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**'A Security Plan for the Family Man'?
Capitalisation of the Family Benefit
and the
Second Labour Government**

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Abbreviations

AJHR	Appendices to the Journals of the House of Representatives
NZPD	New Zealand Parliamentary Debates
NA	National Archives
WTU	Alexander Turnbull Library
AAFD	Cabinet Office
ABGW	Labour Party Caucus
HC	Housing Department
SAC	State Advances Corporation
SS	Social Security Department
T	Treasury

Introduction

This thesis examines the legislation introduced by the second Labour Government, effective from April 1959, which allowed parents of young children to capitalise their family benefit entitlement in order to obtain a lump sum for the purpose of purchasing a family home. The study traces the development of the policy from the time it was adopted by the Labour Party in 1954, through the process of translating policy into legislation after Labour became the Government in 1957 and its passage through the House in the Family Benefit (Home Ownership) Act 1958 and implementation in 1959. The objective of the study is to ascertain why the Labour Government adopted capitalisation of the family benefit as the appropriate policy for the time and what difficulties it encountered in translating the policy into practice. This involves consideration of the context for the policy, the political and the social environment at the time of its development and the political and public debate it generated. It requires examination of the issues that arose in drafting the legislation and in implementing the scheme after enactment of the 1958 Act and its associated regulations in 1959, as well as the changes made in subsequent years as the new regime was put into practice.

The study explores the assumption by both the National and Labour Governments during the 1950s that families had a right to own their own homes, rather than merely a right to decent housing. It considers whether the Labour proposal for capitalisation of the family benefit was simply intended as a solution to a perceived housing problem, or whether it was more ambitious than that. Was it also intended as a further means to encourage family-formation and increase the stability of New Zealand society? Was it a way of developing social cohesion and reducing the significance of economic divisions in society by improving the access of the lower-paid to home ownership?

Capitalisation of the family benefit had been included in Labour Party policy from the time of the 1954 General Election but had to wait until after Labour regained power in the 1957 Election to be implemented. It was formally

introduced in the Family Benefit (Home Ownership) Bill in September 1958, completed its passage through the House in October and became effective in April 1959.

There is very little literature which explicitly examines the reasons behind the policy and where, or with whom, it originated. Although its introduction has been noted by a number of writers, the reasons for capitalisation of the family benefit being favoured over other alternatives, and the reason for it being a vote-winner in 1957 when it had not been in 1954, have not been specifically examined. Bruce Brown, Nash's private secretary from 1954 to 1959, sheds some light on the importance of the capitalisation policy for the Labour Party in electoral terms but does not comment on its origins.¹ W.B. Sutch provides some more context for the policy development but does not address the policy in detail.² Prominent political analyst, Robert Chapman, credits Nash with the decision to run with the policy at the 1957 election but stops short of claiming the policy originated from Nash. He notes that: '...All suggested policy went to Nash and the announced platform came entirely from him.'³ Chapman discusses the importance of the tax rebate and the capitalisation policy for Labour's election victory in 1957 and comments briefly on Nash's belief in equality of access to the assets of society without making an explicit connection between that and the capitalisation policy.⁴ Keith Sinclair's biography of Walter Nash does not delve into the background to the policy or focus on it in any detail⁵. It does, however, support the view of Nash's commitment to increasing equality in society by the redistribution of income, and highlights the influence he had on Labour Party policy. Yet Sinclair also notes the increasing conservatism of the Parliamentary Labour Party, which suggests that for Nash, and the other leading members of the second Labour Government, the capitalisation policy may have had a conservative motivation.

¹ Bruce Brown, 'The Labour Campaign', *Political Science*, 10, 1, March 1958, pp.11-24.

² W.B. Sutch, *The Quest for Security in New Zealand 1840 to 1966*, Wellington, OUP, 1966, pp.423-426

³ R. Chapman, 'From Labour to National', in W.H. Oliver with B.R. Williams (eds), *The Oxford History of New Zealand*, Wellington, OUP, 1981, p.363.

⁴ Chapman, 'From Labour to National' p.363.

⁵ K. Sinclair, *Walter Nash*, Auckland, Auckland University Press, 1976, p.305.

Alan Ward also suggests a desire for social cohesion as a major motivating factor for state involvement in housing policy from the early twentieth century.⁶ This theme is also supported by social policy writers such as David Thorns⁷ and by comparative material from Jim Kemeny⁸ on the same period in Australia. On a related theme, Cheleen Mahar implies that capitalisation of the family benefit needs to be seen in the context of 'recommodification' of housing in New Zealand after 1950, with both National and Labour Governments bringing in policies to improve consumer access to the home ownership market.⁹

Gael Ferguson, in her history of housing, does little more than mention capitalisation in passing. She describes the capitalisation scheme as: '...the first sign of a shift in the nature of state lending as an alternative source of mortgage money to becoming a way of redistributing resources by subsidising the cost of housing finance.'¹⁰ In other words, capitalisation of the family benefit represented a new way for Labour to redistribute wealth within the community and was a reflection of the Party's socialist principles.

Margaret McClure, however, suggests that it was a conservative rather than a redistributive policy, and attributes it to Nash wanting to maintain the status quo. She emphasises that he was concerned about the spread of Communism and saw the 'Security Plan for the Family Man' as a way to maintain stability and a form of protection against such disruption.¹¹ Melanie Nolan also proposes that capitalisation of the family benefit was seen as a solution to more

⁶ A.J. Ward, 'Aspects of New Zealand Housing 1920-1970', MA thesis, Victoria University of Wellington, 1977.

⁷ David Thorns, 'Owner Occupation, the State and Class Relations in New Zealand', in Wilkes and Shirley (eds), *In the Public Interest: Health, Work and Housing in New Zealand Society*, Auckland, Benton Ross, 1984.

⁸ Jim Kemeny, 'A Political Sociology of Home Ownership in Australia', *The Australian and New Zealand Journal of Sociology Symposium on Control of the City*, 13, 1, February 1977, pp.47-52.

⁹ Cheleen Mahar, 'New Zealand Government Housing Policy: The Impact on Consumers', in Wilkes and Shirley (eds), *In the Public Interest: Health, Work and Housing in New Zealand Society*, Auckland, Benton Ross, 1984.

¹⁰ Gael Ferguson, *Building the New Zealand Dream*, Palmerston North, Dunmore Press, 1994, p.195.

¹¹ Margaret McClure, *A Civilised Community: A History of Social Security in New Zealand 1898-1998*, Auckland, AUP, 1998, p.153.

than a housing problem. She suggests the context in which capitalisation was adopted should be seen as: '...a time when the ideal family was under threat.'¹²

These different views are not mutually exclusive. It is possible to have a conservative desire to avoid disruption and division in society while wanting to preserve equality by more even distribution of assets. There is evidence that in the early 1950s the Labour Party was moving closer to the National Party position of supporting private home ownership for reasons other than merely housing. There certainly was a housing problem and during the 1950s the shortage of housing and rapid inflation of the cost of living and of building meant that it was increasingly difficult for a family on an average income to save sufficient capital to bridge the gap between the amount they could borrow on mortgage and the cost of a house. Coupled with industrial unrest in the early 1950s and concern about the future of the family, this created enough threat to 'social cohesion' for Labour to adopt a policy which explicitly encouraged private ownership of housing. Thus, once the Labour Party accepted that assisting families to achieve private ownership of housing was a valid policy objective, and that the main difficulty was saving the deposit, helping families to find the capital required for purchase became as much of a priority as supplementing their income on a long-term basis. By 1958 the concern about social cohesion and the threat of Communism had become less of a motivation than the political imperative of helping people achieve the consumer ideal of home ownership.

The National Party opposed the introduction of capitalisation but the policy's popularity with the public was such that it was retained when National returned to government in 1960. Their main objections to the scheme at the time it was introduced were that it was completely contrary to the purpose for which the family allowance had originally been introduced, that it would be a financial burden on the country and that the Labour Government had not revealed, or even adequately worked out, the details of how the scheme would work in

¹² Melanie Nolan, *Breadwinning: New Zealand Women and the State*, Christchurch, Canterbury University Press, 2000, p.205.

practice. This latter objection was understandable as the Bill contained very little detail, but provided for regulations giving effect to the legislation to be made by Order in Council. Some officials shared the National Party concern that the facility to convert the family benefit into a lump sum was totally at odds with the original purpose of the benefit. They also identified a number of practical difficulties and potential problems in the course of the drafting of the Act and the regulations. The Family Benefit (Home Ownership) Regulations 1959 were signed by the Governor-General on 18 March 1959 and the scheme became effective on 1 April.¹³

Most of the material for this thesis has been obtained from files in the National Archives, including the Nash papers; records of Treasury, Social Welfare, Housing and the State Advances Corporation; Cabinet papers and Caucus minutes. Other sources were Labour Party related collections in the Alexander Turnbull Library, Parliamentary debates and library copies of the newspapers of the 1950s. In addition to the secondary works already cited, useful material was found in Margaret Clark's anthology of articles on Nordmeyer, Kirk and Rowling¹⁴ and in Alexander Davidson's comparison of the development of housing policy in New Zealand and Sweden.¹⁵

This study begins with a discussion of the housing problems in the 1950s and various solutions that had been attempted in the post-War period. Chapter Two examines why the Labour Party focused on capitalisation of the family benefit as its solution to the housing problem. Chapter Three covers the debates and objections to the policy. Chapter Four examines the process of translating the policy into legislation and Chapter Five looks at issues that arose after enactment, as the scheme was put into practice.

¹³ See Chapter 4.

¹⁴ M. Clark (ed.), *Three Labour Leaders: Nordmeyer, Kirk, Rowling*, Palmerston North, Dunmore Press, 2001.

¹⁵ A. Davidson, *A Home of One's Own: Housing Policy in Sweden and New Zealand from the 1840s to the 1990s*, Stockholm, Almqvist & Wiksell International, 1994.

Chapter 1

The Foundations

The foundations of the family benefit were laid with the family allowance, which was introduced by the Reform Government via the Family Allowances Act of 1926. Reform's preference was for providing tax relief and assistance for home ownership during the 1920s, rather than direct income support, and they resisted pressure from the Labour Party and women's organizations for a motherhood endowment to provide financial support for families. By the time of the 1925 election, however, the fact that the male breadwinner's wage was set by the Arbitration Court at a level sufficient for a couple and two children was putting considerable stress on larger families. An endowment of 10/- per week per child involving a wage deduction of 7/6 per week per man was included in the annual report of the Labour Department, without indicating an intention to introduce such a scheme, and was used by the Labour Party during the election campaign as evidence that the Government planned to cut wages by 7/6. In denying that the endowment would involve a wage cut, the Government found itself manipulated into the unintended position of a commitment to the introduction of a family allowance following the 1925 election.¹⁶

The Family Allowances Act 1926

The allowance was unusual, in that it was a cash payment to the mother. This represented a move away from the indirect support, such as tax relief, which the Reform Government had been more inclined to provide up to then.

W.B. Sutch argues that: 'The family allowance system in New Zealand resulted from a political accident...'¹⁷ noting that Reform had hitherto rejected proposals made by women's organizations and the Labour Party. He acknowledges, however, that they had considered a family allowance scheme

¹⁶ Sutch, *The Quest for Security in New Zealand 1840 to 1966*, p.151.

¹⁷ Sutch, *The Quest for Security in New Zealand 1840 to 1966*, p.151.

proposed by a visiting Australian lecturer, and also a national insurance scheme.¹⁸

According to Margaret McClure, the Family Allowances Act 1926 put New Zealand at the cutting-edge of humanitarian legislation with '...the first fully state-funded scheme of family allowances in the world...'.¹⁹ Initially, however, it was not a particularly generous benefit. The payment of 2/- per week per child was limited to those families where the total family income did not exceed £4 per week. Income was taken to include all wages of both husband and wife, as well as any other income the household received. There was also an asset test, to the extent that 5% of the value of property owned, excluding personal effects, was included for the purposes of determining income. The Labour Party had proposed 10/- per week as the minimum realistic amount for a subsistence allowance.²⁰

The family allowance was intended to recognise the extra costs involved in supporting a large family, but it was not paid to unmarried mothers or deserted wives, whatever their level of need, nor was it available to alien or Asiatic children.²¹ The allowance began very much as charitable aid rather than the universal entitlement it later became under the Labour Government and, despite the fact that it was paid directly to the mother of the family, the application form required the signature of the male parent.

Initially the allowance was paid only for the third and subsequent children in a family, on the grounds that the average male wage was set at a level adequate for the support of a wife and two children. It was intended to provide financial assistance as a supplement to the (male) breadwinner's wages for larger than average families, but not to support families who had no male breadwinner. McClure attributes the restrictive nature of the benefit to the reluctance of the Reform Government to do anything that might be construed as disrupting the

¹⁸ Sutch, *The Quest for Security in New Zealand 1840 to 1966*, p.151.

¹⁹ McClure, p.40.

²⁰ McClure, p.41.

²¹ Report of the Royal Commission of Inquiry, *Social Security in New Zealand*, Wellington, Government Printer, 1972, p. 44.

traditional family structure and taking on the breadwinner's responsibility for supporting the family.²² The trade union movement, which might have been expected to oppose any measure which could have limited future wage increases, apparently regarded the allowance as being so meagre that it was unlikely to depress wages.²³

Melanie Nolan argues against the view of the family allowance as a conservative measure, designed in the context of the minimum wage legislation and the arbitration system in place at that time, which tied women to a traditional role within the home.²⁴ She proposes the contrary view that the introduction of family allowances was part of a '...new liberalism...extending the notion of citizenship to encompass social rights',²⁵ that it had wide public and political support and that it recognised women's rights to subsistence separate from men and their role in managing the family economy. Rather than regarding the family allowance as a conservative measure, Nolan sees its introduction as state recognition that the male breadwinner wage was inadequate to support a family and as an important first step towards the economic independence of women. She suggests that rather than being a reaction to the Labour Party's political manoeuvring, the introduction of family allowances was part of a wider Reform Party plan to expand its welfare policies, and that there would have been further evidence of such 'new liberalism' if not for the Depression.²⁶ There does appear to be considerable evidence in the references Nolan cites to support the view that the Reform Government was not as conservative in its welfare policies as it has been portrayed.²⁷

Whatever interpretation is accepted for the initial introduction of the family allowance, its scope was certainly restricted by the Depression. The weekly income limit was reduced in 1931 as a means of cost-cutting, and then in 1932

²² McClure, p.42.

²³ Sutch, *The Quest for Security in New Zealand 1840 to 1966*, p.153.

²⁴ Nolan, p.138.

²⁵ Nolan, p.140.

²⁶ Nolan, p.140.

²⁷ Nolan, footnotes 18-20, p.329.

reduced again to £3/5/-.²⁸ In 1936 the Family Allowances Amendment Act passed by the first Labour Government restored the income limit for the family allowance to £4 per week. The amendment also enabled either parent to apply for the allowance, not merely the father, although it was still paid to the mother if there was one.²⁹

The enactment of the Social Security Act by the Labour Government in 1938 represented a major change to the provision of social security in New Zealand. It included a two-tier superannuation benefit, means-tested from age 60 to age 65 and universal thereafter, as well as sickness benefits, and benefits for orphans under age 16, childless widows and unemployed women.³⁰ The family allowance became the family benefit, the income limit was increased from £4 to £5 per week and the amount of the benefit doubled to 4/- per week per child. At £5 the income limit was 15% above the average male wage.³¹ Melanie Nolan attributes the changes to feminist and official lobbying, noting that the McMillan Report in 1937³² had recommended increases in the amount of the family benefit payment and in the family income limit, and had recommended that the benefit should be payable in respect of all children up to the age of sixteen.³³

As the cost of living increased over time, both the benefit level and the income limit were raised. In October 1944 the benefit became 10/- per week per child, an amount representing 8.8% of the average award wage, and the income limit rose to £6/10/-, or 4% above the average award wage³⁴. In addition, the benefit had been extended in 1941 to include all children in a family.

The family benefit became a universal benefit in 1945. McClure claims that the change, instigated by Walter Nash, had not been anticipated by the press

²⁸ Sutch, *The Quest for Security in New Zealand 1840 to 1966*, p.153.

²⁹ McClure, p.81.

³⁰ Sutch, *The Quest for Security in New Zealand 1840 to 1966*, p.238.

³¹ Sutch, *The Quest for Security in New Zealand 1840 to 1966*, p.299.

³² This was the report of the Committee of Inquiry into the Various Aspects of the Problem of Abortion in New Zealand, *AJHR*, 1937, H-31A. D.G. McMillan was an ex-general practitioner and Labour MP.

³³ Nolan, p.202.

³⁴ Sutch, *The Quest for Security in New Zealand 1840 to 1966*, p.299.

and that the Minister of Social Security, Bill Parry, had consistently claimed that the cost would be more than the country could afford.³⁵ Making the benefit universal certainly made it more expensive but McClure cites increasing pressure for such a change of approach from manufacturers, farmers and women's groups. The income test was regarded as a disincentive for men to work longer hours, as the family would lose its entitlement to the family benefit if overtime payments pushed total income over the limit.³⁶ As well as the need to increase post-war production by encouraging longer working hours, other factors influencing the decision were an international move towards universalisation of benefits and recognition of children's needs. There was also some concern within Parliament at the low level of childbirth during the Depression and war years and a general feeling that positive encouragement for families was essential in order to ensure New Zealand would have a productive workforce for the future. McClure quotes the *New Zealand Commerce* that '...a contented people with responsibilities such as family life brought meant a contented and prosperous country.'³⁷ After the disruption of the war years, the family was regarded as the basis of a stable and productive society and the universal benefit was considered a means of providing encouragement for family formation, as well as a reward for the hardships of the previous decades. As the National Party had also indicated it supported making family benefit universal, that gave an added incentive for the Labour Government to be able to take credit for the move.³⁸

In order to gain an understanding of the reasons for the introduction of capitalisation of the family benefit it is necessary to understand how and why the benefit developed. It is also necessary to understand the housing problems that existed at the time and the solutions that had already been tried, in order to see why capitalisation of the family benefit seemed to be a potential solution.

³⁵ McClure, p.103.

³⁶ McClure, p.100.

³⁷ McClure, p.100.

³⁸ McClure, p.103.

Housing

It was generally accepted that adequate housing was one of the prerequisites for family formation and financial assistance for private ownership of housing had been available from the State in one form or another since the 1894 Advances to Settlers Act.³⁹

In 1905 the Workers' Dwellings Act provided houses for workers to rent, with a facility for the houses to be purchased but not sold, other than back to the State. A.J. Ward notes a difference in views between Seddon and Massey illustrating the diverging philosophies that were to influence housing policies for at least the next 65 years. Seddon was a supporter of the Workers' Dwellings Act, and of the fact that it provided housing without the occupier necessarily owning the property. He considered that if the houses could be alienated they would be bought up by the wealthy, and the benefit to the workers would be lost. Massey, however, was of the opinion that private home ownership was good for the country, as a mortgage provided a steadying influence, and people should in fact be encouraged to own their own homes.⁴⁰ The Reform Government provided substantial encouragement for private home ownership during the 1920s. The Housing Amendment Act 1922 provided loans through State Advances up to 95% of the value of the house with a maximum of £1250. This was the point at which Massey indicated that, rather than providing workers' dwellings, future Government policy would be to provide financial assistance to enable people to build for themselves and, as Ward notes, 'In the middle 1920s, State aid was over 70 per cent of new urban dwelling values, which in any terms is a dominant influence on the housing market.'⁴¹

During the Depression most State Advances activity was refinancing for people on high mortgages rather than funding new housing. By 1935, 4000 mortgages

³⁹ Ward, p.150.

⁴⁰ Ward, p.150.

⁴¹ Ward, p.167.

had been foreclosed and the urban slum situation was worse than in 1919.⁴² The first Labour Government introduced State rental housing as a remedy to the shortage of housing by the end of the Depression and the reluctance to take on mortgage debt. Between 1937 and 1950, 32,238 new houses were built for State rental.⁴³

By the 1950s a three-tier system for housing had been developed in New Zealand, with State rental housing for those who could not otherwise secure housing for themselves, State-financed owner-occupied housing for the better-off and privately-financed individual ownership for those who were able to afford it. Alexander Davidson has described the objectives of the first Labour Government as being to provide at least minimum housing for everyone, with only a limited variation in housing quality between families on different income levels.⁴⁴ This can be seen as the State providing housing as a service to meet a need, in contrast to Massey's philosophy and the policy of Reform during the 1920s which had been to encourage and assist private home ownership. The Labour Party's objectives for housing were not the same as those that had prompted the Workers' Dwellings Act in 1905, but the continuity in overall philosophy can be seen. Everyone had a right to a certain standard of housing and those who could not provide for themselves should have decent housing provided by the State.

The post-war housing shortage was compounded by difficulty in accessing building materials and by the increasing rate of marriage and childbirth. Among the factors increasing demand for housing were a net increase of 10,815 migrants in 1949, a birth rate of 26 per thousand in 1949 compared with the rate of 17.1 per thousand in 1932, and the movement of the population to urban areas for employment in industry. At the same time, the supply of housing was limited by factors such as the low rate of building during the

⁴² C.Wilkes & B.Wood, 'The Social Relations of Housing in Early New Zealand', in *In the Public Interest: Health, Work and Housing in New Zealand Society*, C.Wilkes & I. Shirley (eds.), Benton Ross, Auckland, 1984, p.201.

⁴³ State Advances Report and Accounts for year ending 31 March 1950, *AJHR*, B13 (1950), p.17.

⁴⁴ Davidson, p.5.

