Copyright is owned by the Author of the thesis. Permission is given for a copy to be downloaded by an individual for the purpose of research and private study only. The thesis may not be reproduced elsewhere without the permission of the Author.
Welfare state retrenchment in New Zealand under National rule 1990 - 1996: a Marxist Perspective

A thesis presented in partial fulfillment of the requirements for the degree of

Master of Philosophy
in
Social Policy

at Massey University, Albany, New Zealand

Gerard Anthony Cotterell

2001
Abstract

Shortly after their election in October 1990, the National Government announced radical changes to the welfare state in New Zealand. The reforms were necessary, National argued, in order to restore growth to the economy. The reforms were designed to impose a residual welfare state, requiring significant retrenchment of the state provision of welfare.

Existing accounts of the welfare retrenchment process in New Zealand by National Governments between 1990-1996 fail to adequately take into account two factors. First, the location of this retrenchment process in the economic downturn faced by New Zealand. Second, the role of the state in implementing the retrenchment process.

In this thesis I argue that an orthodox Marxist framework enhances existing understandings of the retrenchment process. This framework argues that the state in times of crisis will act in the interests of capital to restore profitability to the economy. The state will adopt particular strategies aimed at reducing state expenditure, of which spending on welfare constitutes a considerable portion, and at tailoring social policy to the needs of the market. The state will also use economic and ideological arguments consistent with New Right thinking to impose its reform agenda.

I employ an orthodox Marxist theoretical framework to identify the kinds of strategies a New Right government would use to retrench or roll back state welfare provision. In particular this thesis examines the retrenchment strategies adopted by National Governments between 1990 and 1996 in the social policy areas of income support and state funded pensions.

The evidence suggests that an orthodox Marxist framework provides a valuable lens through which to view the welfare retrenchment process in the areas of income support and state funded pensions in New Zealand between 1990 and 1996.
Acknowledgements

I would like to thank the many people who assisted me in completing this thesis. First, Frances Hancock, who read many more drafts of chapters than she probably wished to, supplied many cups of coffee, gave endless encouragement and took care of many things to ensure I had the time required to complete this thesis. Without her support this project would have been a much more daunting task.

Second, my parents, Tony and Betty Cotterell, who instilled in me at an early age a love of books and an appreciation for ongoing learning.

I would like to thank my supervisors, Mike O’Brien and Will Low, who made managing a thesis by e-mail and phone calls achievable. My special thanks to Mike for his availability, encouragement, guidance and constructive feedback.

I would also like to thank Jurriaan Bendien, who generously contributed his formidable intellect from the other side of the world. My thanks also to others who provided ideas and a sounding board when approached, especially Charles Sedgwick.

A special acknowledgement goes to Geof Pearce, a much-respected comrade and friend, who died while this thesis was in its early stages. This work is dedicated to him and the better society of which he dreamed and worked to put in place.
# Table of contents

## Chapter One - Introduction

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Background</td>
<td>1</td>
</tr>
<tr>
<td>The thesis questions</td>
<td>4</td>
</tr>
<tr>
<td>The significance of this study</td>
<td>4</td>
</tr>
<tr>
<td>Timeframe</td>
<td>4</td>
</tr>
<tr>
<td>Scope</td>
<td>5</td>
</tr>
<tr>
<td>The research methodology</td>
<td>5</td>
</tr>
<tr>
<td>Definitions of the welfare state</td>
<td>7</td>
</tr>
<tr>
<td>Thesis structure</td>
<td>8</td>
</tr>
</tbody>
</table>

## Chapter Two - Literature review

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>10</td>
</tr>
<tr>
<td>Theorising welfare provision</td>
<td>11</td>
</tr>
<tr>
<td>New Right theory – background</td>
<td>11</td>
</tr>
<tr>
<td>New Right theory – understandings of the welfare state</td>
<td>12</td>
</tr>
<tr>
<td>Methods of examining retrenchment</td>
<td>15</td>
</tr>
<tr>
<td>Early approaches</td>
<td>15</td>
</tr>
<tr>
<td>Examining the retrenchment of particular programmes of welfare provision</td>
<td>16</td>
</tr>
<tr>
<td>Examining whether some programmes are more vulnerable than others</td>
<td>17</td>
</tr>
<tr>
<td>The role of previous policy</td>
<td>18</td>
</tr>
<tr>
<td>Welfare retrenchment in New Zealand</td>
<td>19</td>
</tr>
<tr>
<td>The tools of retrenchment in New Zealand</td>
<td>20</td>
</tr>
<tr>
<td>Targeting</td>
<td>20</td>
</tr>
<tr>
<td>The remoralisation of welfare</td>
<td>21</td>
</tr>
<tr>
<td>Evaluation of the retrenchment literature and the space for my study</td>
<td>22</td>
</tr>
</tbody>
</table>

