years. The act also introduces an entirely new provision with respect to childless widows by allowing a weekly benefit of £1. In this case, however, the woman must have become a widow after the age of 40, her marriage must have continued for not less than 10 years, and 15 years must have elapsed since the date of her marriage. If the woman becomes widowed after the age of 50 years, only 5 years of marriage are required as qualification.

Any child under 16, whose parents are both dead, who was born in New Zealand, and who is not being maintained in a State institution shall be entitled to a benefit not to exceed 15s. a week. These benefits are payable until age 16, but in special circumstances where the child is continuing its education the benefit may be payable for not more than 2 additional years. In determining the benefit rate to be paid to any orphan, the Social Security Commission must take into account any property or income which the child may have.

Family Benefits

Under the Family Allowances Act, a part of the Pensions Act, 1926, provision was made for allowances at the rate of 2s. for each child under 15 after the first two, so long as the total family income from all sources did not exceed £4 per week. These were granted regardless of the fact that both parents were living and in good health, and represent a rather unusual degree of liberality, especially when the comparatively high income limit of £4 a week is considered. The 1938 act now further liberalizes this provision by increasing the allowance to 4s. a week, the age limit to 16, and the total allowable income to £5 a week. The Commissioners may also extend the grant beyond the age of 16 if the child is totally incapacitated physically or mentally and unable to earn a living. These allowances must be used exclusively toward the maintenance or education of the children, and the benefit may be discontinued at any time if, in the opinion of the Commission, this stipulation is not being followed.

Unemployment Benefits

As far back as the seventies New Zealand had a program of public works to cope with the problem of unemployment, and at various later periods unemployment has assumed serious proportions. The Unemployment Act, 1930, superseded by the Employment Promotion Act, 1936, provided for subsidies to local communities for work relief and also for employment on public works under the Public Works Department. In addition, it granted "sustenance" payments to unemployed individuals for whom work could not be found under any of the subsidized schemes. These weekly payments ranged from £1 for a single man 20 years or over and £1 15s. for a married man without children, to a maximum of £3 3s. for a married man with children, allowing 4s. for each child.

Under the 1938 act, unemployment benefits are payable to every person over 16 who is unemployed, is capable of working and willing to work, and has taken reasonable steps to obtain suitable employment. He must also have resided continuously in New Zealand for not less than 12 months. A married woman can qualify only if the Commission finds that her husband is unable to support her.

In the case of unemployed persons over 16 and under 20, the benefit rate will be 10s. weekly. In all other cases, the rate shall be £1 per week, increased for married men with dependent children by 15s. for the wife and 5s. for each child up to a maximum weekly benefit of £4. These benefits are identical in rate with those payable for temporary sickness. The Commission has discretionary powers to reduce the rate of the benefit in relation to other income and property. In no case shall the total income, including the benefit, exceed £4 a week for a family.

The act stipulates a waiting period of 7 days, which, however, may be waived by the Commission. Similarly, the Commission may postpone the commencement of an unemployment benefit for as long as 6 weeks or even terminate it altogether if the applicant lost his job through misconduct, left voluntarily without good reason, or failed to accept an offer of suitable employment. A benefit may also be refused to a seasonal worker if in the opinion of the Commission his earnings for the season are sufficient for the maintenance

of himself and his family. With these exceptions benefits are payable as long as the recipient meets the basic qualifications and unless he becomes entitled to receive some other benefit under the act.

Miner's Benefits

As is the case in many European countries, special provisions are made for miners owing to the especially hazardous nature of their occupation. Under the Pensions Act, 1926, which incorporated the Miner's Phthisis Act, 1915, and was amended on several occasions up to 1936, the weekly pensions during incapacity were payable on the basis of £1 5s. plus 10s. for the wife and 10s. for each dependent child under 15 years up to a maximum of £4 10s. Under the 1938 act the rates are £1 10s. a week plus 10s. for the wife and for each child under 16 up to a maximum of £4 10s., to be paid irrespective of any other income received by them or any property owned by them. Special provision is made for payment of "reasonable" funeral expenses of any person who dies while receiving a miner's benefit. In addition, the widow of any person who dies while in receipt of a miner's benefit shall be entitled to a benefit of 17s. 6d. a week until she marries.