1930s due to lack of finance, the diversion of building resources to military purposes during the war, and a continuing shortage of materials and labour.⁴⁵

The National Government elected in 1949 recognised that there was a housing problem but did not agree that the three-tier system, including State rental housing, was the answer. A White Paper on Housing, published early in the first term of the new Government, set out National's housing policy and the philosophy behind it. It clearly showed the intention of the Government to move the focus of its policy from rental housing to home ownership:

In the past there has been a tendency for people to rely on the State to provide them with rental homes. The Government's aim is to correct this tendency, and induce people with sufficient means to invest their own funds in homes of their own...The State housing policy of recent years has exaggerated the demand for rental houses...While State houses were available to all income groups at uneconomic rents, housing finance and the housing position generally remained distorted.⁴⁶

The change in focus of housing policy following the change of government did not mean a cessation of State support for housing. It merely moved the emphasis from the State building and administering rental housing to the State providing financial assistance for private home ownership. Building of new State rental houses continued, but at a reduced rate, an income test was introduced and an effort was made to reduce the stock of public housing.⁴⁷ From 1950 those tenants who could raise the money were able to buy their State houses and 13,751 were sold between 1950 and the end of March 1957.⁴⁸

Gael Ferguson maintains that there was little difference between the two main political parties in terms of their basic housing objective, which was to improve access to housing by increasing the housing stock. The difference lay in their policies to achieve that objective and National believed the way to do that was

⁴⁵, Housing Policy – A Statement by the Right Honourable S.G. Holland, Prime Minister, *AJHR*, J6, (1950) p.4.

⁴⁶ Housing Policy – A Statement by the Right Honourable S.G. Holland, Prime Minister, *AJHR*, J6, (1950), p.3.

⁴⁷ Ferguson, p.180.

⁴⁸ Report on Housing for the year ending 31 March 1957, *AJHR*, H38, (1957).

through private ownership.⁴⁹

The National Government introduced a number of schemes through which it provided assistance for home ownership, but its intention was clear from the White Paper: financial assistance should be limited and not disadvantage the development of the private financial market. Two kinds of State-provided loan were available. One provided for a loan of up to two thirds of the valuation of the property with no set limit, but usually no more than £2,500. The other allowed a loan of up to 90% of the valuation of the property with a limit of £2000, including any suspensory loan. The interest rate payable was 41/8% plus 2% of the loan as a contribution to the general reserve.⁵⁰

A recession in 1952 increased concern about the housing situation to such a level that the Government called a Housing Conference, attended by representatives of 42 organizations with an interest in the issue, to examine the problem and propose solutions.⁵¹ The Conference produced 23 resolutions covering issues such as:

- size and specifications of houses
- finance
- other encouragement for housing
- interface with local authorities

A Ministry of Housing was established with Bill Sullivan (National, Bay of Plenty) appointed as the first Minister of Housing in September 1953. Previously housing had come within the responsibility of the State Advances Corporation. The National Housing Council was also established, comprising representatives of all of the organizations that had attended the Conference. A target was set to build a total of 206,000 new houses, both private and State rental, within the next 10 years.⁵²

⁴⁹ Ferguson, p.177.

⁵⁰ Housing Policy – A Statement by the Right Honourable S.G. Holland, Prime Minister, *AJHR*, J6, (1950) p.15.

⁵¹ Report on Housing for the year ending 31 March 1957, *AJHR*, H38, (1957).

⁵² Report on Housing for the year ending 31 March 1954, *AJHR*, H38, (1954).

A number of policies were introduced to assist more people to buy their own homes and the Minister's report to Parliament for the year ending March 1954 identified five different schemes by which the Government was providing support for private housing.⁵³ The Mortgage Guarantee Scheme was intended to help bridge the gap between the cost of purchase and the available mortgage finance. It enabled lenders to increase to 90% the amount of the purchase price they would lend, with a limit of £2,200. The difference between that and the normal lending limit (two thirds of the property value) was guaranteed by the Government. Under the Certified House Scheme the State Advances Corporation gave approval of the site, plan, specifications and, later, the construction in order to assure the purchaser and the loan provider of the standard of the property. This was of particular benefit to small builders doing one-off jobs on a speculative basis. The Build Your Own Home Scheme provided a three-month course of instruction through technical institutes on finishing off houses that had been completed to the 'covered-in' stage. It was aimed at non-builders who wanted to build their own homes. The Partly-Built Houses Scheme, in which the Government called tenders for the supply of partly-built houses to sell to people who wanted to finish off the building themselves, was intended to enable the purchase of homes by people who had building skills but lacked capital. The low cost plan service was another form of assistance, as was the provision of sections by the Crown on leasehold or deferred payment licence and suspensory loans.⁵⁴

One of the main forms of assistance, however, was the Group Building Scheme in which the Government provided support for builders to reduce their costs of supplying new houses. It was designed expressly to enable builders to make better use of their resources by building houses in groups and cutting down on man-hours by employing specialised gangs for different parts of the job. Assistance with working capital was available for builders who could buy and develop land themselves. Builders submitted house plans and specifications to the State Advances Corporation for approval, with an estimate of prices. State

⁵³ Report on Housing for the year ending 31 March 1954, *AJHR*, H38, (1954).

⁵⁴ Report on Housing for the year ending 31 March 1954, *AJHR*, H38, (1954).

Advances and the builder then negotiated a price at which the Government would purchase any houses that remained unsold two months after completion. Thus the business risk ultimately fell on the Government.⁵⁵

The assistance the National Government was prepared to direct towards encouraging house building illustrates the Government's commitment to private ownership as much as its concern about the housing shortage. The Government continued to build State rental houses, albeit at a reduced rate, but the emphasis of the housing strategy was on increasing the level of private ownership as well as increasing the stock of houses. This was a complete contrast with the policy of the previous Labour Government which had focussed on increasing the supply of housing without recognising a particular intrinsic value in private ownership of the housing stock.

In the report to Parliament by the Minister of Housing for the year ended 31 March 1955 the Government recognised '...responsibility to encourage all housing in the Dominion' and noted 'More than three quarters of the new houses were built for private ownership, thus proving the value of the Government's policy of promoting home ownership'.⁵⁶ The report showed a 15% increase during the year in the number of houses built for private ownership. It also noted that, although building costs had been kept down by increased use of mechanical aids, the supply of material was inadequate to meet the increased requirements. Officials had discussed with other Government departments means to encourage local production or increase import licences.⁵⁷

The building trades reported that there were a reducing number of potential homebuyers with sufficient savings to bridge the gap between the loan finance available and the cost of a house and section. At a meeting of the National Housing Council in 1956 the Carpenters' and Joiners' Union claimed:

The lifting of land sales control had enabled speculators to reap a rich harvest. House values had increased by 100 per cent and section values by

⁵⁵ Report on Housing for the year ending 31 March 1954, *AJHR*, H38, (1954).

⁵⁶ Report on Housing for the year ending 31 March 1955, *AJHR*, H38, (1955) p.3.

⁵⁷ Report on Housing for the year ending 31 March 1955 *AJHR*, H38, (1955), p.30.

up to 400 per cent. Today the would-be home-owner must find £1000 before he can think of building, and how many families in New Zealand wanting homes have this sum available?⁵⁸

The public interest in home ownership was illustrated by the popularity of parades of homes. One such parade held in Auckland, with 56 houses in one street ranging in price from £2,200 to £3,300, attracted 20,000 visitors in one fortnight.⁵⁹

By 1956 the Government saw its direct responsibility for housing as limited to slum clearance and providing housing for those who were unable to provide for themselves. In order to achieve those broad objectives it identified the five key functions for the State as being to:

- promote a broad housing programme
- encourage conditions to enable people to build
- assist groups with special problems
- ensure finance is available for private builders
- increase building resources⁶⁰

The Government stressed the responsibility of young people to save towards the cost of home ownership and announced plans for a 'home lay-by savings scheme'.⁶¹ At the same time it was struggling to increase the level of home ownership while fighting a battle against increasing inflation. As noted in the comments of the Carpenters' and Joiners' Union reproduced above, there had been a rapid increase in the cost of building. In order to slow price inflation by limiting the creation of credit available, the Government put restrictions on the capacity of banks to make advances. This had the effect of making mortgage finance more difficult to find and home ownership less achievable for the average family.

The main private sources of loan finance were life insurance companies and building societies. While they had approximately 30% of their assets in

⁵⁸ *Dominion*, 9 May 1956, p.13.

⁵⁹ Report on Housing for the year ending 31 March 1956, *AJHR*, H38, (1956), p.17.

⁶⁰ Report on Housing for the year ending 31 March 1956, *AJHR*, H38, (1956), p.4.

⁶¹ Report on Housing for the year ending 31 March 1956, *AJHR*, H38, (1956), p.12.

mortgages, their interest rates meant they were a realistic option only for higher income earners. In addition, they would loan a maximum of two thirds of the purchase price so a second mortgage was almost always needed.⁶²

The Public Trust Office and the Government Life Office were other sources of loan finance but, as their funds incurred a higher rate of interest than State Advances, they were mainly used for second mortgage finance. While the five trustee savings banks had approximately 25% of their funds invested in mortgages, the trading banks were limited by the Government in their ability to make advances.⁶³ As a control on inflation, they were not normally permitted to finance housing except for provision of short-term finance to builders and bridging loans for purchasers. That control had been relaxed on a temporary basis in 1954 in order to encourage the building of houses and trading banks had been permitted to advance up to £3,500 for a maximum of 5 years.⁶⁴

The 'spree' by the National Government in 1954/55 was followed by a credit squeeze, with a major impact on home-builders.⁶⁵ In the lead up to the 1954 election the Government had relaxed import allocations, with the inevitable result that there was a rush of imports. National won the election but in doing so had created a balance of payments crisis for itself. Heavy calls on funds prompted the National Government to limit State Advances loans from January 1956 to the erection of new houses and the development of rural land. In April 1956 interest rates on State Advances loans increased from 4 $\frac{1}{8}$ % to 4 $\frac{3}{4}$ % for loans for new houses and from 4 $\frac{7}{8}$ % to 5% for other loans. At the same time the Government restricted the amount of State Advances finance for each house to £2,000 for special basis loans (where the amount loaned was up to 90% of the value of the property) and £2,250 for loans up to the normal maximum of two thirds of the value of the property.⁶⁶ The after effects of the

⁶² NA, T52/764, Part 7, Paper from Treasury to Secretary of External Affairs, April 1956.

⁶³ Report on Housing for the year ending 31 March 1956, *AJHR*, H38, (1956), p.12.

⁶⁴ NA, T52/764, Part 7, Paper from Treasury to Secretary of External Affairs, April 1956.

⁶⁵ Robert Chapman, 'NZ Since the War', *Landfall* 63, September 1962, p.265.

⁶⁶ Report on Housing for the year ending 31 March 1956, *AJHR*, H38, (1956), p.3.

pre-election stimulus in 1954 ultimately contributed to the defeat of National in 1957.⁶⁷

The Minister of Finance, Jack Watts, acknowledged in 1956 that State Advances was following a very conservative policy in an effort to keep within available funds and that '...general tightening up on loan advances from insurance companies will result in extra pressure on SAC [State Advances Corporation] which the Corporation will be unable to meet.'⁶⁸ In August 1956 he wrote: 'The credit squeeze is having the effect hoped for, although it can never operate completely satisfactorily because it is designed to have general application over the whole field of bank advances.'⁶⁹

The Royal Commission on Monetary, Banking and Credit Systems, which was established in March 1955 and reported in March 1956, concluded that the provision of finance for housing at low rates of interest had contributed to increases in building costs. The Royal Commission was set up with fairly general terms of reference to inquire into the monetary, banking and credit systems in New Zealand. Although the Commission acknowledged the dilemma the Government faced in encouraging private ownership of housing while controlling price inflation, it increased the pressure on the Government by recommending that mortgage interest rates should be increased further:

...provision of finance for housing in increasing amounts and at low rates of interest, by creating excessive demand for labour and materials, has had the effect of driving up building costs and thus of frustrating, to some extent, the intention of the Government to make available an adequate supply of houses at reasonable cost...⁷⁰

In campaign notes for the 1957 election the Leader of the Opposition, Walter Nash, claimed it was as a consequence of National Government policies that the cost of sections and the cost of building had increased and housing finance (especially for existing housing) had become harder to obtain and also more

⁶⁷ Chapman, 'New Zealand Since the War', p.265.

⁶⁸ NA, T52/764/7, Letter dated 21/8/56 from Min. of Housing to Min. of Finance.

⁶⁹ NA, T52/764/7, Min. of Finance memo 7 August 1956.

⁷⁰ Royal Commission to Inquire into and Report upon Matters Concerning the Monetary, Banking and Credit System of New Zealand, *AJHR*, H38, (1956), p.3.

expensive.⁷¹ During the election campaign Walter Nash claimed that it had become more difficult to obtain housing finance (especially for existing houses) since State Advances had limited its lending to new houses. He quoted an increase in average first mortgage rates from 3.99% in 1949 to 5.26% in August 1957 and average second mortgage rates of between 6% and 8%.⁷² Nash also drew attention to the increasing cost of buying sections since the restriction on land sales had been removed. The cost of sections purchased by the Ministry of Works had increased from £94 in 1950 to £144 in 1953 and £317 in 1957.⁷³ Shortage of materials had seen the cost of building increase out of proportion to the increase in the average wage. A report produced by Treasury in April 1956 revealed that the cost of building was high in relation to other costs, at approximately £3 per square foot, or £3000 for a standard 1000 square foot house.⁷⁴

The National Government recognised the difficulties caused by its restrictions however and, with the following year being an election year, it increased the limit on the amount that could be borrowed from State Advances. From September 1957 the maximum amounts that could be borrowed were:

- £2,000 for a married man with no children
- £2159 for a married man with one child
- £2250 with two children
- £2350 with three children
- £2400 with four or more children.⁷⁵

Housing policy was a contentious area and provided an obvious opportunity for the Opposition to score points at the expense of the Government. Bill Fox (Labour, Miramar), the Labour spokesman on housing, put a political spin on it by implying that the Government's policies were designed to benefit those sections of the community likely to be National Party supporters. He maintained that the Government had added to the difficulty of wage earners

⁷¹ NA, Nash Papers 193 (0169) Campaign Notes, 1957, p.4.

⁷² NA, Nash 193 (0169) Campaign Notes 1957 p.7.

⁷³ NA, Nash 193 (0169) Campaign Notes 1957.

⁷⁴ NA, T52/764 Part 7, Treasury Report.

⁷⁵ Report on Housing for the year ending 31 March 1958, *AJHR*, H38, (1958), p.3.

getting a house by increasing interest rates. 'It appears the Government pays too much attention to the money-lenders and not enough to the workers...'.⁷⁶

Some Labour members in the House also showed a visible dislike and distrust of financial companies. Fred Hackett (Labour, Grey Lynn) maintained that it was the insurance companies who profited most from this scheme and that the Government was working '...hand in glove with the insurance companies in the disposal of group houses...'.⁷⁷ Under a new system of financing land development, insurance companies purchased sections on which group builders erected houses. When the houses were sold the homeowner leased the land from the insurance company with a right of purchase. Hackett claimed that families wanting to buy a home were driven towards insurance companies which had no conscience or compunction about increasing interest rates. '...[I]f they want a house, they are steered into the avenue that finally leads to the office of an insurance company...'.⁷⁸ Hackett claimed that an increase of 1% in interest rates on a £2000 mortgage over 35 years would mean an extra £700 'to the insurance companies'⁷⁹ and promised: 'We will do what we can to save people being driven into the arms of insurance companies.'⁸⁰

Labour members of Parliament increased their attacks on the lending policies and rates of private lenders during the lead up to the 1957 general election. John Mathison (Labour, Avon) claimed there was pressure from the 'moneybags' for the Government to increase interest rates or they would not provide loan finance.⁸¹ Even the Government Life Office was criticised, with Nash quoting, in election addresses, its mortgage rate increases since 1950⁸²:

1950	3.99%	1956	4.76%
1952	4.15%	1957	5.09%
1954	4.49%		

⁷⁶*Standard*, 7 November 1956.

⁷⁷*NZPD*, 314, (1957), p.2533.

⁷⁸*NZPD*, 314, (1957), p.2533.

⁷⁹*NZPD*, 314, (1957), p.2533.

⁸⁰*NZPD*, 314, (1957), p.2535.

⁸¹*NZPD*, 312, (1957), p.1358.

⁸²NA Nash 190 (0137) 31/1957 Speakers Notes.

At the same time the shortage of rental properties led to increased rentals taking more of the average wage and reducing the amount that could be saved towards a deposit. The Housing Minister's 1957 report to Parliament showed a reducing proportion of rental properties, with landlords selling the properties as they became vacant. Tenancy legislation was a factor in fewer investors putting money into rental properties, leading to unrealistic rental levels and people being effectively forced into buying.⁸³ The *Dominion* dedicated two editorials to the issue, claiming that the Tenancy Act was making fewer houses available for rent by being too restrictive and making potential landlords cautious of investing in rental housing.⁸⁴ Certainly by the time of the general election in November 1957 public concern about the housing situation was being reflected in the press. A review of letters to the editor of the *Dominion* during the later part of 1957 reveals concern about the difficulties faced by young couples in saving sufficient deposit for a house while paying a substantial part of their income in rent. In June 1957 a letter referred to a critical housing shortage and noted that £600 was not enough for a deposit on a 680 square foot house.⁸⁵ There is also a feeling which comes through the letters to the editor that people who are raising young families deserve some assistance. A letter in July maintained that it was not easy to save and that people who raised families had a right to be housed by the State.⁸⁶ People were looking to the Government for a solution to their housing problems. In September 1957 a letter advocated a cross-party housing policy to help young people and claimed: '...homes for the people should be the major concern of any future Government'.⁸⁷ A few days later another letter proposed that money spent solving the problems caused by poor housing '...would be better and more profitably used to help these and many others into their own healthy surroundings'.⁸⁸ The housing shortage was regarded as a national problem, rather than a personal problem, and people were looking beyond their own resources for assistance. On 28 September a letter writer called for something

⁸³ Report on Housing for the year ending 31 March 1957, *AJHR*, H38, (1957), p.9.

⁸⁴ *Dominion*, 30 August 1957 and 18 September 1957.

⁸⁵ *Dominion*, 27 June 1957.

⁸⁶ *Dominion*, 4 July 1957.

⁸⁷ *Dominion*, 7 September 1957.

⁸⁸ *Dominion*, 10 September 1957.

to be done about the shortage of accommodation and the high cost of lodgings, claiming three young men were sharing one room and paying £2/5/- each, with extra for gas.⁸⁹ In a letter on 30 September 1957 another writer claimed to be paying £6 per week for one room and a kitchen, and described that as half of a man's wages.⁹⁰

Thus, as well as widespread concern about the shortage of housing in the lead up to the 1957 election, there was a public perception that it was a problem that had to be dealt with on a national level, that it was up to the Government to find a solution and that the National Government's policies had not been successful.

Gael Ferguson claims that Labour lost the 1949 election because voters believed their material well-being was more likely to be boosted by a National Government.⁹¹ After 1954 the electorate became disillusioned with National's ability to solve problems such as the housing shortage. By 1957 voters were ready to be tempted with alternative proposals from the Labour Party and Labour was prepared to satisfy their 'materialist' motivations.

The next chapter examines other dimensions in the development of Labour Party housing policy and reasons for the development of capitalisation of the family benefit as a potential solution to the housing situation in the 1950s.

⁸⁹ *Dominion*, 28 September 1957.

⁹⁰ *Dominion*, 30 September 1957.

⁹¹ Ferguson, p.177.

Chapter 2

Why Was the Policy Adopted?

In order to understand why the Labour Party adopted the proposal for capitalisation of the family benefit, first announced as part of its policy in the campaign for the 1954 general election, it is important to look more closely at the political context of housing policy changes leading up to the early 1950s. This chapter builds on the general background provided in Chapter 1.

Labour had lost the 1949 election after 14 years in power. Sinclair attributes this loss to National promising to increase personal freedom and prosperity and to deal with militant unions, while accepting social security as a given. Labour was portrayed as socialist and as the party of class antagonism.⁹² The National Party blamed the Government for shortages, inflation and the widespread industrial unrest in the post-war period. In the lead-up to the 1949 elections there had been industrial action by the waterside workers, carpenters and the Public Service Association. The Labour Government had taken strong action against the carpenters, deregistering the union in 1949, but according to Chapman was vulnerable to criticism for lack of decisive handling of the wharf unions.⁹³

Following its win in 1949, the new National Government was able to further entrench its position by capitalising on public feeling against the long-running waterfront dispute and in July 1951 announcing a snap election. The Labour Party emerged from the 1951 election with a further loss of seats in Parliament, having been successfully linked by the National Government and the media with the 'Communist bogey'.⁹⁴ It was in this political environment that the policy for capitalisation of the family benefit was developed.

⁹² Sinclair, p.273.

⁹³ Chapman, 'From Labour to National', p.355.

⁹⁴ Sinclair, p.288.