## Chapter Three – Theory

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>24</td>
</tr>
<tr>
<td>The role of theory and the connections between theory and research</td>
<td>25</td>
</tr>
<tr>
<td>Orthodox Marxist theory</td>
<td>27</td>
</tr>
<tr>
<td>Marxist theories of economic crisis</td>
<td>27</td>
</tr>
<tr>
<td>The impact of economic crises on the state</td>
<td>28</td>
</tr>
<tr>
<td>Orthodox Marxist understandings of the welfare state</td>
<td>31</td>
</tr>
</tbody>
</table>
## Introduction

The contradictions of the welfare state

The welfare state as a form of social control

New Zealand theorising in the orthodox Marxist tradition on the welfare state

Economic crises in New Zealand and the response by the state

Using a Marxist framework to analyse the reforms

Criticisms of orthodox Marxist theory and its limitations

Conclusion

### Chapter Four - Methodology

- Introduction
- A brief introduction to methodology
- Critical methodology
- The research questions
- Reliability and validity
- Methods
  - Secondary data
  - Tertiary data
  - Documentary analysis
  - Numerical data
- Ethical issues
- Conclusion

### Chapter Five - Setting the Scene

- Introduction
- First moves
- The first Labour Government
- The long boom
- The onset of crisis: 1972-1984
- The onset of economic crisis and the fourth Labour Government
- The impact of the changes introduced by Labour
- Conclusion

### Chapter Six - Income Support

- Introduction
- Income support
- The period leading up to the elections of 1990
Chapter Seven - Pensions

Introduction
National on the campaign trail
The 'Economic and Social Initiative – December 1990'
The 1991 Budget
The aftermath of the 1991 Budget
The Accord
Why was the provision of public pensions a problem for National? 
Assessing the reforms within a Marxist framework
Attempts to reduce expenditure
Increasing private provision
Encouraging people to provide for their own retirement
Retrenching superannuation- impediments to reform
Aligning benefit provision more closely with the labour market
Conclusion

Chapter Eight - Conclusion

Introduction
An assessment of the theoretical approach
Income support
Pensions
Overall impact
Areas for future research

Bibliography
## List of figures

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1</td>
<td>New Zealand's post war economic performance</td>
<td>73</td>
</tr>
<tr>
<td>5.2</td>
<td>Social Security spending as a percentage of total government spending and GDP</td>
<td>74</td>
</tr>
<tr>
<td>5.3</td>
<td>Quarterly Unemployment Rates between March 1984 and December 1990</td>
<td>79</td>
</tr>
<tr>
<td>5.4</td>
<td>Real economic growth March 1984 to December 1990</td>
<td>79</td>
</tr>
<tr>
<td>6.1</td>
<td>Social security spending as a percentage of total government expenditure and GDP</td>
<td>106</td>
</tr>
</tbody>
</table>
List of tables

Table 6.1: Number of benefit recipients for the period 1984 to 1998  
Table 6.2: Unemployment Benefit rates  
Table 6.3: Replacement rates for Unemployment Benefit  
Table 6.4: Domestic Purposes Benefit rates  
Table 6.5: Replacement rates for Domestic Purposes Benefit  
Table 6.6: Expenditure on Unemployment Benefits  
Table 6.7: Numbers in receipt of the Unemployment Benefit  
Table 6.8: Expenditure on Domestic Purposes Benefit  
Table 6.9: Number of recipients of the Domestic Purposes Benefit  
Table 7.1 Expenditure on New Zealand Superannuation  
Table 7.2: Expenditure on National Superannuation as a percentage of Gross Domestic Product  
Table 7.3: New Zealand Superannuation trends – number of recipients  
Table 7.4: New Zealand old-age pension (married rate) as a proportion of average wages  
Table 7.5: Projected share of the population aged 65-plus  
Table 7.6: Labour force participation rates for those aged over 65 years