To qualify for benefit, a miner suffering from miner's phthisis must be permanently and *seriously* incapacitated for work; in the case of any other occupational disease or heart disease, he must be permanently and *totally* incapacitated. All applicants must have had 5 years' residence immediately preceding application and at least 2½ years' employment in New Zealand as a miner.

Temporary Sickness Benefits

Every person over 16 who has resided continuously in New Zealand for at least 12 months will be entitled to sickness benefits if he satisfies the Commission "that he is temporarily incapacitated for work through sickness or accident, and that by reason thereof he has suffered a loss of salary, wages, or other earnings." The incapacity is to be certified by a resident medical practitioner. The sickness benefits are payable at the same rate as the unemployment benefits, namely, 10s. a week to persons under 20 and £1 a week to persons over 20, increased in the case of

married men by 15s. for the wife and 5s. for each child up to a maximum of £4 per week. These payments may be reduced at the discretion of the Commission if the applicant is in receipt of other income. A member of a friendly society shall be allowed to receive payment of sickness benefits from the Social Security Fund in addition to sickness benefits from his society as long as the total income during the illness does not exceed £5 a week. A person receiving sickness payments from other sources may also receive benefits under the act as long as his total income does not exceed £5 a week or two-thirds of his usual weekly earnings, whichever is the lower. A waiting period of 7 days is set, which, however, can be waived by the Commission for special circumstances.

Other Benefits

In addition to the benefits already discussed, a benefit of £78 a year is granted under the act to every person who served in any of the Maori wars and was awarded a medal for active service, if he has resided in New Zealand for at least 10 years immediately preceding application. Emergency benefits are also provided for persons who, for any reason, are unable to earn a sufficient livelihood for themselves or their dependents and who cannot qualify for any other benefits under this part of the act. The conditions under which the benefits are granted and the amount and duration of the benefits are left to the discretion of the Commission.

No person may receive more than one benefit under this part of the act.

Administration and Financial Provisions

The health provisions are to be under the jurisdiction of the Minister of Health, who has power to delegate authority to the Director-General of Health. All the other benefits are to be administered by a Minister to be appointed. The act creates a new agency, to be known as the Social Security Department. A Social Security Commission is created, to act under the general direction and control of the Minister. The Commission is to consist of three members who will be the

executive officers of the Department. The Commission has the powers of a commission of inquiry and may investigate any claim for benefit under the act.

The plan is to be financed by a special social security levy and a Government subsidy equal, in effect, to the difference between the contribution receipts and the total cost. The social security contribution consists of two parts: (1) a "registration fee" of 5s. per quarter for all men over 20, and 5s. per year for women and for boys and girls between 16 and 20, and (2) a "charge on salaries, wages, and other income" of 1s. per pound, i. e., 5 percent. It is provided, however, that with respect to salaries and wages earned before April 1, 1939, but paid on or after that date the rate shall be 1s. in each £1 10s. The law states that in the case of wage earners or salaried employees the contribution shall be deducted by the employer from any salary or wages and paid by him through the medium of social security stamps, but it does not specify the administrative procedure to be used. The tax on income other than salary or wages shall be due and payable in equal quarterly installments on the first day of May, August, November, and February, according to the declared income for the preceding fiscal year (April 1 to March 31).

These contributions are to be collected by the Commissioner of Taxes but transferred directly to a separate Social Security Fund which is set up by the act; the Government subsidy will likewise be paid directly into the fund. In his testimony before the Committee, the Government Actuary placed the first year's cost at £17,850,000. He estimated the taxable national income in 1939-40 at £150,000,000, yielding a contribution return of £7,500,000, to which would be added the proceeds of the registration fee—approximately £500,000—for a total of £8,000,000. The difference, to be met by the Government from the Consolidated Fund, would therefore be £9,850,000. This figure would represent an increase of £2,355,000 over the expenditures, up to April 1, for social services under the existing plan, since the total for the fiscal year ended March 1, 1939, was expected to be £7,495,000.