Holland had articulated the housing policy of the new National Government in the 1950 White Paper on Housing, making it clear that the new Government would focus on encouraging private home ownership, rather than State provision of rental housing. Under the heading 'The Social Value of Home Ownership', Holland set out a philosophical justification for private home ownership. It was strikingly similar to that later put forward by Walter Nash as justification for capitalisation of the family benefit. Holland stated:

The Government has great faith in the social value of home ownership. An important part of its policy is to encourage people to own their own homes, for it considers that home building and home ownership develop initiative, self-reliance, thrift and other good qualities which go to make up the moral strength of the nation.⁹⁵

As has been noted by Cheleen Mahar, National's housing policy from 1950 represented a move back to treating housing as a commodity rather than a utility. This contrasted with the Labour Party's 1949 policy '...to provide a decent home for every family'.⁹⁶ Mahar qualifies the 'recommodification' argument by acknowledging that the policy of the Labour Government had never been to have all housing provided by the State.⁹⁷ The previous Labour Government had accepted a public entitlement to housing, but its main focus had been on assuaging the housing need by supplying rental houses rather than encouraging private ownership. Mahar interprets Holland's vision in the White Paper of private ownership of housing as a means to '...develop initiative, self-reliance, thrift and other good qualities...' as part of a developing 'consumerist ideology'.⁹⁸ This fits in with National's positioning at the time of the 1949 election as the party of free enterprise and prosperity. It also fits in with Miles Fairburn's description of a connection between home ownership and '...the satisfactions of consumerism...' which he contrasts with the perception that Labour (with its 'nationalisation' policy) was against private ownership.⁹⁹ This does not explain help to explain why Labour subsequently came to support

⁹⁵ Housing Policy – A Statement by the Right Honourable S.G. Holland, Prime Minister, *AJHR*, J6, (1950), p.3.

⁹⁶ Mahar, p.264.

⁹⁷ Mahar, p.264.

⁹⁸ Mahar, p.264.

⁹⁹ Miles Fairburn, 'Why Did the New Zealand Labour Party Fail to Win Office until 1935?', *Political Science*, 37, 2, December 1985, p.122.

private ownership with the proposal for capitalisation of the family benefit.

A.J. Ward, however, provides a possible explanation by making a connection between housing policy and the perception at various times of threats to social order. He suggests the desire for 'social cohesion' was a major motivating factor in the development of housing policy by New Zealand governments during the twentieth century.¹⁰⁰ His argument assumes a physical minimum standard of housing (that is, the actual quality and quantity of housing available) and a social minimum standard of housing (that is, the supply and standard of housing regarded as the minimum decent level for society) and claims that social cohesion would be threatened, and the risk of social unrest would increase, whenever the physical minimum standard of housing fell below the social minimum standard. That increased risk of unrest would then lead to increasing involvement by the State in provision of housing.

If this argument is accepted, the development of the proposal for capitalisation of the family benefit in the early 1950s could be at least partly explained in terms of the disruption caused by the industrial unrest of the waterfront dispute. Ward builds his case by showing the influence that threats to social order have had on the development of housing policy in the past. He claims that '...fear of disease, or of social disorder, have encouraged state action faster than denunciations of poverty...'¹⁰¹ and cites the 1919 Town Planning Conference as evidence of concerns at that time about the risk of New Zealand being subject to revolution and anarchy unless decent housing was provided to keep the workers happy (and quiet). His point is illustrated by the statement of the Minister of Internal Affairs, G.W. Russell, in opening the conference: 'Revolution and anarchy are not bred in the houses of men who have happy homes and delightful gardens.'¹⁰² The idea of encouraging private ownership of housing as a means to keep the workers quiet was anathema to the Labour Party of the early 1920s. It saw profiteering in the building and private rental sectors as the basis of the housing problem.

¹⁰⁰ Ward, p.46.

¹⁰¹ Ward, p.149.

¹⁰² Ward, p.154-155.

According to Gael Ferguson the conference had been organised in response to concerns arising at least partly from the influenza epidemic and the main focus was on the aesthetics of town planning and the ideals of 'garden cities'. The economic causes of the housing shortage were not addressed, despite concerns expressed by Labour MPs Bob Semple, Harry Holland and Michael Savage.¹⁰³

When, in 1935, the first Labour Government was faced with a housing shortage that had become a political problem and with social cohesion again under threat, its response was to increase State intervention in housing.¹⁰⁴ The direction of that intervention was different, however, from earlier Governments' encouragement for private ownership. Under Labour, finance for State rental housing became a larger proportion of total State aid than State Advances loans.¹⁰⁵ The policy was to provide 'homes for New Zealanders', but not 'workers' dwellings' which differentiated between people on the basis of financial capacity.¹⁰⁶

Ward concludes that the housing policies of the first Labour Government and of the National Government from 1949 could be analysed on a class basis. Labour, he suggests, focused on provision of State rental housing, which addressed the needs of its mainly low income, urban constituency, while National provided help and encouragement for its generally better-off supporters to achieve private ownership. This interpretation makes Labour's adoption of capitalisation of the family benefit as policy from 1954 all the more interesting, as its encouragement of private home ownership appears to be at odds with this class-outlook.¹⁰⁷ It could be regarded as evidence that Labour had accepted the view that the interests of the country were better served by assisting as many people as possible into home ownership, rather than merely providing them with housing. That view was certainly more attractive to the electorate.

¹⁰³ Ferguson, pp. 74-80.

¹⁰⁴ Ward, p.171.

¹⁰⁵ Ward, p.177.

¹⁰⁶ Ward, p.192.

¹⁰⁷ Ward, p.192.

Gael Ferguson maintains that Labour and National had essentially the same vision of families in individual homes, but they had different ideas of how to achieve the vision. She suggests that in the early 1920s the Labour Party tried unsuccessfully to ensure the continued building of public housing, but was defeated by Reform's commitment to private ownership and belief in the value of home ownership as a means to maintain social order.¹⁰⁸ Despite subsequent variations in tenure, with an emphasis on State rental housing under Labour and a switch back to encouragement for private ownership under National, the ideal of the family home remained the same. This view is not inconsistent with those of other commentators. At no stage did either Labour or National propose a major move away from individual families in individual homes. The debate and policy shifts have been around the best way to maximise the number of families in those homes. Ferguson differs from the others in seeing the family benefit capitalisation proposal as a form of redistribution of wealth rather than merely another way of achieving private home ownership. 'This was the first sign of a shift in the nature of State lending as an alternative source of mortgage money to becoming a way of redistributing resources by subsidising the cost of housing finance.'¹⁰⁹ This claim is difficult to understand in view of the subsidies made available by the National Government between 1950 and 1957.

David Thorns argues that encouragement for home ownership has been '...a means of incorporating some members of the working class into support for the prevailing social structure and thus ... reducing the level of class consciousness.'¹¹⁰ On that basis, the early Labour Party's lack of support for home ownership initiatives is not surprising. Thorns' conclusion, however, is that although the State had provided rental housing since 1905 and continued to do so after the first Labour Government lost office in 1949, it is more realistic to consider the emphasis given to it by the Labour Government as a temporary aberration. Support for private ownership in the 1950s, including capitalisation

¹⁰⁸ Ferguson, p.85.

¹⁰⁹ Ferguson, p.195.

¹¹⁰ Thorns, p. 213.

of the family benefit, can then be seen as the continuation of a long-standing commitment to home ownership in New Zealand. The difference lies in the change in approach of the Labour Party and the fact that by the 1950s Labour appears to have accepted the value of private home ownership as a means to improve the moral fibre of society. Thorns quotes a 1919 parliamentary debate on the Workers' Dwellings Act in which home ownership is claimed to provide an elevating influence, and to '...kill discontent and disloyalty, and lead people to be more moral and self-denying.'¹¹¹ That view was not acceptable to Labour in 1919¹¹² but it is similar to sentiments expressed by Holland in his 1950 White Paper on Housing. It is also similar to comments made by Walter Nash in 1954, describing the expected benefits of the capitalisation policy. This tends to support Thorns' conclusion that, by encouraging private home ownership with a policy such as capitalisation of family benefit, the second Labour Government was continuing a long-standing policy trend. It was not a Labour policy trend, however, and Thorns does not explain why Labour moved into the mainstream and accepted that private home ownership provided benefits other than shelter.

The belief that private home ownership had a value for the country as a whole was not peculiar to New Zealand. Jim Kemeny has described a similar ideology behind political sponsorship of home ownership in Australia in the post-war period, noting:

...the belief that home-ownership potentially represented the main bulwark against social, economic and political unrest, and that widespread home-ownership was the antidote to threats to the capitalist system in Australia.¹¹³

Home ownership was regarded as a protection against communism, a solution to social unrest and a means of encouraging hard work and thrift. It was also seen as a way of reducing industrial conflict and Kemeny quotes the Deputy-Premier of Queensland speaking in 1953:

[Home ownership] would not only make a better citizenry generally, but also would promote greater industrial harmony. I feel that if a workman owned his house and therefore had a great interest in it, he would be disinclined to be influenced by extraneous matters raised by a few demagogues.¹¹⁴

¹¹¹ Thorns, p.219.

¹¹² Ward, p.155.

¹¹³ Kemeny, p.48.

¹¹⁴ Kemeny, p.48.

Supporting Ward's argument, another potential threat to 'social cohesion' was developing in New Zealand in 1950 as escalating industrial unrest was combined with a housing shortage. Despite there being 32,238 State rental houses under administration by 31 March 1950, the housing crisis had not been solved.¹¹⁵ Cheleen Mahar quotes the comments of an architect (Max Rosenfeld, described as 'Home Architect of the *Weekly News*') in 1950 that '...while wages had gone up by 30 per cent between 1946 and 1950, house construction prices had gone up by 50 per cent, thus making it more difficult for people to buy their houses. In 1950, 45,000 people were waiting for rental houses.'¹¹⁶

Coupled with the housing shortage, continuing industrial unrest culminated in the 1951 waterfront dispute and gave the National Government the opportunity to demonstrate its opposition to union militancy. The Government took advantage of public support for its stance and called an early election. In the lead up to the 1951 election National was able, with the help of the print media, to position itself as supporting law and order and property and to portray Labour as communist sympathisers, against private enterprise and private ownership. This was in spite of the decision made at the Labour Party conference in June 1951 to remove from its constitution the aim of '...the socialisation of the means of production, distribution and exchange.'¹¹⁷

Although 1951 election material still described the Labour Party as socialist it had evolved over the years from a socialist party to a social democratic party with a strong aversion to communism. The 1952 Labour Party Annual Conference adopted a statement expressing its opposition to communism, a step regarded as necessary because of the National Party's portrayal of Labour as synonymous with communism. An election pamphlet in 1954 outlining 'The Principles of Labour' supported a more just distribution of the nation's wealth

¹¹⁵ Report of State Advances Corporation for year ending 31 March 1950, *AJHR*, B13, (1950), p.17.

¹¹⁶ Mahar, p.266.

¹¹⁷ Sutch, *The Quest for Security in New Zealand 1840 to 1966*, p.395.

and accepted nationalisation as a valid means to achieve that, while maintaining that true socialism came through democracy: 'True socialism can be achieved only through democracy just as democracy can be fully realised only through socialism.'¹¹⁸ It is interesting that the same pamphlet gave an outline of what became the Labour Party's family benefit capitalisation policy, as this represented a significant move towards recognition of the value and popularity of private home ownership. Labour undertook to:

Introduce a mortgage repayment scheme whereby parents can choose between receiving the Family Benefit at the proposed new rate or in lieu thereof applying the value of the Benefit as a lump sum for the reduction of mortgage on the family home, provided the home is put in the name of the mother or becomes a joint family home.¹¹⁹

The policy had its origins in a document in the Nash papers entitled 'The Security Plan for the Family Man' which seems to provide the philosophical basis for the family benefit capitalisation policy.¹²⁰ It is undated but its subtext of industrial unrest, anti-communism and economic instability suggest it was probably written around 1951, close to the period of the waterfront dispute. The paper is unsigned and it has not been possible to establish its authorship. In an apparent conflict with Labour Party philosophy of the early 1950s the author refers to the need to increase the birth rate, despite the campaign for immigration of the 'wise Government'. The author may not have been a member of the Labour Party as it is difficult to imagine a Labour Party source describing Holland's Government as 'wise', but the document is undoubtedly the basis for the capitalisation policy:

The following suggestion is submitted in the interests of the family man and is a sure guarantee of a safe and happy future for the entire family. It will prevent the spread of Communism which thrives on discontent, and it will stabilize the economy of the country by becoming the equivalent of a national savings effort.

The suggestion is that, whereas approximately £400 is paid in family benefits to every child, by the time they reach 16 years of age, in small amounts of 10/- per week, the Government will pay by way of reduction on any existing mortgage the equivalent sum of money. If required those people not

¹¹⁸ WTU, 82-180-1/13, NZLP 1954 election pamphlet.

¹¹⁹ NA, Nash 2437 0010, 1954 Election Policy leaflet.

¹²⁰ NA, Nash 1004 0416, document entitled 'The Security Plan for the Family Man'.

fortunate enough to own their own home may use the benefit as a deposit on a house. This system should be entirely optional and those preferring to collect the family benefit as at present would be allowed to do so.¹²¹

This proposal recognised that a number of families would never be able to save sufficient capital to bridge the gap between the cost of a home and the amount they could borrow on mortgage. There was a concern about the tendency towards smaller families and the theory was that assisting families into their own homes would give them a sense of security which would encourage them to have more children, thus benefiting the economy. There was a perception that assistance could be provided in this way without increasing costs for the Government and without contributing to further inflation.

A clear link can be seen with the social cohesion concerns of 1919 and 1935, and also the contemporary issues of the Cold War and the struggle with inflation:

Surely this must bring about an era of prosperity, it must promote a sense of national pride and be a source of enduring satisfaction to each succeeding generation.

With larger families would come a happier, healthier outlook and a desire to make this country, not a pleasure seeking, lazy and indolent people, but rather a nation of workers.¹²²

Notes provided by Nash for an article by A J Buchanan in the *Waikato Times* in November 1954 indicate that for Nash, at least, the social cohesion theme resonated strongly. One of the justifications for capitalisation of the family benefit was that it would encourage family-formation and contribute to the maintenance of a stable society:

It will fill a two-fold purpose – by linking the birth with home ownership and stimulating the desire for family life which is more than ever now being recognised as a foundation principle of a Christian home and the ultimate major contribution to individual character. These principles, in turn, provide the foundation for individual and collective acceptance of our responsibility to share in local and national action necessary to develop and protect our country and our homes from alien formulas or dogmas.¹²³

This is surprisingly similar to the sentiments expressed by speakers at the 1919

¹²¹ NA Nash 1004 0416 11/4, document entitled 'The Security Plan for the Family Man'.

¹²² NA, Nash 1004 0416 11/4, document entitled 'The Security Plan for the Family Man'.

¹²³ NA, Nash 1004 0427, Notes for A.J. Buchanan, *Waikato Times* 4 November 1954.

Town Planning Conference and by Holland in the 1950 White Paper on Housing. It also provides support for the arguments put forward by both Ward and Thorns. It gives an indication of how Nash and the Labour Party had apparently moved away from the concept of socialised housing and accepted that it was home ownership, rather than just adequate (but possibly rental) housing, which encouraged social cohesion.

Although Walter Nash appears to have been a major supporter of the capitalisation proposal at the start (and Margaret McClure claims that the 'Security Plan for the Family Man' was Nash's policy¹²⁴), it seems unlikely that the proposal actually originated from him. Nash was known as an implementer rather than an originator.¹²⁵ A suggestion for financial assistance to enable young couples to build new homes had been made to Peter Fraser as early as 1949. Wellington trade unionist, Peter Butler, wrote to Fraser on 3 October 1949 putting forward the suggestions of a person identified only as Mr Judge Stevens. The difficulties of young couples saving a deposit on a house were noted and one of the suggestions (annotated with the comment from Mr Butler that 'this will make Mr Nash's ears twitch') was for a subsidy of approximately £200 by way of a bonus to be made available to young people building their own home. '[E]conomic return to the country by way of increased population and larger families would far outweigh the initial capital cost, besides being a possible obstacle to the growth of Communism.'¹²⁶

It is possible that this suggestion formed the germ of an idea which was later combined with an existing facility which allowed family benefit to be capitalised in other limited circumstances. Family benefit could be capitalised at that time in order to pay off an income tax debt incurred by the breadwinner of the family. Later in the 1950s, both E.J. Keating (Labour, Hastings) and Eruera Tirikatene (Labour, Southern Maori) referred in the House to an existing facility for Maori to use the family benefit for a similar housing purpose.¹²⁷

¹²⁴ McClure, p.153.

¹²⁵ Correspondence and personal discussion with R.J. Tizard, 19 December 2001.

¹²⁶ NA Nash 1296 0050, letter from Peter Butler to Peter Fraser, dated 3 October 1949.

¹²⁷ *NZPD*, 318, (1958), p.2087 (Keating) and p.2106 (Tirikatene).

While 'The Security Plan for the Family Man' document is seemingly the origin of the policy, there is some uncertainty surrounding the actual adoption of the proposal as Labour Party policy. Although capitalisation of the family benefit was included as Labour Party policy for the 1954 election, no evidence has been found of the policy having been officially adopted by the Party at that time. The policy did not appear in the Labour Party manifesto for the 1951 election and there is no record in Labour Party conference reports between 1951 and 1954 of the proposal for capitalisation of the family benefit having been discussed by the Party. In addition, the fact that there is no mention of the policy in the *Standard*, the official newspaper of the Labour Party, before 27 October 1954 suggests that it was not a policy that had been thoroughly discussed within the Party before the 1954 election campaign started. The usual policy formation process was for a remit to go forward to the annual Party conference and the policy to be approved by the Party as a whole. That was not a formal requirement at that time, however, and it was not unknown for a policy to be announced at the last minute. An example of that can be seen in Bruce Brown's account of the revision to Labour's policy on universal superannuation which Walter Nash made after hearing Keith Holyoake's opening speech in the 1957 election campaign.¹²⁸

Ward's theory of the effect of changes in social cohesion on housing policy goes some way towards providing an explanation for the development of the family benefit capitalisation proposal. While it doesn't explain why that solution was chosen over other possibilities, it does provide a useful framework within which to consider a fairly radical extension of the existing facility for capitalisation of the family benefit. Ward, Maher, Ferguson and Thorns all acknowledge that State support for private ownership was a long-standing feature of housing policy in New Zealand.¹²⁹ A housing shortage was being exacerbated by the rapid growth of family formation and the beginning of the 'baby boom'. At the same time, the impact on the country of the waterfront

¹²⁸ Bruce Brown, 'Nordmeyer 1901-1989', in Margaret Clark (ed.) *Three Labour Leaders: Nordmeyer, Kirk, Rowling*, Palmerston North, Dunmore Press, 2001, p.35.

¹²⁹ See discussion on pp.25-28.

dispute, and the need within the Labour Party to correct its misrepresentation by National as communist sympathisers, set against the backdrop of the Cold War, created a political environment ripe for a policy supporting home and family and opposing the forces of disruption.

Gael Ferguson suggests that Labour introduced the facility to capitalise the family benefit as a means of redistributing the assets of society. There is little evidence in the Nash papers, or in other Labour Party material, to indicate that that was an objective at the time the policy was adopted. However, by the time Labour became the Government in 1957 the situation had changed to the extent that the focus of debate was on housing rather than on issues around social cohesion.

In his analysis of the 1957 election Bruce Brown notes that while Labour's campaign focused on the voter as a family man, it recognised that by 1957 the typical Labour voter was '...just as likely to be a wage or salary earner with a big mortgage and an average income...'.¹³⁰ This suggests that by 1957 the Labour Party had recognised that home ownership was a consumer ideal and promoted capitalisation of the family benefit as much for its own political benefit as for the welfare of New Zealand families.

¹³⁰ Brown, 'The Labour Campaign', p.23.

Chapter 3

What Made the Policy Successful in 1957?

The capitalisation policy was not the major reason for the Labour Party winning the 1957 general election, but it was a significant contributing factor.¹³¹ The popularity of the proposal with the electorate in comparison with 1954 can be explained by a combination of more publicity about the scheme, a slight change in the focus of the policy itself and problems arising from the increasing gap between the amount that the average wage-earner could save and the amount required as a deposit on a home.

In the general election of 1954 the Labour Party had won five more seats than it did in 1951 but that was not sufficient for it to become the Government. In fact its share of the total vote declined from 45.8% in 1951 to 44.1% in 1954, which Chapman attributes to the country's increasing prosperity since the high point of Labour support in 1938.¹³²

Capitalisation of the family benefit was included as part of the Labour Party's policy for the 1954 election. It appeared under the heading of social security rather than housing, presumably because family benefit was a social security benefit. Labour Party housing policy in 1954 had significant encouragement for private ownership of housing. An election policy leaflet promised that Labour would establish a Department of Housing with a full-time Minister of Housing, organise the building of 20,000 houses a year with a minimum of 100,000 in 5 years, build houses, similar to State rental houses, and sell them at cost, and make finance available for new houses at 3%.¹³³ Capitalisation of the family benefit was mentioned in the same leaflet, but it was put forward as a means of paying off an existing mortgage and referred to as a mortgage repayment scheme.

¹³¹ See Brown, 'The Labour Campaign', and Chapman, 'From Labour to National'.

¹³² Chapman, 'New Zealand Since the War', p.258.

¹³³ NA, Nash 2437 0010 1954 Election leaflet.

While election campaign advertisements and pamphlets did refer to the scheme as assistance for people to own their own homes, it was usually reported as a means of reducing the mortgage. For example an editorial in the *Dominion* on 27 October 1954 described the proposal as:

...a family benefit can be applied for the reduction of a mortgage on the family home, provided the home is put in the name of the mother or becomes in law a "joint family home".¹³⁴

The same *Dominion* editorial also criticised the requirement that, in order to capitalise the family benefit, the home needed to be registered either as a joint family home or in the name of the mother only. It concluded that this implied that the State trusted mothers more than fathers in the handling of money.

On 11 November 1954 the *New Zealand Herald* quoted an election speech by Walter Nash in Auckland in which he stated:

...if the mother desires, instead of taking a 15s a week family benefit, she can arrange by agreement with the Government to accept a payment off her home by way of mortgage.¹³⁵

In the same edition, *The New Zealand Herald* carried an advertisement placed by the Labour Party which undertook:

As part of the Family Benefit scheme Labour will introduce a plan by which the benefit can be used for the reduction of the mortgage on the family home.¹³⁶

The Social Security policy in a Labour Party election pamphlet promised that:

[Labour will...] Introduce a mortgage repayment scheme whereby parents can choose between receiving the Family Benefit at the proposed new rate or in lieu thereof applying the value of the Benefit as a lump sum for the reduction of mortgage on the family home, provided the home is put in the name of the mother or becomes a joint family home.¹³⁷

¹³⁴ *Dominion*, 27 October 1954.

¹³⁵ *New Zealand Herald*, 11 November 1954.

¹³⁶ *New Zealand Herald*, 11 November 1954.

¹³⁷ WTU, 82-180-1/13, Pamphlet: 'Labour's 1954 Election Policy Means Progress, Security and Prosperity for All'.

And, in a speech broadcast on 12 November 1954, Walter Nash promised:

...the Family Benefit Repayment Mortgage scheme will not involve extra cost to the Government over the long term. All that is entailed is the crediting now of future family benefit payments to a reduction of the mortgage on a family home.¹³⁸

It is possible that there was a perception of the policy as mainly benefiting people who already had a home and that may have limited its appeal to the voters. Publicity for the scheme in 1957 focused the proposal on the facility for young couples to obtain a deposit for a new home. The popularity of capitalisation in 1954 may also have been affected by the Labour Party's proposal to make the family benefit taxable. That proposal was dropped for the 1957 election campaign.¹³⁹

There was no newspaper coverage of the proposal until the start of the 1954 election campaign so voters had little chance to become familiar with the scheme. Even in the Labour Party newspaper, the *Standard*, the first reference to the scheme during 1954 was on 27 October, after the start of the election campaign.¹⁴⁰

Between the 1954 election and early 1957 there appears to have been little further public discussion of the policy for capitalisation of the family benefit. In 1955 Nash wrote in response to a letter of enquiry: 'The subject of the family benefit mortgage repayment scheme will be the basis of some research and later I am hoping to be able to set the scheme out in full detail.'¹⁴¹

The scheme was discussed at the Labour Party Conference in 1956 and that was where the proposal for a family benefit mortgage repayment scheme was formally adopted as Labour Party policy, on the recommendation of the Finance Committee.¹⁴² The 1955 Annual Conference had resolved that a Finance Committee should prepare a wide-ranging finance policy for

¹³⁸ NA, Nash 2436 0022, transcript of a broadcast speech by Nash on 12 November 1954.

¹³⁹ WTU, NZLP Parliamentary Research Unit, 82-180-1/13 NZLP 1954 election policy pamphlet and 82-180-1/08 NZLP 1957 election policy pamphlet.

¹⁴⁰ *Standard*, 27 October 1954.

¹⁴¹ NA, Nash 1004 0460, Letter from Nash to G. Hanson 26 January 1955.

¹⁴² New Zealand Labour Party, *Report of the Finance Committee*, 1956 Annual Conference Report, Wellington, NZLP, 1956.

consideration at the 1956 Conference. The report of that Committee noted that a special report on the Family Benefit Mortgage Repayment Scheme was in the course of preparation and put forward as one of its recommendations: 'That a family benefit mortgage repayment scheme be introduced.'¹⁴³

It was an essential feature of the capitalisation proposal that the rate of family benefit be increased to 15/- per week. Walter Nash appears to have been somewhat cautious about announcing that, however. In a public speech in Upper Riccarton on 19 March 1957 he was reported as 'hinting' that the Labour Party would increase family benefit to 15/- per week but withholding further detail until the election campaign later in the year.¹⁴⁴

By the time of the election on 30 November 1957 the public had had the opportunity to become more familiar with the capitalisation proposal. Gerry Skinner, Deputy Leader of the Labour Party, referred to the use of capitalisation for the purchase of a home in a speech during the campaign for the Bay of Plenty by-election in April 1957, saying that Labour proposed: '...to enable couples to draw the whole of the family benefit on the birth of a child, provided the money was used for the purchase of a home, or for the reduction of a mortgage.'¹⁴⁵ Although Labour did not win the by-election, Arthur Faulkner, who was at that time a paid Labour Party worker, advised Nash that the proposal had received a positive reaction from audiences, and recommended production of a leaflet giving more information on the proposal. Walter Nash replied: 'The only reason associated with the whole show as to why it is not progressed very far, is time, but I am glad you have given me a reminder and an urge to get something done early.'¹⁴⁶ This comment should not be taken as evidence that no one else in the Parliamentary Labour Party was interested in the capitalisation policy, or that Walter Nash was the person pushing the policy within the Party. It can be seen, rather, as an indication of

¹⁴³ New Zealand Labour Party, *Report of the Finance Committee*, 1956 Annual Conference Report, Wellington, NZLP, 1956.

¹⁴⁴ *Dominion*, 20 March 1957.

¹⁴⁵ *New Zealand Herald*, 4 April 1957.

¹⁴⁶ NA, Nash 1004 0460, Letters Faulkner to Nash 5 June 1957 and Nash to Faulkner 12 June 1957.

the control Nash exerted over the Parliamentary Labour Party, to the extent that very little authority for policy development was delegated to other Labour members. All policy appeared to emanate from Nash, whether or not it had originated with him.¹⁴⁷

A meeting of the NZLP National Executive on 22 July 1957 resolved to request the Policy Committee to release a pamphlet elaborating on the Family Mortgage Repayment Scheme.¹⁴⁸ It is not clear whether they were uncertain about the details of the proposal, whether the focus of the publicity was to be changed to emphasise the use of capitalisation to buy a house, or whether they considered it a potential vote-winner and wanted to make the most of it. It is notable, however, that it was still being referred to at that stage as a mortgage repayment scheme.

David Seath (National, Waitomo) provided additional publicity to the proposal by criticising it in the House on 20 August 1957. Although the subject for debate was the 1957 financial statements, Mr Seath maintained that the public had an interest in knowing how Labour intended to finance its capitalisation policy. He claimed that Walter Nash had made a statement during the Bay of Plenty by-election to the effect that Labour Party policy: '...states that young couples would have the right to receive £500 at once, exclusively for the cost of a house. If they had two children they would receive £1000 by way of loan and £500 for each child.'¹⁴⁹ Mr Seath asked for the details of how the scheme was to be financed to be revealed for the information of the public. He also claimed the Labour Party was reversing its own policy of retaining the family benefit as an income to mothers and queried whether housing assistance could not be better provided through the State Advances Corporation. Obviously Mr Seath was taking the opportunity to gain political advantage for the Government by casting the Labour Party proposal in a bad light. Both Labour and National had upheld the payment of the family benefit to mothers as a valuable source of income for the support and upkeep of the children. Seath

¹⁴⁷ Brown, 'Nordmeyer 1901 - 1989', p.34 and Chapman, 'From Labour to National', p.362.

¹⁴⁸ NA, Nash 2452 0308, Minutes of NZLP Executive 22 July 1957.

¹⁴⁹ NZPD, 313, (1957), p.1852.

exaggerated somewhat by implying that family benefit would no longer be available as an income under a Labour Government, and his other point was also misleading. While a policy could be envisaged which allowed prospective home-owners to take advantage of 100% housing finance from State Advances, and continued payment of family benefit as an income, the cost to the State would have been considerably greater than capitalisation of the family benefit.

There was certainly far more media coverage given to the proposal during the 1957 election campaign than there had been during 1954, and it focused on the opportunity it represented for young couples to own their own homes. The date of the election was set for 30 November 1957 and Walter Nash revealed Labour Party policies in a speech to his Hutt electorate on 29 October 1957. The *Dominion* reported: 'The Labour Party if elected will introduce a scheme to enable the family benefit...to be capitalised to provide a lump sum toward the building of a home, or the reduction of a mortgage.'¹⁵⁰ It claimed that Walter Nash: '...described the scheme as slightly different from Labour's proposals in 1954, and said he had just finished working on it.'¹⁵¹ As little detail had been published about the 1954 proposal, it is difficult to identify the changes made in 1957. It was certainly packaged differently and appeared to be more strongly focused on encouraging the building of new homes.

Outlining the scheme, Mr Nash said on the birth of a child or at any time afterwards whilst the child was properly the subject of a family benefit, ... the mother of the child could choose:

1. - To take the increased family benefit of 15/- per week in the usual way.
2. - To capitalise the family benefit to meet part of the cost of a section and construction of a home.
3. - To use the capital value of the family benefit for the reduction of an existing mortgage on the family home.¹⁵²

The Labour Party housing policy for the 1957 election claimed that Labour had been the first government in New Zealand to recognise a responsibility for ensuring that everyone was well-housed. It proposed to continue building State rental houses as well as encouraging families to own their own homes by

¹⁵⁰ *Dominion*, 30 October 1957.

¹⁵¹ *Dominion*, 30 October 1957.

¹⁵² *Evening Post*, 30 October 1957.

making sufficient loan money available, at an interest rate of 3%, to enable them to do so.¹⁵³

In his account of the 1957 election campaign, Walter Nash's private secretary, Bruce Brown, noted that it was the policy on capitalisation of the family benefit that appeared to be most popular with audiences.¹⁵⁴ This suggests that voters had an unsatisfied desire for home ownership as well as a more obvious need for housing. It also demonstrated to the Labour Party the political benefits of promoting the policy.

Housing had been a major issue for the 1954 election and it was still an issue in 1957. The problem remained that, as State Advances loans were available only for new houses, the average person would need both a first and second mortgage to finance buying a section and building a house. Increases in mortgage interest rates meant that buying was only feasible if a large deposit could be paid, reducing the amount that needed to be borrowed. The general feeling coming from articles and correspondence in the press at this time was that the average wage earner was struggling to save the level of deposit that would make a mortgage affordable.¹⁵⁵

Labour's housing policy in 1957 proposed to make State Advances loans available, under certain circumstances, at 3% but that did not solve the problem of saving sufficient capital to bridge the gap between the price of the home and the amount of the loan. Capitalisation of the family benefit was a potential solution to both parts of the problem. It provided access to funds for those who were unable to save sufficient for a deposit, and it reduced the level of mortgage payments by reducing the amount that the home-buyer needed to

¹⁵³ WTU, NZLP Parliamentary Research Unit, 82-180-1/18, NZ Labour Party Housing Policy, 1957.

¹⁵⁴ Brown, 'The Labour Campaign', p.17.

¹⁵⁵ See Chapter 1, pp.22-23.

finance by mortgage.

Labour Party publicity material and newspaper reports during the 1957 election campaign indicated that the amount that could be capitalised in respect of any child would depend on the age of the child, that is, the number of years remaining before age 16, but there would be a maximum of £500 per child and £1000 per family. There would be a minimum of £200 per application and capitalisation would be possible only where the house was registered as a joint family home, or in the name of the mother.¹⁵⁶

The National Government attacked the scheme on the grounds of policy and cost. They repeated the accusation that the Labour Party was reversing its previous policy, and the original purpose of the family benefit, which was to provide the mother of a family with a regular income to help pay for the upkeep of the children. The Prime Minister, Keith Holyoake, was quoted saying at an election meeting: 'The family benefit was intended to provide the mother with something to budget on from month to month and should remain that way.'¹⁵⁷

Keith Holyoake had also questioned the amount that could be received as a capitalised benefit. He pointed out that 15/- per week over sixteen years would total £624 and asked what the Labour Party proposed to do with the amount in excess of the maximum £500 for each child. Walter Nash's explanation was that £500 was near enough to the net present value of 15/- per week for sixteen years.¹⁵⁸

The main objection raised by the National Party, however, was the potential cost of the capitalisation scheme and its impact on the Social Security Fund. The Deputy Prime Minister, John Marshall, claimed:

Last year 56,000 children were born in New Zealand...Even if parents of 50,000 of them took advantage of the scheme and drew £500 each to repay a

¹⁵⁶ WTU, NZLP Parliamentary Research Unit, 82-180-1/08, NZLP 1957 election campaign pamphlet; see also *Evening Post*, 6 November 1957.

¹⁵⁷ *Dominion*, 24 November 1957.

¹⁵⁸ *Dominion*, 8 November 1957.

mortgage or for a house deposit, the cost would be £25million. But there are 320,000 children for whom the family benefit is paid at the moment...¹⁵⁹

Labour had portrayed the capitalisation scheme as a way of financing home ownership at very little cost to the Government. During the April by-election campaign, Deputy Leader Gerry Skinner claimed that the scheme would not cost any more than the existing cost of paying regular benefits, it would merely change the timing of the payment: '[The scheme]...would cost the Government very little – the only additional cost would be where the child died before reaching 16, in which case no refund would be asked for.'¹⁶⁰ It appears likely, however, that Labour did not thoroughly cost the scheme before the election in November 1957.

Another criticism, rebutted in Walter Nash's 1957 election notes, came from Ralph Hanan (National, Invercargill) and proposed that the scheme would encourage 'baby farming'. In other words, couples would have children in order to capitalise the family benefit and would then neglect them. Nash pointed out that the family benefit could be capitalised only in respect of a child that had passed its first birthday and that if the child died within the first year after the capitalised amount had been received, the parents would be required to repay the outstanding amount.¹⁶¹ Insurance cover built into the scheme would ensure that, if the child survived more than one year, parents would not have to repay the capitalised amount received. There was considerably more discussion after the legislation was enacted, and this is covered in more detail in chapter 5, on what was seen as the 'moral hazard' of giving parents a financial incentive to engineer the death of their children. This issue was not finally resolved until 1961 when an amendment to the legislation was passed enabling the Social Security Commission to recover an unpaid advance from a parent who was convicted of causing the death of his or her child.¹⁶²

¹⁵⁹ *Dominion* 7 November 1957.

¹⁶⁰ *New Zealand Herald*, 4 April 1957.

¹⁶¹ NA, Nash 193 (0212), speech notes, 24 November 1957.

¹⁶² Inserted in 1961 amendment to section 4 of the Family Benefits (Home Ownership) Act 1958.

A powerful motivation for the Labour Party was the fact that, for people who already had a first, and probably a second, mortgage, capitalisation provided a way of paying off, or at least reducing, the level of debt. The importance of this point was illustrated by Norman King (Labour, Waitemata) describing the scheme in Parliament as one direct way the Government could help capitalise existing mortgages and get the '...halter of heavy interest payments off one's neck.'¹⁶³ King claimed that the National Party opposed the policy because it provided access to funds to bridge the gap which previously necessitated a second mortgage: 'It limits the ability of their people to make 6 to 10% on second mortgages.'¹⁶⁴ One of the continuing themes underlying Labour Party speeches in the House was the view that banks and insurance companies, regarded as National Party supporters, were making excessive profits from the interest rates they charged on mortgages. This suggests that by 1958 redistribution of financial resources had surpassed the fear of a threat to social cohesion as the main motivation for the capitalisation policy.

The Labour Party won the 1957 election by a narrow margin, which could not be regarded as a ringing endorsement of any of their policies. Although Labour won 47,397 more votes than National, they gained a majority of only one seat. It is difficult to assess the importance of the capitalisation of family benefit policy in Labour's election win, but both Bruce Brown and Robert Chapman give it some credit,¹⁶⁵ although an explanation of the greater popularity of the proposal in 1957 compared with 1954 needs to take into account changes in the overall political environment as well as specific changes in the presentation of the proposal.

¹⁶³ *NZPD*, 316, (1958), p.405.

¹⁶⁴ *NZPD*, 319, (1959), p.160.

¹⁶⁵ See Brown, 'The Labour Campaign', p.17 and Chapman 'From Labour to National', p.363.

Chapter 4

Enacting the Scheme

Despite the popularity of the policy with the electorate, the Family Benefit (Home Ownership) Bill was not introduced into the House until ten months after the election of the Labour Government, and the legislation did not become effective until 1 April 1959.

The Family Benefits (Home Ownership) Bill

A Cabinet meeting was held on 7 January 1958 to discuss the action required to implement the policies put forward during the election campaign. While other policies were allocated to various committees for detailed consideration and reports, the capitalisation scheme does not appear to have been treated with any urgency. It is listed amongst other policies under a note: 'The following election undertakings were listed but no conclusion was reached regarding their immediate examination or implementation.'¹⁶⁶ Three policies referred to the Cabinet Committee on Economic and Financial Policy were marked for urgent action. Those policies were: extending overseas trade representation, reconstituting the Board of Trade and taking action against restrictive trade practices. This emphasis on trade policies rather than social policy may seem rather unusual for a Labour Government. It could, however, be explained as a change in priorities caused by the severe import crisis the Government discovered on taking office. It appears that the economic crisis had the effect of making capitalisation of the family benefit less affordable while at the same time making it more useful politically to bolster the Government's popularity.

Although capitalisation of the family benefit had been included in the social security policy before the election it was not listed for the attention of the Cabinet Committee on Social Services which was given responsibility for reviewing health benefits, the School Dental Service, prevention of disease, the education system enquiry, technical education, scholarships and teachers'

salaries. The Cabinet Works Committee was assigned to develop policy for housing loans at 3%, building houses both for State rental and for sale at cost, making finance available to allow conversion of large houses into smaller units for rental and ensuring that the State housing account was managed in such a way that the rental charged was sufficient to cover capital maintenance costs. None of the issues referred to the Social Services Committee or the Works Committee were indicated as having particular priority, although 3% housing loans were implemented promptly and available from February 1958. As capitalisation of the family benefit required an increase in the benefit to 15/- per week, it could not be implemented until that increase had been made in the 1958 Budget.

Speaking during the 1958 Budget debate, Bob Tizard (Labour, Tamaki) explained the reason for the delay in introducing legislation for capitalisation of the family benefit:

...an increase in the allowance was long overdue. At this time it is particularly important, because it is linked with proposals for family housing. We cannot proceed with the scheme for capitalising the family benefit before the increase is applicable. We could not do it in two bites, because it would be uneconomic and wasteful, and the housing problem would not be solved by making loans available at 3% to people in the lower incomes. It is of no interest to a man to have £2000 or £3000 available at 2%, or even 1%, if he cannot find the extra money to bridge the gap between the price of a home and the amount of the loan. The increase in the family allowance is one of the essential steps in the implementation of an important Government undertaking...¹⁶⁷

The increase in benefit to 15/- per child per week took effect from 1 October 1958.

The Minister of Finance, Arnold Nordmeyer, made only passing reference (one sentence) to the capitalisation policy in his 1958 Budget speech, noting that the Labour Government had pledged to increase the family benefit from 10/- per week to 15/- per week and that the facility to capitalise the benefit in certain circumstances would also be enacted.¹⁶⁸ During the second reading debate on the Family Benefits (Home Ownership) Bill the Opposition claimed that

¹⁶⁶ NA, AAFD 807, 123f, Cabinet minutes CM(58)2, 7 January 1958.

¹⁶⁷ *NZPD*, 316 (1958), p.480.

¹⁶⁸ *NZPD*, 316, (1958), p.283.

Nordmeyer had been reluctant to introduce the scheme and had not mentioned it in any of his pre-election speeches.¹⁶⁹ Arnold Nordmeyer later admitted in an interview with Michael Bassett that he had tried unsuccessfully to persuade his Caucus colleagues to defer introduction of the capitalisation proposal until the economic situation had improved.¹⁷⁰ A review of Labour Caucus minutes, however, does not reveal any record of such a discussion.¹⁷¹

The new Government had become aware immediately after the election of the extent of the import crisis facing the country as a result of the collapse in the terms of trade. Although the economic problems were of relatively short duration, they influenced the context in which the second Labour Government operated. If the Government had had a larger majority (Labour had a majority of only one seat) it may also have acted differently through having a more secure hold on power. A Government that was confident of being elected for a second term may have been prepared to defer the introduction of capitalisation of the family benefit and felt less need to ensure it was passed in the 1957 to 1960 term.

Margaret McClure claims that Nash pushed ahead with the capitalisation proposal despite the reservations expressed by officials.¹⁷² The evidence, however, suggests that Nash had relatively little involvement in the early planning stages of the legislation.

In an August 1958 memorandum to the Cabinet Works Committee¹⁷³ Bill Fox refers to the Works Committee having been directed by Cabinet in December 1957 '...to examine and report on the Government's proposals on housing and, inter alia, on the introduction of a scheme for the capitalisation of the Social Security family benefit for housing purposes.'¹⁷⁴ If that direction was in fact

¹⁶⁹ NZPD, 318, (1958), p.2078, speech by Tennent (National, Manawatu).

¹⁷⁰ Michael Bassett, 'Politics versus the Economy, 1940-1975', in Margaret Clark (ed.) *Three Labour Leaders: Nordmeyer, Kirk, Rowling*, Palmerston North, Dunmore Press, 2001, p.64.

¹⁷¹ NA, ABGW W3752, Labour Caucus minutes 1953-1960.

¹⁷² McClure, p.154.

¹⁷³ The Committee comprised Arnold Nordmeyer, Gerry Skinner, Fred Hackett, Mike Moohan and Bill Fox.

¹⁷⁴ NA, T52/479/7, memo from Minister of Housing to Cabinet Works Committee W(58)161, 4 August 1958.

made by Cabinet it does not appear to have resulted in any significant action by the Committee. The 20 August 1958 meeting, at which the Cabinet Works Committee discussed Fox's 4 August memorandum, seems to be the first occasion on which they gave capitalisation any consideration.¹⁷⁵ The reason for the delay may have been no more than the pressure of being in Government during a period of economic crisis.

The proposal for capitalisation of the family benefit was put forward to the Cabinet Works Committee by the Minister of Housing rather than the Minister of Social Security, although it had been included as a social welfare policy during the 1954 and 1957 election campaigns. It appears that capitalisation had become a de facto housing policy. The Minister of Social Welfare, Mabel Howard, was not on the Works Committee and appears to have had virtually no involvement in the early development of the legislation to enact the policy. Responsibility for steering the development of the legislation was given to Arnold Nordmeyer and Treasury. While it may have been expected that the legislation would be driven by Social Welfare, as the department most affected by it, that was by no means inevitable and other factors such as workload and even the personalities of the Ministers concerned could have influenced the decision. Perhaps most significantly, the financial implications of the legislation gave Treasury an interest in it, and hence, despite Nordmeyer's preference for it to be deferred he had a major role in its development. When the Family Benefits (Home Ownership) Bill was introduced to the House, however, Arnold Nordmeyer was in Montreal at a conference and the introduction was done by Walter Nash.

Putting the proposal for capitalisation forward in his 4 August memo, Bill Fox noted that:

My experience over the past few months has shown that, despite the availability of loans at the rebated interest rate of 3%, there is still a vast body of home seekers who are unable to find the difference between the amount State Advances can reasonably lend and the cost of a house and section. Through inability to save the deposit for a home of their own, many of these people are obliged to fall back on the State and wait for the

¹⁷⁵ NA, AAFD 811, W3738, 886, 64/7/3, minutes of Cabinet Works Committee W(58) M.31 Addenda, 20 August 1958.

allocation of a State rental house. Those least able to save are families with young children.¹⁷⁶

The Cabinet Works Committee agreed in principle with the proposal for capitalisation of the family benefit and with the proposed conditions of eligibility.¹⁷⁷ Although Bill Fox had also recommended that the general provisions be referred to an inter-departmental committee for a report back to the Works Committee no decision on this point is recorded in the minutes. In fact it was not until 28 October 1958 that Cabinet agreed to establish a Cabinet Committee on Capitalisation of Family Benefits¹⁷⁸ and an inter-departmental Officials Policy Committee¹⁷⁹ to assist and advise the Cabinet Committee.¹⁸⁰

After being invited by the National Government to give their opinion on the capitalisation proposal in July 1957, Treasury had formed an early view of the scheme and it was not favourable. In a memorandum to the Minister of Finance, the Deputy Secretary to the Treasury conveyed concerns expressed by both Treasury and the State Advances Corporation, noting that they had not gone into the details of the scheme as: '...the disadvantages far outweigh the advantages and there are severe administrative difficulties...and Treasury cannot recommend adoption of the scheme.'¹⁸¹

Treasury identified what they termed 'three obvious difficulties' with the scheme: the calculation of the value of the capitalised benefit in respect of each child, the mortality of the child and the fact that the scheme could only work with mortgages provided by the State Advances Corporation. Treasury's comments include concerns about the implications of removing a source of regular income from the parents and whether it was in the best interests of the

¹⁷⁶ NA, AAFD 811, W3738, 886, 64/7/3, minutes of Cabinet Works Committee W(58) M.31 Addenda, 20 August 1958.

¹⁷⁷ NA, AAFD 811 W3738, 886, 64/7/3 Works Committee minutes W (58) 161, 4 August 1958.

¹⁷⁸ Members of the Cabinet Committee were Fred Hackett, Arnold Nordmeyer, Henry Mason, Bill Fox, Mabel Howard and Eruera Tirikatene.

¹⁷⁹ Member of the Officials Policy Committee were the Permanent Heads of Treasury, Social Security, Child Welfare, State Advances and Maori Affairs.

¹⁸⁰ NA, AAFD 811, W3738, 888, 64/16/1, Cabinet minutes CM (58) 55, 28 October 1958.

¹⁸¹ NA, T52/479, Memo to Minister of Finance from Deputy Secretary to the Treasury, 8 July 1957.

parents to spread the value of the benefit over the term of the home loan rather than receiving it as an income to offset higher expenses when the children were young. As one would expect, Treasury's main concerns were economic: the proposed scheme would boost house building and further inflate costs; it would involve an increase in the charge on the Social Security fund; it would mean increased demand for housing finance from State Advances and therefore more call on Government funds. State Advances considered the need to save a 10% deposit on a house acted as a form of means test and its removal would encourage house purchase by people without the financial capacity for home ownership who may then need additional Government help in the future to avoid foreclosure. Treasury did acknowledge, however, that the scheme would help to establish family benefit as just one other source of family income and therefore make it easier to tax at a later date.¹⁸²

The Minister of Social Security, Mabel Howard, was alerted to her own Department's concerns about the proposed scheme when she received a report in March 1958 from A.E.T. Williams, the chairman of the Social Security Commission, covering a 'survey of the difficulties which may be encountered'.¹⁸³ Mr Williams' report revealed the Social Security Commission had a basic philosophical disagreement with the proposal to enable the family benefit to be taken as a lump sum rather than an income, describing it as: '...a marked departure from the established concept of a continuing payment month by month to assist in the child's general maintenance.'¹⁸⁴ The Social Security Commission did not explicitly advise against introduction of the scheme, but identified issues that would need to be resolved in its implementation, including how to recover the lump sum in the event that the recipient's eligibility to receive the family benefit ceased for any reason, such as emigration, the death of the child, or the child being taken into institutional care. It noted that complications could also arise from any change in the rate of

¹⁸² NA, T52/479, Memo to Minister of Finance from Deputy Secretary to the Treasury, 8 July 1957.

¹⁸³ NA, HC1 W2801 38/1 Part 1, Report to Minister of Social Security from Chairman, SSC 26 March 1958.

¹⁸⁴ NA, HC1 W2801 38/1 Part 1, Report to Minister of Social Security, 26 March 1958.

family benefit after capitalisation, or a subsequent decision to make payment subject to an income test.

The Social Security Commission also foresaw difficulties arising in the event of separation or divorce with the parent who was caring for the children not living in the marital home, and suggested other scenarios were also possible, such as parents capitalising the family benefit for the purpose of buying a house to rent out at a profit while boarding elsewhere themselves, or parents adopting children in order to take advantage of the scheme.¹⁸⁵ Mr Williams also raised the issue of the amount of lump sum to be available, asking whether capitalisation was to be in respect of fifteen or sixteen years. He noted that as 15/- per week for sixteen years would equal a lump sum of £624, applicants would need to apply in respect of two children to receive the maximum amount of £1000. The decision had not been made at that time to limit the scheme to applications in respect of children who had survived past their first birthday.

Mabel Howard does not appear to have taken any action in response to the report until 30 July 1958 when she wrote to the Cabinet Committee on Social Services noting that legislation to put into effect the capitalisation scheme was being drafted, and asking the Committee for its views.¹⁸⁶ The Cabinet Committee on Social Services met on 31 July and agreed to make a recommendation to Cabinet for:

Payment on request of the value of Family Benefit in one sum covering the life of the child to age 16, not exceeding £1000 for the purpose of repaying an existing mortgage or creating a deposit on a home.¹⁸⁷

Concerns within the Social Security Department were reiterated in August 1958 when Treasury responded to an urgent request from the Minister of Finance, Arnold Nordmeyer, for a preliminary report on the proposed scheme. The report provided by the Secretary to the Treasury, E L Greensmith, was prepared after discussion with officials from Social Security and State

¹⁸⁵ NA, HC1 W2801 38/1 Part 1, Report to Minister of Social Security, 26 March 1958, pp.2-3.

¹⁸⁶ NA, AAFD 811 W3738, 886, 64/7/3, memo from Minister of Social Security to Cabinet Committee on Social Services, 30 July 1958.

¹⁸⁷ NA, AAFD 811 W3738, 886, 64/7/3, minutes of Cabinet Committee on Social Services 31 July 1958.

Advances. It did not provide the same level of detail on social welfare issues as A.E.T. Williams' 26 March report to the Minister of Social Welfare, but identified a number of concerns with the proposal and a number of difficulties that would have to be resolved before the scheme could be introduced.¹⁸⁸ It is clear that less than one month before the introduction of legislation to the House, there was still uncertainty about the policy framework of the scheme, as well as its details. Mr Greensmith stated:

This preliminary report is to raise the main issues for consideration of Government, for until these are settled it is impracticable to work out a scheme that would be satisfactory on policy, clear cut for administration and able to be financed.¹⁸⁹

Greensmith's report repeated the view that the facility to capitalise the family benefit was at odds with the purpose of the benefit, which was to provide a regular source of income for the family. The report revealed concerns with social welfare issues and the sheer volume of applications expected, as well as giving Treasury's view of the potential cost of implementing the scheme. Social welfare issues included the concern that, in the event of the main family income being disrupted for any reason, such as sickness, unemployment, desertion, separation, divorce and death, the family benefit was essential for the upkeep of the children. The Social Security Department considered that, in 'problem or borderline families', it would not be in the interests of the children to leave it up to the parents to decide whether to capitalise the family benefit and recommended that in such cases the Department should have the power to veto applications for capitalisation. Another social welfare concern was that the scheme appeared to run counter to the established insurance principle that parents could not capitalise on the lives of their children, and that it may provide an incentive for certain families to deliberately neglect their children, once the benefit had been capitalised.¹⁹⁰

Officials envisaged a significant volume of work involved in administering the scheme in the absence of some form of limitation on applications. Mr Greensmith's report noted that there were approximately 330,000 families

¹⁸⁸ NA, T53/479/7 Letter from E.L. Greensmith to Minister of Finance, 21 August 1958.

¹⁸⁹ NA, T53/479/7, Letter from E.L. Greensmith to Minister of Finance, 21 August 1958, p.1.

¹⁹⁰ NA, T53/479/7, Letter from E.L. Greensmith to Minister of Finance, 21 August 1958, p.2.

receiving family benefit at that time and, as most would qualify for at least £100 if they chose to apply for capitalisation, the scheme would start with a backlog of applicants. In addition, the number of families receiving family benefit was increasing by about 20,000 each year and, assuming at least two-thirds of them applied to capitalise, 13,000 new applications could be expected each year on top of the backlog.¹⁹¹

Treasury's main concern was, of course, the potential cost of the proposed scheme. The total gross cost was estimated as £80 million over the first three years and £10 million per year thereafter. Greensmith's report noted that this cost would be partially offset by a certain proportion of the money being transferred to State Advances as people reduced their existing loans. However,

The potential sum involved over such a short period could not be financed even if it were possible to cope with the applications otherwise. The subsequent annual cost would also be prohibitive despite the saving in normal payments of benefits (one fifteenth) in the cases concerned.¹⁹²

Treasury was also concerned that the capitalisation scheme may further add to the burden on public finance by increasing the demand for 3% loans. The 3% loan scheme, introduced with effect from February 1958, had created such a demand for loans that Treasury advised against the additional financing difficulties that the capitalisation scheme was expected to involve. The facility to raise a deposit through capitalisation could significantly increase the number of people who qualified for a loan.¹⁹³

The report concluded with Treasury's recommendations for limitations to the scheme in order to reduce the problems they had identified. These included an income limit of £1000, refusing applications in respect of children for whom the benefit was already being paid, limiting applications to families with more than one child, limiting the purpose to home purchase rather than allowing it to be used for paying off or reducing existing loans and reducing the maximum amount that could be received to £200.

¹⁹¹ NA, T53/479/7, Letter from E.L. Greensmith to Minister of Finance, 21 August 1958, p.2.

¹⁹² NA, T53/479/7, Letter from E.L. Greensmith to Minister of Finance, 21 August 1958, p.3.

¹⁹³ NA, T53/479/7 Letter from E.L. Greensmith to Minister of Finance, 21 August 1958, p.3.

Officials also recommended a process to follow in developing the legislation. Advising that there was insufficient time left in the current session of Parliament to produce more than very basic legislation '...of a broad enabling nature...' ¹⁹⁴ which would inevitably be criticised and could result in legal and administrative problems as the scheme was implemented, the report recommended that legislation be introduced in the following year. It also recommended the establishment of a Cabinet Committee to resolve the identified issues and make recommendations to Cabinet.

Despite these recommendations, and Arnold Nordmeyer's preference for the legislation to be deferred, the Government proceeded with the preparation of legislation for the current session. Although E.L. Greensmith had described the Treasury report as 'preliminary', barely 4 weeks after that report was received by Nordmeyer the Family Benefits (Home Ownership) Bill had been drafted and introduced to the House for its first reading. The Government did, however, accept the report's recommendation that the legislation should be limited to general provisions, with the detail set out in subsequent regulations. This was an important decision which had a significant impact on the ultimate shape of the scheme in practice. As predicted by Greensmith, the legislation did attract a great deal of criticism from the Opposition and the fact that it was written in such general terms also had a significant impact on the administrative decisions that were needed for it to be implemented. It is unclear why the Government decided to proceed with legislation in that session despite the advice of the officials. It may, as suggested earlier, have been influenced by the fragility of its one seat majority, and the capitalisation policy may have been regarded as a means of winning back some of the popularity which had disappeared following the 'Black Budget'. Certainly Bruce Brown's analysis of the 1957 election concluded that capitalisation was a vote-winner for Labour. ¹⁹⁵

¹⁹⁴NA, T53/479/7 Letter from E.L. Greensmith to Minister of Finance, 21 August 1958, p.4.

¹⁹⁵ Brown, 'The Labour Campaign', p.23.

The Committee which the Treasury report had recommended '...to clarify the main issues raised above, subject to decision by Cabinet;¹⁹⁶ was not established in time to oversee the drafting of the Bill. The final stages of that process appear to have been taken over by Walter Nash following Arnold Nordmeyer's departure for a conference in Montreal, and meetings in the United States and London.

At a Caucus meeting on 11 September 1958 Walter Nash outlined the basic principles of the capitalisation scheme. A draft of the Bill was not yet available for Caucus members to read but it was standard practice that copies of Bills were not available until after their first reading. Submitting the second draft to Nash on 16 September 1958, the Law Draftsman, J.D. McVeagh, referred to a preliminary draft having been supplied on the previous day. Changes made between the first two drafts included the addition of a clause enabling advances to be made from the Social Security Fund, providing for repayment in the event of something happening to end entitlement, or the death of the child within 1 year of the date of the advance, and changing the reference from a maximum of £1000 to '...the capitalised value of benefits payable in respect of 2 children for a period of 16 years.'¹⁹⁷

A third draft was submitted to Nash on the same day with a note from McVeagh regarding the inclusion of new clause 9(2)(d) to '...meet the possibility that a beneficiary may require to capitalise 2 1/2 benefits in order to obtain the maximum payment.'¹⁹⁸ The amendment was made to solve the administrative problems associated with capitalising half a benefit. It allowed for the third benefit to be capitalised for a shorter period and to resume regular payment once that period ended. Revised drafts of the Bill were being submitted to Nash for approval up to the day before its first reading.¹⁹⁹

The Family Benefit (Home Ownership) Bill was introduced to the House and

¹⁹⁶ NA, T53/479/7 Letter from E.L. Greensmith to Minister of Finance, 21 August 1958, p.4.

¹⁹⁷ NA, Nash 1004 0448 Copy of draft Bill LDO 124/2.

¹⁹⁸ NA, Nash 1004 0456 copy of draft Bill LDO 124/3 annotated by McVeagh.

¹⁹⁹ NA, Nash 1004 0456 Copy of draft Bill LDO 124/3 annotated by McVeagh.

had its first reading on 18 September 1958. The Bill set out the bare bones of the scheme but did not specify the eligibility criteria, the amount that could be obtained by capitalisation, or the exact purposes for which it would be granted. Those details had to wait for the regulations which were still being drafted.

The Bill contained only nine clauses with the first two being the short title and the interpretation. The third clause provided for payment of family benefits in advance for housing purposes to those applicants who were eligible in terms of the regulations. Clause 4 covered the financial provisions, stipulating that advances would be paid out of the Social Security Fund, that the Social Security Fund could be topped up from the Consolidated Fund and that the Minister of Finance was empowered to borrow funds against the security of public revenues if necessary. Clause 5 provided for payments of family benefit to cease where an advance had been made, but to resume in the event of the advance being repaid before the child in question reached age sixteen. It also allowed that, where the child in question died more than one year after the date of the advance, any unpaid balance would be written off. The sixth clause permitted advances to be made only where the beneficiary was the sole owner of the land in question, or where it was held as a joint family home. If the land was Maori freehold land, an advance could also be made where the applicant and spouse held the land as joint tenants. Clause 7 required advances to be charged on the land, Clause 8 exempted the transaction from stamp duty and Clause 9 gave the facility for the Governor-General, by Order in Council, to make regulations as necessary to give effect to the legislation.

Nash outlined the main provisions of the Bill in his introductory speech, giving a succinct summary in the opening paragraph:

Sir, this Bill is in accordance with the Government's policy, and is to enable the family benefit to be used for acquiring a home, which is for the benefit of the family. The scheme will come into force on 1 April 1959 and will enable payments for the provision of homes to be made in advance, in accord with the capitalised value of any family benefit.²⁰⁰

²⁰⁰ *NZPD*, 318 (1958), p.1857.

The first reading debates are traditionally brief, usually little more than a formality, and Walter Nash was the only Government member scheduled to speak. The Opposition appears to have mounted a concerted attack, however, with questions addressed to Nash by Holyoake, Goosman, Kinsella, Gotz, Sheat, Rae, and Seath. Their questions addressed points of detail rather than identifying issues of principle or major areas of concern for further debate as might have been expected. The reason for the Opposition attack at that stage is not clear. It may have been that they realised the Government was under pressure to get the legislation through before the session ended on 3 October and they saw an opportunity to score political points.

Walter Nash's responses to some of the questions revealed the extent of detail still to be worked out and included in the regulations, but his uncertainty on some points may merely show he did not expect detailed questioning at that stage. E.J. Keating (Labour, Hastings) later criticised the Opposition speakers for the detailed nature of the questions put to the Prime Minister during the first reading, describing it as a departure from the usual practice:

Usually on the introduction of a Bill the Leader of the Opposition asks the normal simple questions which apply on the introduction of a Bill, but in this case a whole barrage of prepared questions was fired...a complete departure from the practice of the House.²⁰¹

The Opposition asked about provisions in the event of the death of a child or its departure from the family home, whether the benefit could be capitalised to repay a mortgage on an existing home, whether there would be limitations on the size or value of the house built or purchased or on the value of the section and the position of a young couple building a home upon a miner's residence site.²⁰²

Leon Gotz (National, Manukau) raised a point of principle regarding whether allowing capitalisation was an appropriate use of the family benefit and then asked whether there was to be a consequential amendment to the Social Security Act to amend the purpose for which the benefit could be used. Nash

²⁰¹ *NZPD*, 318, (1958), p.2086.

²⁰² *NZPD*, 318, (1958), p.1857.

replied that such a provision would be made if the Crown Law Office advised it was necessary, but the Government considered that helping the family obtain a home was in accordance with the purpose of the family benefit. He confirmed that, while the Bill also provided for paying off an existing mortgage, the Government wanted new homes provided first.²⁰³

The Leader of the Opposition, Keith Holyoake, identified eligibility as his main concern, asking whether the scheme would be available to all people, or whether there would be some form of selection to cover the most deserving cases. Nash responded that the regulations would apply priorities and need would be one of the tests for receiving priority.²⁰⁴

Duncan Rae (National, Mt Eden) asked whether there would be a salary bar for applicants. Walter Nash's answer to this question provoked comment and confusion over whether an income test would apply. An editorial in the *Evening Post* of 19 September 1958 alleged that there would be an income limit of £765 per annum, which would mean that the only families which would qualify would be those which were already eligible for State rental housing.²⁰⁵ This interpretation arose from Walter Nash's response to Duncan Rae enquiring whether there would be a salary bar. Mr Nash stated: '...the same circumstances would apply under the regulations as at present apply to State rental houses.'²⁰⁶ This was taken to mean that the same salary bar would apply to applications for capitalisation as applied to applications for State rental houses.

That was certainly not the expectation of Caucus, however, and the possibility raised concerns with a group within the Caucus who wrote to the Senior Whip, Henry May, the day after the first reading asking him to approach Nash with a request for their concerns to be discussed at a special caucus before the second reading debate.²⁰⁷ They expressed concern that it appeared the intention was to

²⁰³ *NZPD*, 318, (1958), p.1857.

²⁰⁴ *NZPD*, 318, (1958), p.1858.

²⁰⁵ *Evening Post*, 19 September 1958.

²⁰⁶ *NZPD*, 318, (1958), p.1858.

²⁰⁷ NA, Nash 1004 0370, Letter to Henry May 19 September 1958.

restrict eligibility to applicants with income within the same range as those who qualified for state housing. The 19 September letter, signed by Warren Freer and counter-signed by Bob Tizard, Arthur Faulkner, Bill Fraser, Jim Kent, Jim Edwards, Jim Deas and Norman Kirk, expressed the view that this was contrary to Labour's stated policy during the election campaign. Freer stated:

Firmly convinced as I am that our policy statements during the election were accepted by most electors as promising a means of assistance to young couples just beyond state housing income level, I feel very strongly on this issue, and must advise that if the Bill as introduced is to limit incomes to below £765, then I feel we have broken faith with our electors...²⁰⁸

It is significant that one of the signatories of this letter was Arthur Faulkner as he was close to Walter Nash and, during his employment as a paid Labour Party official prior to the 1957 election, had encouraged Nash to retain and develop the capitalisation policy.

The Caucus letter requested special consideration be given to the matter and a meeting of Caucus was organised for 22 September to resolve the Members' concerns about the possibility of a salary bar. The main concern expressed by Members was that the legislation should not exclude those people who did not qualify for State rental houses or 3% loans and were burdened with high interest second mortgages. The outcome of the meeting was an agreement that there should be no means test applied to the policy, and eligibility would be based on need. No indication was given of how need was to be assessed and it is difficult to see how Caucus could envisage a way of assessing eligibility based on need which did not involve some form of means test. It was also agreed, however, that there needed to be further discussion on this point by the 'Committee set up by Cabinet.'²⁰⁹ As there is no evidence of a new committee being set up by Cabinet at that time, it seems reasonable to assume that this is a reference to the committee recommended by Greensmith in the Treasury report of 21 August and established in October 1958 as the Cabinet Committee on Capitalisation of the Family Benefit.

²⁰⁸ NA, Nash 1004 0370, Letter to Henry May 19 September 1958.

²⁰⁹ NA, ABGW W3752, Labour Caucus minutes 1953-1960, minutes of 22 September 1958.

While it may have been the Caucus view that no income limit was intended, there was a rather more pragmatic belief amongst officials that some means should be available to reject applications from people earning high incomes who could be expected to finance their house purchase without State assistance. The 21 August 1958 letter from E.L. Greensmith, the Secretary to the Treasury, to Minister of Finance Arnold Nordmeyer, had recommended an income limit of £1000.²¹⁰

It is unclear whether Walter Nash intended to give the impression that an income limit would apply, and whether he envisaged that '...those whose needs are greatest...' would be identified by means testing in that way.²¹¹ It is possible that Nash was rattled by the unexpectedly detailed nature of the National Opposition's questioning. Another explanation could be that Nash had simply become muddled as he was merely deputising for the responsible Minister, Nordmeyer, when the Bill was introduced and had not been involved in earlier discussions with officials on the details of the scheme. A more cynical view might be that Nash accepted the officials' view that if needs were to be taken into account then some form of means testing would be necessary, but he had not intended to make it explicit.

By reaching an agreement at the Caucus meeting Walter Nash was able to defer further discussion on means testing until after the Bill had been enacted. He had managed to allay the concerns of Caucus while also leaving the points raised by officials for further discussion in the drafting of the regulations. According to the personal recollections of Bob Tizard, a signatory of the 19 September letter, this was a common way for Walter Nash to operate. He would seldom confront any opposition that arose and his tactic was to delay or sideline it until the issue disappeared.²¹²

Despite Caucus objections and Government denials of an income limit, one was clearly applied by officials from the time the scheme was implemented.

²¹⁰ NA, T53/479/7, Letter from E.L. Greensmith to Minister of Finance, 21 August 1958, p.3.

²¹¹ *NZPD*, 318, (1958), p.1858.

²¹² R.J.Tizard, Interview comments 4 January 2002.

There is no indication that the officials had any intention of going against the Government's wishes, or that they considered they were doing so. Although there is no reference to it in either the Act or the Regulations, some form of means test was required to establish eligibility. Administrative procedures applied by the Social Security Commission included 'financial need' as one of the criteria for assessing eligibility and applicants for capitalisation were required to provide details of their financial position, including income. Officials adopted the sum of £1200 per annum as the maximum income an applicant could earn and still be regarded as being in 'financial need'.²¹³

The Family Benefits (Home Ownership) Bill was discussed at another Caucus meeting on 25 September, immediately before the Bill's second reading, and a strategy was devised for controlling the debate in the House. It was agreed that: '...special care should be taken in the debate to deal only with general principles, leaving the detailed provisions of the Bill to be made by regulation in the light of practical experience.'²¹⁴ Presumably this was to avoid a repeat of the detailed attack by the Opposition during the first reading.

As Arnold Nordmeyer was still overseas at the time of the second reading, Walter Nash opened the debate for the Government. The Acting Minister of Finance, Gerry Skinner, also spoke and other speakers for the Government were Messrs Fox, Faulkner, Keating, King, Kirk, Tirikatene and Skinner. Bill Fox, the Minister of Housing, was the second speaker although he pointed out that it was not his Bill, and was criticised by Mr Tennent (National, Manawatu) for not knowing all the details of the scheme. Arthur Faulkner, the third speaker, had encouraged Walter Nash during 1957 to keep the family benefit capitalisation proposal as Labour Party policy, and he was known as someone Nash could rely on for support. Eruera Tirikatene was Associate Minister of Maori Affairs and his speech provided a Maori perspective. The Minister of Social Security, Mabel Howard, did not speak at all. That was consistent with

²¹³ See further detail in Chapter 5, including reference to Joint Circular Memorandum SS Dept. No. 1959/544 and the Report of the 1970 Inter-Departmental Enquiry into the administration of the family benefits (home ownership) scheme.

²¹⁴ NA, ABGW W3752, Labour Caucus minutes 1953-1960, minutes of 25 September 1958.

her low level of participation in the development of the legislation and may be taken as an indication that, despite the involvement of Social Welfare officials, capitalisation was seen more as a housing than a social welfare issue.

Nash's opening speech identified six purposes for which the family benefit could be capitalised, in priority order:

- (1) the building of a home; (2) the purchase of a new unused home; (3) alterations or additions to existing home to keep up with the increased number of children, the loan being determined on the nature of the family's difficulties; (4) the reduction of a mortgage; (5) the repayment of a mortgage; and (6) the purchase of a section for the purpose of erecting a home on the section.²¹⁵

In the course of his speech he stated: 'There is no general income bar; need is the determining factor.'²¹⁶ Notwithstanding that, Opposition speakers continued to maintain during the debate that the Prime Minister had said that there would be a salary bar.²¹⁷ While they were obviously making political capital out of it, the Opposition did have a point. If 'need' was to be the factor that determined eligibility it was fairly obvious that income would be taken into account in some way.

During the second reading debate the Leader of the Opposition, Keith Holyoake, again focused on the eligibility question. He pointed out that the Labour Party's pre-election manifesto had said that capitalisation would be available 'on request', but it now appeared that people would be required to apply and may or may not be successful in their application.²¹⁸ Mr Holyoake claimed this was a betrayal of the faith that the electorate had placed in Labour at the time of the election.

Despite denials by Government speakers it appears that the belief lingered, at least in the media, that there would be an income test of some sort. In February 1959 when the drafting of the regulations was in its final stages, the *Dominion* reported:

²¹⁵ NZPD, 318, (1958), p.2069.

²¹⁶ NZPD, 318, (1958), p.2069.

²¹⁷ NZPD, 318, (1958), pp.2078,2081,2083,2086,2088,2094,2095,2097.

²¹⁸ NZPD, 318, (1958), p.2071.

When the legislation which permits the making of regulations to implement the scheme was before the House of Representatives last session, the Prime Minister, Mr Nash, indicated that an income limit would be imposed. Now it is understood to be much more likely that the Cabinet sub-committee concerned with the matter will drop the income bar in favour of a more flexible method of determining priorities for the capitalised benefit.²¹⁹

During the second reading Keith Holyoake claimed the Government had not yet worked out many of the provisions of the scheme and described the Bill as being 'loose' and 'half-baked'²²⁰ He also criticised the power that the Government was giving itself under Clause 9 to use regulations to give effect to the Act. As regulations were made by Order-in-Council, the Government was able to set the details of the scheme without them being debated in the House.

Despite the definitive nature of Walter Nash's speech, there were still a lot of decisions to be made on the detail of the scheme and on drafting of the regulations. This was a point made by a number of Opposition speakers during the debate. Cyril Harker (National, Hawkes Bay) claimed that Clause 9 gave the Government far too much scope to use regulations for matters of policy as well as of administration and that it should be the responsibility of the House to decide matters such as the classes of beneficiary eligible for advances under the legislation and the housing purposes for which advances may be made. He maintained that the use of regulations should be limited to administrative issues such as the procedure for making applications.²²¹ While that may have been usual practice, it was not a formal requirement. Later in the debate, Ron Algie (National, Remuera) returned to this theme. Mr Algie focused his speech on the procedural issues associated with the way the Government had chosen to effect the legislation. He claimed that the legislation did not enable the public to see whether they would be eligible to apply for capitalisation, and that the Bill was so vague as to effectively give the Government a blank cheque.²²²

²¹⁹ *Dominion*, 16 February 1959.

²²⁰ *NZPD*, 318, (1958), p.2073.

²²¹ *NZPD*, 318, (1958), p.2090.

²²² *NZPD*, 318, (1958), p.2103.

The Minister of Housing, Bill Fox, acknowledged the concerns expressed by the Leader of the Opposition regarding the use of regulations but claimed it was justified by the fact that the scheme was something completely new and the facility given by the regulations was necessary in order to be able to alter the provisions as circumstances arose. This justification does not address the points made by Mr Harker regarding the desirability of including matters of policy, such as approved housing purposes, in the Bill and limiting regulations to matters of administration. If the Government had been prepared to delay introduction of the Bill it could have included more detail. Such a delay, however, would have meant that the legislation might not have been enacted in time for the scheme to commence on 1 April 1959, which was the start of the new financial year. Caucus had already rejected a recommendation from Arnold Nordmeyer that the introduction of the scheme be deferred until economic conditions improved.

Hon. J.R. Hanan (National, Invercargill) reiterated the concerns of the Leader of the Opposition and claimed the Government had: '...introduced the measure without knowing its implications, what its implementation will cost, or even how its provisions will be administered.'²²³ His main concerns, however, related to the use of the family benefit for other than its original purpose, alleging it had the potential to relieve husbands of their responsibility to provide housing for their families, and raised the possibility of parents benefiting financially from the death of a child. He claimed that insuring against the death of a child so that the State could recover an advance in respect of that child would be a breach of established insurance principles and of the conditions set out in the Life Insurance Act 1908. Nash conceded that details of the scheme in relation to children from birth to the age of one year had not yet been worked out and admitted that the Government was: '...in difficulties concerning the first year, because I understand that insurance cover for a child in that period is barred under insurance legislation. The advances are to be

²²³ *NZPD*, 318, (1958), p.2084.

made on or after the first birthday of the child to avoid conflict with that legislation.²²⁴

Nash appeared to be somewhat confused on this point. E.J. Keating (Labour, Hastings) clarified the situation later in the debate by stating that the insurance would not be in respect of any particular child, but merely a form of mortgage indemnity insurance to cover the risk to the State. Keating also addressed the issues of cost and inflation which had been raised by several Opposition speakers. He noted that the scheme would be limited by the capital outlay required, but also by the country's capacity to build new houses. In order to avoid the cost of housing being inflated, the Government would not increase the capital available for housing beyond the physical capacity to build the houses.

The Prime Minister left the country immediately after the adjournment of the second reading debate on 26 September, en route for ANZUS Council meetings and the United Nations in New York. Consequently, he was not in the House for the conclusion of the debate on 30 September. The Minister of Finance, Arnold Nordmeyer was also absent from the House for the second reading and the closing speech for the Government was given by the Acting Minister of Finance, Gerry Skinner. He responded to points made by Opposition speakers, particularly criticism that capitalisation was contrary to the purpose of the family benefit, that the cost would be excessive and that the Bill gave too much power to the Government to set the rules of the scheme by regulation. An interesting feature of Mr Skinner's speech was his stated preference that people should save for a deposit on a house, while acknowledging that not everyone was able to do that, and his assertion that he expected very few people, only those '...in dire circumstances...' to take advantage of the scheme.²²⁵ This seems to indicate that Skinner expected the eligibility criteria to be fairly strict, and yet his involvement had been limited to his role as a member of the Cabinet and the Cabinet Works Committee.

²²⁴ *NZPD*, 318, (1958), p.2070.

²²⁵ *NZPD*, 318 (1958), p.2108.

Possibly that is why his speech does not appear to have caused any concern amongst Caucus members.

Between the second and third readings the House went into committee for the clause by clause discussion of the Bill. At this stage a drafting issue which had been raised by the Controller and Auditor-General was to be fixed. It related to the inclusion in the Bill of a power to borrow to finance the scheme and proposed an amendment regarding interest on and repayment of those borrowings. In a letter to the Prime Minister dated 22 September 1958, the Controller and Auditor-General proposed that an amendment to Clause 4 of the Bill be inserted by Supplementary Order Paper. This solution had been agreed with Treasury. A handwritten note at the bottom of the letter to the Prime Minister reveals that the amendment was omitted in error. The Supplementary Order Paper was overlooked by the Chairman during the Committee stage of the Bill's passage through the House and the amendment would need to be made in the next session.²²⁶ Unfortunately, details of discussion during Committee stage of the Family Benefits (Home Ownership) Bill are not available as no record was kept of them at that time.

The third reading stage, strictly a formality without any further debate, was held on 1 October 1958 and the Bill was signed into law by the Governor-General on 2 October. That was the last possible opportunity for the legislation to be enacted in that session as the House adjourned the following day and did not reconvene until 24 June 1959.

Both of the Capital's daily papers were critical of the Family Benefits (Home Ownership) Bill. The editorial in the *Evening Post* of 19 September 1958 was headed 'A "Plum" For A Hand-Picked Few' and the most favourable comment it made was to describe the scheme as being the most limited form that was possible in order to fulfil the pledges made by the Labour Party before the election. It claimed:

²²⁶ NA, T52/479/7, Letter to PM dated 22 September 1958.

This measure arises from an ill-conceived vote-catching promise which would have been almost impossible to carry out in its original sweeping form. If it had been carried out it would have caused irreparable inflationary harm to New Zealand.²²⁷

The *Dominion* editorial of 3 October 1958 opened with support for the Opposition's criticism of the lack of detail in the Bill and described the Government's procedure of introducing enabling legislation, to be followed by regulations as a '...highly questionable procedure of legislation by Order-in-Council...' ²²⁸ which it claimed was an example of the Executive usurping the power of Parliament. The editorial maintained that the legislation should have given the public some certainty about the actual design of the scheme.

Analysis of the parliamentary debate on the Bill tends to support the view put forward by Gael Ferguson that the objective of the capitalisation policy was redistribution of resources. While the threat to social cohesion may well have prompted the adoption of the policy prior to the 1954 election, the theme of the debates on the Bill in 1958 is the promise to help those in financial need to achieve the goal of home ownership.

Preparation of the Regulations

It is difficult to see other than political reasons for the Government's determination to proceed with the 1 April effective date of the scheme. Once the Bill had been enacted on 2 October 1958, however, there were still six months available for the detail of the scheme to be decided and regulations to be drafted. Despite a warning from the Acting Secretary to the Treasury to Arnold Nordmeyer that there was a lot of work to do, the Government had not yet grappled with the detail of the scheme and it must have seemed that there was plenty of time for any issues raised by officials to be resolved.²²⁹

On 8 October 1958 the Acting Secretary to the Treasury, A.B. Taylor, wrote to Arnold Nordmeyer noting the amount of work to be done and recommending the formation of an Officials Committee of Permanent Heads of Treasury,

²²⁷ *Evening Post* Editorial, 19 September 1958.

²²⁸ *Dominion*, 3 October 1958.

²²⁹ NA, T52/479/7, Letter from A.B. Taylor to A Nordmeyer 10 October 1958.

Social Security, Child Welfare, State Advances and Maori Affairs. It was recommended that the focus of the Officials Committee should be on eligibility, finance and legal issues.²³⁰ At its meeting on 28 October 1958 Cabinet approved the proposal for an Officials Committee and also, following the earlier recommendation of E.L. Greensmith, set up the Cabinet Committee on Capitalisation of the Family Benefit. The intention was that the Officials Policy Committee would assist and advise the Cabinet Committee. The convenor of the Cabinet Committee was the Minister of Works, Fred Hackett, with the other members being the Minister of Finance, Arnold Nordmeyer; Attorney-General, Henry Mason; Minister of Housing and State Advances, Bill Fox; Minister of Social Welfare, Mabel Howard and Associate to the Minister of Maori Affairs, Eruera Tirikatene.²³¹ The inclusion of Mabel Howard is interesting, considering her low profile up to that point, but all of the Ministers on the Cabinet Committee would have been there to represent the interest of their various departments.

The first meeting of the Officials Policy Committee was held on 4 November 1958. Representatives of Social Security, Treasury, State Advances, and other departments had met to discuss the implications of the proposal for capitalisation of the family benefit and had collaborated on reports to the Minister of Social Welfare and the Minister of Finance.²³² Upon the formation of the Officials Policy Committee, the Social Security Department submitted a report outlining the thinking of those Departments on issues around implementation of the capitalisation scheme. The report noted that they had already put considerable time into planning for the implementation. It showed that the thinking of all their Departments had moved on from some of the difficulties envisaged in earlier reports and they were now focusing on specific issues such as determining the eligibility for capitalisation and appropriate housing purposes. The Social Security Department also recommended to the

²³⁰ NA, T52/479/7, Letter from A.B. Taylor to A. Nordmeyer 10 October 1958.

²³¹ NA, T52/479/7, Cabinet Minutes CM(58) 55, 28 October 1958.

²³² See Report to Minister of Social Security, 26 March 1958, and Letter from E.L. Greensmith to Minister of Finance 21 August 1958.

Officials Policy Committee a basis for drafting the regulations and subsequently assessing applications.²³³

The officials behind the Social Security Department report interpreted the intention of the Government as being to make it easier for young married couples to obtain their own homes and they based their eligibility recommendations on that interpretation. They recommended that eligibility be restricted to married (including de facto) couples living together and caring for their own children; and widowed, divorced or separated persons caring for their own children who were born during the marriage. Thus, single mothers who had never married were to be excluded but women whose children had been born within a de facto marriage were eligible for as long as the marriage lasted.²³⁴

The Department's report recommended that the purposes for which an application for capitalisation might be made should be more limited than had been discussed previously. The justification for this was that it would be too difficult to administer a priority system for determining eligibility if all the previously considered housing purposes were to be included. It proposed that the scheme should be restricted to applications made for the purpose of building or buying a brand new house, or for additions or alterations to an existing house to modify it for a larger family. Thus it would not be possible to capitalise the family benefit for the purpose of buying an existing house or paying off some or all of a current mortgage. This was a much more restrictive policy than had been envisaged by Labour during the 1957 election campaign and it would have prevented current homeowners with large mortgages from benefiting, except for the purpose of extending their homes, purely for the convenience of the officials.²³⁵

²³³ NA, HC1, W2801, 38/1, Report of Social Security Department to Officials Policy Committee, 11 November 1958.

²³⁴ NA, HC1, W2801, 38/1, Report of Social Security Department to Officials Policy Committee, 11 November 1958.

²³⁵ NA, HC1, W2801, 38/1, Report of Social Security Department to Officials Policy Committee, 11 November 1958, p.2.

The other eligibility factor considered was 'need'. It was decided that there was no practicable way to determine need so this would be satisfied if the applicant did not currently own a home and wanted to do so, and if financial assistance was required to achieve that. The detail of how need for financial assistance was to be established, and whether it would involve an income test, was not considered at this point.²³⁶

The Social Security Department recommendations were considered by the Officials Policy Committee and incorporated into that Committee's report to the Cabinet Committee on Capitalisation of the Family Benefit. Not surprisingly, the opinions of the members of the Officials Policy Committee, chaired by the Deputy Secretary to the Treasury, A.B. Taylor, matched fairly closely those of the departmental representatives behind the Social Security Department report. The Officials Policy Committee report, dated 20 November 1958, noted that the Committee had been formed to assist and advise the Cabinet Committee and that its recommendations related to policy and administrative procedure.²³⁷ Those recommendations covered the classes of beneficiaries who should be eligible to apply, specified the purposes for which an advance might be made, defined 'need' as a factor in determining applications, and set out the administrative procedures for applying for a certificate of eligibility and for processing the applications.

The Officials Policy Committee recommended that, although the Government's intention was to facilitate home ownership for young married couples with children, drafting the regulations narrowly to limit eligibility to that group might appear too restrictive. The officials appear here to be taking into account the likely public reaction to the regulations and endeavouring to avoid criticism of the Government. They pointed out that, as section 3 of the Act gave sufficient discretion for exclusion of any class of applicant, the same effect

²³⁶ NA, HC1, W2801, 38/1, Report of Social Security Department to Officials Policy Committee, 11 November 1958, p.3.

²³⁷ NA, T52/479/7, Report to Chairman Cabinet Committee from Chairman Officials Policy Committee 20 November 1958.

could be achieved without it needing to be made explicit in the regulations.²³⁸

A mother in a de facto relationship, for example, could still be excluded if the Social Security Commission decided the relationship was not stable. Thus, the attitude of the Officials Policy Committee to de facto relationships may not have been quite as liberal as it initially appears.

With regard to the purpose for which an application might be made for capitalisation, the Officials Policy Committee echoed the authors of the Social Security Department report and recommended that initially advances should be granted only for the purpose of:

- building a new house; or
- buying a new house which has not previously been occupied; or
- making additions or alterations to an existing house to accommodate a growing family.²³⁹

The recommended purposes were more limited than those proposed by Labour during the election campaign and did not allow capitalisation for the purpose of paying off existing mortgage debt. The Officials Policy Committee's justification for the recommendation was that it was necessary in order to limit the flood of applications which was expected as soon as the scheme went live. They did not refer, however, to the obvious political difficulty that would have been created since the Government had denied the accusations on that point made by the Opposition during the second reading debate.

With regard to 'need' as a factor in assessing applications, the Officials Policy Committee again followed the recommendation of the Social Security report and proposed that anyone who did not own a home and wished to do so should be considered to qualify on the initial grounds of need. They recommended more stringent eligibility criteria for assessing whether applicants would qualify in terms of 'financial need'. It was agreed that anyone who already had sufficient financial resources to buy a house should not be permitted to

²³⁸NA, T52/479/7, Report to Chairman Cabinet Committee from Chairman Officials Policy Committee 20 November 1958 p.2.

²³⁹NA, T52/479/7, Report to Chairman Cabinet Committee from Chairman Officials Policy Committee 20 November 1958 p.2.

capitalise the family benefit. Other applicants would be assessed on their assets and liabilities, their 'overall financial position' including income and their 'general suitability to undertake home ownership'.²⁴⁰

The report noted that the Committee had decided against recommending a specific income limit on the basis that it would not necessarily result in the most equitable outcomes. It suggested the possibility of an anomaly such as a family with five children and an income of £50 more than the limit and a family with two children and an income £50 below the limit. It was likely that in such circumstances an income limit would penalise the family with the greatest need.²⁴¹

The Cabinet Committee on Capitalisation of the Family Benefit met on 25 November 1958 and considered the report of the Officials Policy Committee. The Cabinet Committee agreed that the regulations would not specify classes of beneficiary eligible to apply for capitalisation, but instead that should be left to the discretion of the Social Security Commission. The Cabinet Committee also initially accepted the Officials Policy Committee recommendation to limit the acceptable housing purposes. However, at their next meeting on 9 December they revised that decision and resolved that suitable housing purposes would include repayment of a mortgage on a property already owned, as long as the mortgage obligation existed on 1 January 1959.²⁴² In view of the promises made during the 1957 election campaign, this was a sensitive issue and it is not surprising that the officials' recommendation was over-ruled by the politicians. The officials had based their recommendation on the basis of cost and the expectation of administrative difficulties resulting from a flood of applications. The Cabinet Committee's reasoning is not recorded but presumably took into account the likely political backlash if the scheme was more restricted than had been promised.

²⁴⁰ NA, T52/479/7, Report to Chairman Cabinet Committee from Chairman Officials Policy Committee 20 November 1958, p.3.

²⁴¹ NA, T52/479/7, Report to Chairman Cabinet Committee from Chairman Officials Policy Committee 20 November 1958, p.4.

²⁴² NA, T52/479/7, Cabinet Paper CP (58) 903 19 December 1958.

At its meeting on 9 December the Cabinet Committee also agreed on need as a factor in determining applications and agreed that, although there would be no income bar, advances would not be made to those beneficiaries who had sufficient assets to buy a house without capitalising family benefit. At the next meeting on 17 December the Cabinet Committee agreed that, although applications could be made for the purpose of repaying an existing mortgage on a house, there would be some delay in the processing of those applications and they would effectively be 'at the end of the queue'.²⁴³ The Committee had requested further advice from the Officials Policy Committee on the position regarding repayment of an advance when a child died within the first year of the date of the advance.²⁴⁴ Despite further discussion at the meeting on 9 December, and also on 17 and 18 December, the Cabinet Committee remained unable to reach a decision on this point. It was wrestling with the difficulty of requiring repayment of an advance from a beneficiary whose child had died one day less than a year from the date of the advance, while not requiring repayment from a beneficiary whose child had died one day after the end of the year. At the 18 December meeting the Cabinet Committee resolved that it was a policy question that should be decided by Government. They agreed that: '...flexibility in the operation of the policy should be aimed at...' and that the circumstances in which repayment would be required should not be specified in the regulations.²⁴⁵

The Cabinet Committee put forward its recommendations to the next meeting of the full Cabinet on 22 December 1958.²⁴⁶ Eligibility to apply for capitalisation and the housing purposes for which it could be used were the main points that remained to be settled. As the legislation still fell within the responsibility of his portfolio, Cabinet invited the Minister of Finance to arrange for the drafting of the regulations by the appropriate departmental authorities, with the first draft to be based on the recommendations of the Cabinet Committee.²⁴⁷ The first draft did not include an exclusion for

²⁴³ NA, AAFD 811, W3738, 888, 64/16/2, Minutes CFB(58)M3, 17 December 1958.

²⁴⁴ NA, AAFD 811, W3738, 888, 64/16/2, Minutes CFB(58)M1, 25 November 1958.

²⁴⁵ NA, AAFD 811, W3738, 888, 64/16/2 Minutes CFB(58) M4, 18 December 1958.

²⁴⁶ NA, T52/479/7, Cabinet Paper CP (58) 903 19 December 1958.

²⁴⁷ NA, HC1 W2801 38/1 1958-59, File Note 6 February 1959.

capitalisation of benefits in respect of children under the age of one year as there was no such exclusion in the Act. Walter Nash had, however, clearly foreshadowed during the debates in the House that that was the intention and this was amended in a subsequent draft.²⁴⁸

Much more policy and detail remained to be worked out during the course of various drafts of the regulations. The Officials Policy Committee met again on 10 February 1959, with the Assistant Law Draftsman, J.D. McVeagh, present, to discuss the first draft of the regulations. At that meeting the Officials Policy Committee also considered comments on the first draft from the State Advances Corporation.²⁴⁹ State Advances noted that the draft regulations went beyond the recommendations of the Officials Policy Committee, which they had supported, and extended the scheme to include a facility to capitalise for the purpose of full or partial repayment of debt existing on a house as at 1 January 1959. Most of their comments dealt with the difficulties involved in the implementation of that decision. They included the problem of assessing 'need' and the difficulty of proving that all debt existing as at 1 January 1959 was incurred by the purchase of the property, or subsequent additions or alterations to it. Envisaging capitalisation being used to pay off debts secured on the house but unconnected with housing, officials questioned whether that was in line with the Government's policy objectives and reached a rather lugubrious conclusion, followed by a very strong recommendation that the decision be reconsidered:

It appears inevitable that numerous anomalies will arise if this Regulation stands. It is not proposed to further elaborate on these but it is suggested that consideration be given as to whether the inclusion of this Regulation is really meeting the intentions of the Government in respect of the legislation.²⁵⁰

This concern was included in the 11 February 1959 report of the Officials Policy Committee to the Cabinet Committee on Capitalisation of Family Benefits.²⁵¹ Applications to capitalise for the purpose of repaying debt were

²⁴⁸ *NZPD*, 318, (1958), pp.2069-2070.

²⁴⁹ NA, T/52/479/7, unsigned copy of report annotated 'Prepared by State Advances. Discussed by C'ttee on 10/2/59.'

²⁵⁰ NA, T/52/479/7, unsigned copy of report annotated 'Prepared by State Advances. Discussed by C'ttee on 10/2/59.' p.3.

²⁵¹ NA, T52/479/7, Letter from Chairman of OPC to Chairman of Cabinet Committee 11 February 1959, p.2.

regarded as intrinsically less urgent than those for the purpose of obtaining a house and the Officials Policy Committee recommended that priority should be given to families that did not already have a house.

In its report on 11 February 1959 the Officials Policy Committee noted that, although there had been some material changes made to the regulations, they were generally in accordance with the recommendations made earlier and considered by the Cabinet Committee at its 17 December meeting.²⁵² The material changes which required the approval of the Cabinet Committee related to the decision to allow capitalisation for the purpose of repaying money owing on an existing property. They involved issues such as how to establish 'need' when the application is for the purpose of paying off debt, how to establish that the debt was incurred for buying or altering a house, and whether capitalisation should be available for mortgages or debts incurred after 1 January 1959. The report notes that the Officials Policy Committee considered recommending that the facility to capitalise for the purpose of paying off debt should be deferred until 1 October 1959. It is unlikely that Cabinet would have accepted such a recommendation in view of its earlier decision to retain paying off an existing mortgage as an acceptable purpose for capitalisation. Although the recommendation was not made the Officials Policy Committee did give the view that those applications should be assessed as less urgent and therefore of lower priority than those where the applicants did not yet have a house.

Another point of debate between officials and Cabinet as the regulations were being drafted was the date that should be used as the 'date of advance' for the purpose of determining when one year had elapsed. This was an important point for the administration of the scheme as Section 5 (2) of the Act required that an advance be repaid when the child in respect of whom the benefit had been capitalised died within one year of the date of the advance. The regulations had been drafted to deem the 'date of advance' to be the date on which the family benefit ceased to be payable to the beneficiary. As payments of the family benefit were suspended from the date the certificate of eligibility

was issued, and the capitalised value was calculated from that date, the regulations were written to start the period of one year from that date as well. There could, however, be some variation in the time before the funds were paid out, depending on the purpose for which it was to be used, for example, whether it was for paying off debt on an existing house or for building a new house.

Cabinet discussed the fourth draft of the regulations (L.D.O. 574/4) on 9 March 1959 and came to a different conclusion from that of the officials. They decided that the date of the advance should be taken to be: '...the date on which the charge holder actually paid over the sum involved...'.²⁵³ In a letter to the Prime Minister dated 11 March 1959 the Assistant Law Draftsman advised that in spite of the Cabinet decision clause 10(4) of the regulations had been drafted slightly differently as:

...it is considered that if the date of actual payment is taken as the date of an advance certain anomalies that would be unfair to some beneficiaries would be created.²⁵⁴

It appears that the difference of opinion may have been a result merely of Cabinet not understanding the implications of the date, rather than a point of policy. Bill Fox conveyed an explanation from the State Advances Corporation in his 13 March 1959 letter to the Prime Minister, and personally supported the officials' interpretation of the appropriate date.²⁵⁵

By 16 March 1959 Cabinet was reviewing the sixth draft of the regulations. The meeting 'noted' that the regulations showed the date on which family benefit ceases to be payable as the date of advance and '...concluded that it would be desirable to relate this date more closely to the issuing of the certificate of eligibility.'²⁵⁶

²⁵² NA, T52/479/7, Letter from Chairman of OPC to Chairman of Cabinet Committee 11 February 1959.

²⁵³ NA, T52/479/7, Cabinet Minutes CM(59)10, 9 March 1959.

²⁵⁴ NA, T52/479/7, Letter Asst. Law Draftsman to Prime Minister.

²⁵⁵ NA, T52/479/7, Letter to PM from Minister of State Advances, 13 March 1959.

²⁵⁶ NA, AAFD 811, W3738, 886, 64/7/3, Cabinet minutes CM(59)11, 16 March 1959.

The final version of the Family Benefits (Home Ownership) Regulations 1959 stipulated that a benefit would cease to be payable from the date the certificate of eligibility was issued (Clause 6(5)) and that the date of advance should be deemed to be the date on which the benefit ceased to be payable (Clause 10(4)).²⁵⁷

The Cabinet Committee on Capitalisation of the Family Benefit had already encountered difficulties in making a recommendation on the appropriate procedure for recovery of an advance in the event of the death of the child within one year of the advance and this remained a grey area. The reluctance to draft specific rules for recovery of an advance in such circumstances appears to have arisen from concern that in some cases it may cause considerable hardship. Among the recommendations the Committee made to Cabinet on 22 December 1958 was the suggestion that the regulations should include a provision for interest to be payable on the unpaid balance at the rate of 5% along with a provision for it to be waived or reduced in certain circumstances.²⁵⁸ In his 13 March 1959 letter to the Prime Minister, the Minister for State Advances, Bill Fox, noted that the reason for requiring repayment in that event was to avoid any possibility of parents taking advantage of the scheme in the knowledge that their child was not expected to survive.²⁵⁹ The regulations as issued on 18 March 1959, however, stopped short of requiring immediate repayment. Clause 10(3) stated that '[the unpaid balance] shall remain charged against the land until repayment is required by the chargeholder', while Clause 12 allowed for interest to be applied to the unpaid balance '...if demanded by or on behalf of the chargeholder...'.²⁶⁰ The issue proved difficult to resolve and the appropriate administrative procedure for dealing with the death of a child in respect of whom a benefit had been capitalised was not finally approved by Cabinet until 29 August 1960 when it was decided on the basis of recommendations from the Cabinet Committee on Capitalisation of the Family Benefit.²⁶¹

²⁵⁷ Family Benefits (Home Ownership) Regulations 1959, *Statutory Regulations*, 1, 37, (1959).

²⁵⁸ NA, T52/479/7, CP(58)903, 22 December 1958, p.4.

²⁵⁹ NA, T52/479/7, Letter from Bill Fox to PM, 13 March 1959.

²⁶⁰ Family Benefits (Home Ownership) Regulations 1959.

²⁶¹ NA, AAFD, 811, W3738, 886, 64/7/3, Cabinet Paper CP(60)629, 25 August 1960.

Another issue raised by the General Manager of State Advances, J.D.R. Wood, in the course of drafting the regulations was whether tenants of state houses should be permitted to capitalise family benefit for the purpose of buying the State house they were renting, or any other state house that was available for sale. Wood had written to the Minister for State Advances, Bill Fox, on 20 February 1959 conveying the recommendation of the Board of the State Advances Corporation that State rental houses should be excluded from the capitalisation scheme.²⁶² At its 9 March 1959 meeting, Cabinet invited Bill Fox to prepare a paper for consideration on the question of whether capitalisation should be available for the purpose of purchasing a State rental property.²⁶³ The paper prepared by State Advances noted that anomalies would arise as only those tenants assigned previously unoccupied houses would be eligible to apply for capitalisation. They also considered that State tenants did not satisfy the criterion of 'need' as they were adequately housed, although this was contrary to the assessment in other cases that need existed if the applicant wanted to own a home.²⁶⁴

The Cabinet meeting on 16 March 1959 rejected the recommendations of State Advances.²⁶⁵ The Government evidently did not want to be too specific on this issue and the regulations were written without any differentiation between State-owned and privately-owned houses. The effect of that was to leave it up to the officials to decide whether a particular housing proposition was appropriate. J.D.R. Wood continued to recommend that capitalisation not be available for the purchase of State houses on the grounds that it was not intended for the purpose of purchasing an existing house and, if it were allowed for the purchase of new State houses, tenants would request transfers to new houses.²⁶⁶ Clarification was not provided until 1961 when the new National

²⁶² NA, AAFD, 811, W3738, 886, 64/7/3, Letter from GM of SAC to Minister of SAC 20 February 1959.

²⁶³ NA, T52/479/7, Memo to Hon. F. Hackett from Secretary to the Cabinet re Cabinet minutes CM(59)10, 9 March 1959.

²⁶⁴ NA, T52/479/7, Memo to Prime Minister from Minister of State Advances 13 March 1959.

²⁶⁵ NA, T52/479/7, Letter R.L. Hutchens to PM re Cabinet Minutes CM(59)11, 16 March 1959.

²⁶⁶ NA, SAC 1 W1956 38/1 Part 2, Letter from General Manager SAC to Minister of SAC 23 December 1959.

Government removed the section on housing purposes from the regulations and rewrote it in the Act, specifying that capitalisation would be available for the purchase of a State house.²⁶⁷

A report (undated) signed by the chairman of the Social Security Commission was submitted to the Minister of Social Security shortly before the regulations were gazetted in March 1959. It refers to the latest available draft of the regulations that had been forwarded to the Minister on 12 March 1959 and sets out the proposed administrative procedure to be put in place on the assumption that the final regulations would not be much different from that draft.²⁶⁸ The report outlines the broad functions to be carried out and the expected division of responsibilities between the Social Security Department and the State Advances Corporation, or the Department of Maori Affairs if applicable. The main functions to be considered were identified as investigation of financial need as the basis for eligibility (to be done by the Social Security Department on the grounds that they had the expertise in that area), investigation of the housing proposal, including titles, land tenure and registration of the charge over the property (to be done by State Advances or the Department of Maori Affairs), and after-administration of the charge, such as recovering advances if it became necessary (to be done by the Social Security Department). It was noted that, in cases where the purpose of capitalisation was for the full or partial repayment of an existing debt on a property, there would be no need for State Advances involvement as the main factor to be investigated would be the financial situation of the applicant.²⁶⁹

The Cabinet meeting held on 9 March 1959 had resolved that the final version of regulations should be submitted to the Executive Council on 18 March 1959 and invited the Prime Minister to '...make a statement regarding the Government's intentions on this subject at the meeting of the Parliamentary

²⁶⁷ Refer to Chapter 5, p.105.

²⁶⁸ NA, T52/479/7, Report from Williams to Minister of Social Security, (n.d.).

²⁶⁹ NA, T52/479/7, Report from Williams to Minister of Social Security, (n.d.) p.1.

Labour Party to be held on 17 March 1959'.²⁷⁰

At the Caucus meeting held on 11 February 1959 Arthur Faulkner expressed concerns about the practicability of Caucus being able to discuss the regulations before they were gazetted, in conformity with a previous decision of Caucus. Walter Nash had agreed that it would be desirable, without giving a firm undertaking, and commented that if it proved not to be possible for Caucus to discuss the regulations before they were gazetted, they could be easily amended afterwards.²⁷¹ It did prove possible, and at the Caucus meeting on 17 March 1959 the regulations were read, discussed and received general approval, except for 'two minor matters' that were left to the Prime Minister to resolve.²⁷² It is not clear what these two matters were. The Cabinet meeting on 17 March made three decisions in respect of the regulations: the date of the advance in clause 10(4) should be related to the date of the Certificate of Eligibility, the maximum advance in clause 8(2) should read £1000 and there should be no distinction between the purchase of a State house and a privately owned house.²⁷³

The regulations were promulgated by Order-in-Council on 18 March 1959 and announced by Walter Nash in a press statement on 19 March. He outlined the provisions of the regulations and noted:

The scheme as outlined fulfils an election pledge, and at the same time meets existing conditions in the financial and housing fields. As I indicated when the Act was passed by Parliament, the overriding consideration will be the need of the applicant's family. At the same time, placing the emphasis on the erection or purchase of new dwellings will help to meet the overall demand for increased housing...²⁷⁴

The announcement received generally unfavourable newspaper coverage. The *Evening Post* was critical of the limited extent of the scheme,²⁷⁵ while *The Dominion* continued its earlier criticism about the lack of detail in the

²⁷⁰ NA, T52/479/7 Cabinet minutes CM(59)10, 9 March 1959.

²⁷¹ NA, ABGW, W3752, Labour Caucus Minute Book 1953-1960.

²⁷² NA, ABGW, W3752, Labour Caucus Minute Book 1953-1960.

²⁷³ NA, Nash 1004 0314-0413, 1004 0413, Cabinet minutes CM(59)11, 17 March 1959.

²⁷⁴ NA, Nash 1004 0314-0413, 1004 0405, press statement dated 19 March 1958 (sic).

²⁷⁵ *Evening Post*, 20 March 1959.

legislation. In an editorial on 23 March 1959 it referred back to Ron Algie's earlier comments and noted

...though the regulatory details of the scheme have now been gazetted, Mr Algie's comment is still applicable. The public are left almost completely in the dark as to what constitutes eligibility for capitalisation of the family benefit.²⁷⁶

A pamphlet was issued to the public by the Social Security Department to coincide with a press release from the Minister of Social Welfare, Mabel Howard, on 15 April 1959 announcing that applications for capitalisation could now be made. The pamphlet, entitled 'Family Benefits Home Ownership', essentially set out the details of the scheme as they were laid down in the Family Benefits (Home Ownership) Regulations 1959. It covered the amount of advance available, the purposes for which it could be applied and the main considerations that would be taken into account when assessing the eligibility of applicants. According to the pamphlet the two main considerations were (a) need for a home and (b) need for financial assistance to help meet the cost of purchasing a home. Financial need was to be assessed on the position of both husband and wife. There would be no fixed income limit, but all income and the ability to meet commitments would be taken into account. Capitalisation was to be available for the purposes of: acquiring a section and building a new home, buying a section with a new home already built on it, building on a section which was already owned, altering or adding to a house which was already owned for additional bedrooms or living space, repaying all or part of a mortgage on a house before 1 January 1959 or repaying all or part of any debt incurred before 1 January 1959 for alterations or additions to create more space. The pamphlet stated that capitalisation would specifically not be allowed for the purpose of buying an existing house, a house which the applicants were renting, or an 'own-your-own' or flat; or for the purpose of making additions or alterations to or repaying a mortgage on an 'own-your-own' or flat.²⁷⁷

²⁷⁶ *Dominion*, 23 March 1959.

²⁷⁷ NA, T52/479/7, Pamphlet: 'Family Benefits Home Ownership'.

The regulations gave the Social Security Commission discretion to decide on the eligibility of applicants, and did not specify the eligibility criteria. The decision of the Commission was stated to be final and the lack of any possibility of appeal was another cause for criticism. In practice, the Social Security Commission had devised detailed administrative processes for assessing the eligibility of applications.

The regulations specified that advances were to be secured by a charge over the property in favour of the State Advances Corporation. In the case of a property for which a loan had been applied for under the Maori Housing Act 1935 or the Maori Trustee Act 1953, the charge would be in favour of the Crown. Where the purpose of capitalisation was to pay off some or all of the existing debt on a property, the regulations specified that the advance should rank ahead of all other encumbrances. A letter to the editor of the *Dominion* during the general election campaign in 1957 had queried how people would finance the balance of the purchase price of a home if the Government effectively held a first mortgage on the property.²⁷⁸ Despite the letter-writer's concerns, this was not a problem as in practice most of the applicants for capitalisation also applied to the State Advances Corporation for the balance of their finance.

The regulations allowed for the unexpired portion of the advance to be recovered from the beneficiary if for any reason, other than the death of the child more than one year after the receipt of the advance, they would have become ineligible to continue to receive the benefit. There was also provision for interest to be charged on the unpaid balance of the advance until it was repaid. The schedules to the regulations set out a table for calculating the capitalised value of family benefits and the unpaid balance of advances, and forms for registering a charge against the property and releasing that charge.

Section 3 of the regulations conferred the power for administration of the regulations onto the Minister of Social Welfare. In practice, however, and it appears to have been merely for administrative convenience, this power was

²⁷⁸ *Dominion*, 28 November 1957 Letter from R J F Feil.

shared between Social Security and State Advances. On 18 March, the same day that the regulations were promulgated, Mabel Howard signed an authorisation for Bill Fox, Minister for State Advances and of Housing, to exercise any powers conferred on her as Minister of Social Security to administer the regulations, so far as they related to the functions to be performed by the State Advances Corporation.²⁷⁹

The Government had said when the Bill was going through the House in September 1958 that the Act needed to remain general and the detail would be in the regulations. The regulations did provide some of the detail of the scheme within the general framework set up by the Act but there was still no clear specification of the basis upon which, for example, eligibility would be determined. The discretion given to the Social Security Commission effectively meant that the final shape of the scheme was determined by the officials as they resolved issues during implementation and translated the legislation into practice. This could be seen as the Government having rushed the legislation through before the end of a Parliamentary session and failed to put in the time and effort required to write the detail of the scheme into the legislation. On the other hand, by limiting the legislation to the framework of the scheme the Government was able to take the political credit for introducing the scheme while not being held accountable on the details.

²⁷⁹ NA, SAC 1, W1956, 38/1 Part 2. Form of authorisation.

Chapter 5

Implementation of the Scheme

Following gazetting of the Family Benefit (Home Ownership) Regulations 1959 on 18 March 1959, it fell to the Social Security Department, State Advances Corporation and the Department of Maori Affairs to put the vision of the politicians into practice. Although the Family Benefits (Home Ownership) Act 1958 had officially come into effect on 1 April 1959 it was several weeks later before members of the public were able to lodge applications for capitalisation. It had taken the whole of the six months available between the date of enactment and the effective date of the legislation for the details of the scheme to be agreed and the regulations to be drafted and approved by Cabinet. The length of time taken appears to relate to the design of the legislation, with the Act written in very general terms and a consequent need for more than usual consideration of policy issues in drafting the regulations. Other delays can be attributed to the Government rather than the officials. Significant political dimensions of the scheme, such as whether it would apply to the purchase of State houses, were not finally decided by Cabinet until 16 March. As a consequence officials were not able to finalise administrative procedures before then.²⁸⁰

Unfortunately, the fact that the regulations were promulgated only two weeks before the start date of the legislation left insufficient time to finalise procedures, train staff and print forms in order for the scheme to commence on its effective date of 1 April. The General Manager of State Advances sent a memo to Managers and Resident Officers on 19 March 1959 noting that a public announcement regarding the regulations was about to be made but, because of the lack of time between the final draft of the regulations and their

²⁸⁰ NA, Nash 1004 0314-0413, 1004 0413, Cabinet minute CM(59)11, 16 March 1959.

approval, instructions for staff in the field were not yet available.²⁸¹

Preparation of administrative procedures had, however, been underway in parallel with drafting of the regulations and, as accounting procedures were not set out in the regulations, this was an area in which the officials could work out their procedures based on the general financial provisions set out in section 4 of the Act. The Secretary to the Treasury, A.B. Taylor, had prepared a note at the request of the Acting Minister of Finance as early as September 1958, covering the proposed accounting procedure.²⁸² Mr Taylor set out in general terms the need for the Social Security Department to record each individual advance in order that the balance could be calculated if it became repayable for any reason, such as death of the child within the first year or the family no longer living in the house. He proposed that Treasury would continue to estimate and show in the Budget the annual amount required for payment of family benefits. The records of the Social Security Fund for each year would show the amount paid out as capitalisations in that year, the amount paid out as capitalisations and not repaid, the amount that had been repaid or otherwise expended and the total amount of family benefit payable for the year.²⁸³

It was noted that advances would need to be made to the Social Security Fund in the event that the volume of applications for capitalisation exceeded the amount available in the Fund. The amount borrowed would be recorded against the Social Security Fund and provision made for it to be repaid over a period of no more than the maximum capitalisation period of sixteen years. Assuming capitalisation was in respect of one child and for the maximum period, the capitalised amount would be limited to £500 but the total amount of benefit foregone would be £624. The difference between the two amounts allowed for interest on the outstanding balance and also a premium to cover the mortality risk after the first twelve months. This margin could increase the balance in the Social Security Fund if large amounts of borrowing were not

²⁸¹ NA, SAC 1 W1956 38/1 Part 2, Memo from GM SAC to Managers & Resident Officers, 19 March 1959.

²⁸² NA, T52/479/7, Memo from A.B. Taylor to Acting Minister of Finance, 24 September 1958.

²⁸³ NA, T52/479/7, A.B. Taylor to Acting Minister of Finance 24 September 1958.

needed. The Secretary to the Treasury proposed, however, that borrowing by the Social Security Fund should be repaid out of the repayments of capitalised amounts rather than coming out of the Consolidated Fund as part of the Government's debt repayment scheme.

...repayment of moneys borrowed for Social Security purposes should be provided for in the repayment by individuals of the advances made, such moneys then being transferred to the Loans Redemption Account and used to redeem the Social Security debt.²⁸⁴

Representatives of State Advances, Social Security, Maori Affairs, Audit and Treasury met on 3 February 1959 to discuss certain accounting procedures. They agreed that State Advances would pay out the capitalised amounts and recover them from the Social Security Fund. Social Security would be the department with responsibility for maintaining records and statistics and reimbursements would be made to State Advances and Maori Affairs as required on an imprest basis. In a revision of the earlier proposal they decided that, where a capitalised amount was to be repaid for some reason, such as the family moving overseas, State Advances or Maori Affairs could collect the repayment as agent for the Social Security Department, and use it to offset funds which would otherwise need to be advanced from Social Security.²⁸⁵ It appears that this change was made purely for administrative convenience. The agreement was not acceptable to Audit, however, and it was also overturned. A letter dated 14 April 1959 from Treasury to Social Security records a subsequent agreement between Treasury and Audit that repayments would need to be shown as a receipt in the Social Security Fund.²⁸⁶ Where capitalisation was for the purpose of either buying or adding to or altering a house, the advance was to be secured by a charge on the land. That security would then be treated as "public securities" and shown accordingly in the public accounts. This decision was also revised. A letter to the Director of Social Security from the Secretary to the Treasury refers to the treatment in the public accounts of advances which had become repayable as '...a question

²⁸⁴ NA, T52/479/7, A.B. Taylor to Acting Minister of Finance 24 September 1958.

²⁸⁵ NA, T52/479/7, Summary of a meeting at SAC on 3 February 1959.

²⁸⁶ NA, T52/479/7, Letter from Secretary of Treasury to Director, Social Security Department 14 April 1959.

which has concerned us both for some time...'.²⁸⁷ On 31 May 1960 the Minister of Finance agreed that section 7 of the Family Benefits (Home Ownership) Act should be amended to the effect that advances would not be recorded as public securities until they became repayable.

In view of the level of discretion which the Act and Regulations gave to the Social Security Commission to determine such matters as how eligibility was to be established there was an obvious need for detailed instructions to be available for staff. On 26 March 1959 the Social Security Department, State Advances Corporation and Department of Maori Affairs issued a Joint Circular Memorandum to all Registrars and District Agents of the Social Security Department, all Managers and Resident Officers of State Advances and all District Officers of Maori Affairs.²⁸⁸ The Circular noted that further instructions would also be issued within each separate department, giving more detailed instructions for internal purposes. The objective of the 26 March Joint Circular Memorandum was to establish the general framework within which the capitalisation scheme would be administered (Social Security Department to determine eligibility and State Advances Corporation to make the advance). It outlined the general procedure to be followed in making an application and set out the general conditions of eligibility, including the basis for determining the eligibility of different classes of applicant and the purpose of their applications.

The first step was to make an application to the Social Security Department. The forms to be submitted varied depending on whether the purpose of capitalisation was purchase or erection of a new house, payment for additions or alterations to an existing house, or repayment of an amount owing on a debt incurred for housing purposes. The Joint Circular reported that the forms '...will be forwarded to all offices shortly...'²⁸⁹ and listed four Social Security

²⁸⁷ NA, SAC, W1956 38/1, Part 3, Letter to Director Social Security Department from Secretary to the Treasury, 8 June 1960.

²⁸⁸ NA, SAC 38/1, Joint Circular Memorandum SS Dept No. 1959/544, SAC No. 16/1959, 26 March 1959.

²⁸⁹ NA, SAC 38/1, Joint Circular Memorandum SS Dept No. 1959/544, SAC No. 16/1959, 26 March 1959, p.18.

Department forms and 14 State Advances forms to be used in connection with an application for capitalisation of the family benefit.

The overall process for applying to capitalise the family benefit was much the same, whatever the specific purpose. The local office of the Social Security Department that received the application would arrange for the immediate suspension of family benefit payments. After an initial investigation, the application and a recommendation on whether it should be accepted would be forwarded to the Social Security Commission for further assessment and a decision. Once an application was approved, the Registrar of Social Security would issue a certificate of eligibility, forward it to State Advances with the application and notify the applicant. State Advances would then make an assessment of the suitability of the housing (or alterations/additions) in question and, after checking with the Social Security Department on the continued validity of the certificate of eligibility, would advise the applicant of the terms on which an advance would be made. Certificates of eligibility were to be valid for a maximum of one year and it was the responsibility of the applicant to obtain an extension to this time limit if it became necessary. State Advances would then be responsible for subsequent administration, which would include recovering the unexpired portion of the advance if circumstances changed to make it repayable.

In the case of Maori applicants who were applying through the Department of Maori Affairs, the first step in making an application for capitalisation would be to approach the Department of Maori Affairs rather than the Social Security Department. In those cases the Department of Maori Affairs would do an initial assessment of the applicant's income and assets and then forward the application to the Social Security Department. The Department of Maori Affairs would liaise with Social Security on behalf of the applicant who would have no direct contact with the Social Security Department at all.²⁹⁰ Applicants arranging housing through the Department of Maori Affairs would have their

²⁹⁰ NA, SAC 38/1, Joint Circular Memorandum SS Dept No. 1959/544, SAC No. 16/1959, 26 March 1959, p.17.

certificates of eligibility sent direct to that Department. The Department of Maori Affairs would also be responsible for subsequent administration, which would include recovering the unexpired portion of the advance if circumstances changed to make it repayable.

In assessing the eligibility of applications, 'need' was to be the basic criterion: need for housing and need for financial assistance.

Every parent of a dependent child under sixteen years of age who does not own his or her own home will be accepted as having need for housing even though the family may be occupying a suitable house on a rental basis.²⁹¹

In fact, neither the Act nor the Regulations referred to 'need' as the criterion for eligibility. The Act merely referred to applications deemed to be eligible '...pursuant to those regulations...';²⁹² while the regulations gave the Social Security Commission discretion to determine eligibility '...Where the Commission is satisfied that the applicant for an advance is eligible...'.²⁹³ This absence of legislative rules required the administering departments to set their own criteria which were possibly more stringent than the Labour Caucus would have agreed to if they had been written into the legislation. It is interesting that the regulations were not drafted in a more prescriptive form, in view of the fact that the Act clearly states that one of the purposes of the regulations would be to prescribe the classes of beneficiaries who would be eligible.²⁹⁴ The administrative procedures devised by the officials required applicants to establish financial need by providing a statutory declaration detailing their financial position, including income from all sources, outgoings and significant assets and liabilities.²⁹⁵

It appears that the lack of detail in the regulations was a result of a recommendation from the Cabinet Committee on Capitalisation of Family Benefits that:

²⁹¹NA, SAC 38/1, Joint Circular Memorandum SS Dept No. 1959/544, SAC No. 16/1959, p.6.

²⁹²Family Benefits (Home Ownership) Act 1958, Section 3.

²⁹³Family Benefits (Home Ownership) Regulations 1959, Section 6 (1), *Statutory Regulations*, 1, 37, (1959).

²⁹⁴Family Benefits (Home Ownership) Act 1958, Section 10(2)(a).

²⁹⁵NA, SAC 38/1, Joint Circular Memorandum SS Dept No. 1959/544, SAC No. 16/1959, p.6.

...it was desirable not to specify the classes of beneficiaries eligible to apply for the capitalisation of the family benefit, as under the Act it would be difficult to exclude any particular class. Some discretionary power could be given for the Social Security Commission to exclude certain applicants.²⁹⁶

Thus, in the process of drafting the regulations they became less specific than had been envisaged at the time the Act was passed, apparently following the Officials Policy Committee recommendation that the intent of the legislation would be more easily achieved by giving discretion to the officials rather than relying on detailed rules written into the law.²⁹⁷

The Joint Circular Memorandum showed that, quite apart from the assessment of eligibility and need, the Social Security Department also intended to assess applicants on their 'general suitability' for capitalisation. This was not an explicit feature of the legislation but was considered to come within the discretion that the regulations gave to the Social Security Commission.²⁹⁸ The objective was to identify those applicants who, while meeting the criteria for eligibility and need, were not regarded as good candidates for capitalisation. Points which would be taken into consideration included the applicants' domestic arrangements (the Social Security Department wanted to know if the applicant was in an 'irregular union'), their ability to keep up with repayments and other outgoings on the property and the likelihood of them needing to call on Social Security benefits for assistance in the absence of the regular income from the family benefit.²⁹⁹

The practical application of the Social Security Commission's discretion in assessing eligibility for capitalisation was one of the areas in which problems arose with implementation of the scheme. In a report dated 10 June 1959 the Chairman of the Social Security Commission, A.E.T. Williams, briefed the Minister of Social Security on some of the problems that had been encountered in implementing the scheme and requested clarification of the Government's

²⁹⁶ NA, T52/479/7, Cabinet Paper CP(58)903, 22 December 1958.

²⁹⁷ NA, T52/479/7, Letter from Officials Policy Committee to Cabinet Committee on Capitalisation of Family Benefits, 20 November 1958, p.2.

²⁹⁸ NA, SAC 38/1, Joint Circular Memorandum SS Dept No. 1959/544, SAC No. 16/1959, p.7.

²⁹⁹ NA, SAC 38/1, Joint Circular Memorandum SS Dept No. 1959/544, SAC No. 16/1959, 26 March 1959, p.7.

original intentions in the areas where difficulties were arising.³⁰⁰ Mr Williams pointed out that, although neither the Act nor the Regulations gave the Social Security Commission discretion in assessing applications for capitalisation, the Commission considered that the Government had intended it to have that discretion.³⁰¹ He reported that the Commission had obtained an opinion from the Crown Law Office confirming that it had complete discretion, subject to the requirements that were explicitly provided in the regulations. It appears, however, that there was some concern within the Social Security Commission over the strength of its position in declining applications on grounds other than those explicitly provided in the regulations. The Commission considered that, in order to properly exercise its discretion, it needed the Government to: '...indicate what policy it wishes the Social Security Commission to adopt in the administration of the Act and Regulations.'³⁰²

This seems rather surprising in view of the fact that Mr Williams' report was written two and a half months after circulation of the Joint Circular Memorandum mentioned above which set out administration procedures and established criteria for deciding whether to recommend an application be approved or declined. Mr Williams indicated that a number of cases had arisen where the Social Security Commission was uncertain whether to approve an application. It appears that the volume of those uncertain cases may have precipitated this concern and created a need within the Social Security Commission for Government confirmation of the criteria they were applying. He claimed that the Social Security Commission felt there was confusion over the criteria for determining eligibility and priority, and that they were '...left in doubt as to the real intentions of the Government.'³⁰³ He did acknowledge that the Cabinet had already accepted that anyone who did not own a home should be considered to be in need of housing, whatever their current housing status.

³⁰⁰ NA, SS7 W2756 10/5/18, Report from Chairman SSC to Minister of Social Security, 10 June 1959.

³⁰¹ NA, SS7 W2756 10/5/18, Report from Chairman SSC to Minister of Social Security, 10 June 1959, p.2.

³⁰² NA, SS7 W2756 10/5/18, Report from Chairman SSC to Minister of Social Security, 10 June 1959, p.6.

³⁰³ NA, SS7 W2756 10/5/18, Report from Chairman SSC to Minister of Social Security, 10 June 1959, p.3.

Cabinet had also accepted that another criterion for eligibility would be the need for financial assistance. However, those expressed opinions had not been translated into either the Act or the Regulations. This issue, and the question of an explicit income limit, were the most significant of the questions referred to the Minister by Mr Williams.

As previously noted, the absence of an income limit was a point of faith with the Labour Caucus and had been mentioned frequently in debates in the House. Neither the Caucus nor the Cabinet, however, had grappled with the fact that, without such a limit, the Social Security Commission had no definitive guideline as to how 'financial need' was to be determined in assessing applications for capitalisation. A number of applications for capitalisation had been received from people with incomes in excess of £25 per week. The Commission had deferred granting certificates of eligibility in those cases and requested guidance from the Minister of Social Security as to whether the Government wished such an income bar to be applied.³⁰⁴

The Minister of Social Security put the issues raised by A.E.T. Williams, on behalf of the Social Security Commission, to the Cabinet for discussion on 15 June 1959. Cabinet referred it to the Officials Policy Committee for consideration and for a report by the Cabinet Committee on Capitalisation of the Family Benefit.³⁰⁵ On the question of limitation of income, the Officials Policy Committee agreed that income should be taken into account in determining eligibility to capitalise family benefit, but could not agree on whether there should be a formal income limit and sought a discussion with the Cabinet Committee on Capitalisation of Family Benefits to resolve that question.³⁰⁶ In a letter to the Cabinet Committee, the chairman of the Officials Policy Committee reported that some members felt that there should be no specific income limit and decisions should be left to the discretion of the Social

³⁰⁴ NA, SS7 W2756 10/5/18, Report from Chairman SSC to Minister of Social Security, 10 June 1959, p.3.

³⁰⁵ NA, AAFD 811, W3738, 886, 64/7/3, 1958-60 Family Benefit, Cabinet Minutes CM(59)24, 15 June 1959.

³⁰⁶ NA, T52/479/7, Letter to Acting Chairman, Cabinet Committee on Capitalisation of Family Benefits from Chairman of Officials Policy Committee, 19 June 1959.

Security Commission. The other view was that a maximum income limit of £1,300 per annum should be set, increasing by £100 for the second and subsequent children, with discretion for the Commission to allow more if appropriate.³⁰⁷ The meeting with the Cabinet Committee took place on 22 June 1959 and resulted in an agreement that no specified income limit should be set. According to Mr Cain of State Advances, who attended the meeting, Treasury was the only objector to that decision.³⁰⁸ He did not record the reason for Treasury's objection but it is reasonable to assume that Treasury would have preferred to limit the cost of the capitalisation scheme by restricting the number of beneficiaries who could qualify.

The recommendations of the Cabinet Committee on Capitalisation of the Family Benefit were referred to the Cabinet meeting on 13 July 1959. In the meantime, at a Cabinet meeting on 29 June Walter Nash had agreed to arrange for another committee to be set up '...to consider and report upon the administrative aspects of the scheme.'³⁰⁹ The new committee was essentially the same as the Officials Policy Committee, with the addition of Mr Atkinson.³¹⁰ He was the only one who had not been involved in earlier inter-departmental discussions and his inclusion at this stage may indicate some concern within Cabinet at the implementation problems officials had reported.

Messrs Atkinson, Williams, Wood and A.B. Taylor of Treasury met with the Prime Minister on 8 July 1959 to discuss the question of Social Security Commission discretion in declining applications for capitalisation. In a letter to the Prime Minister dated the following day, Mr Atkinson acknowledged that he had been the dissenting voice at the meeting. He expressed some personal reservations about the extent of the Social Security Commission's discretion to approve or reject applications on the basis of factors other than those specified

³⁰⁷ NA, T52/479/7, Letter to Acting Chairman, Cabinet Committee on Capitalisation of Family Benefits from Chairman of Officials Policy Committee, 19 June 1959.

³⁰⁸ NA, SAC 1, W1956, 38/1 Part 2, File note by Cain, 25 June 1959.

³⁰⁹ NA, AAFD 811, W3738, 886, 64/7/3, 1958-60 Family Benefit, Note to PM from Secretary to Cabinet 30 June 1959.

³¹⁰ Members were L.A. Atkinson (Chairman of the Public Service Commission), E.L. Greensmith (Secretary to the Treasury), J.D.R. Wood (General Manager, State Advances) and A.E.T. Williams (Chairman of the Social Security Commission).

in the Act or Regulations. He did, however, accept the Crown Law Office opinion that the Commission had discretion and agreed to support the Committee decision that administration should proceed on that basis.³¹¹ Cabinet was also happy with that course of action and the Cabinet meeting on 13 July 1959 accepted most of the recommendations put forward by the Cabinet Committee on Capitalisation of the Family Benefit.

Other issues on which A.E.T. Williams had sought guidance on behalf of the Social Security Commission included the appropriate procedure in respect of other applications where there was some uncertainty about whether capitalisation should be approved. The Commission described cases such as where:

- the applicants had substantial financial assets of their own which could be applied to their housing proposition;
- the application was from a ‘problem’ family where there was a history of non-payment of rental on a State house;
- the applicant was in a de facto relationship which the Commission did not regard as stable;
- the applicant’s total income was so low that the loss of the regular family benefit would cause serious difficulty;
- the applicant proposed, for example, to upgrade the bathroom facilities rather than enlarging the house;
- the applicant proposed to clear a mortgage on an existing house in order to demolish it and rebuild.

Government direction was also sought on whether applicants should be able to include the cost of legal fees as part of the total debt where capitalisation was for the purpose of reducing or paying off outstanding debt on a house.³¹²

The Cabinet decision on 13 July effectively supported the views of the Social Security Commission and the Officials Policy Committee and endorsed the

³¹¹ NA, SS7 W2756 10/5/18, Memo from L.A. Atkinson to Prime Minister, 9 July 1959.

³¹² NA, SS7 W2756 10/5/18, Report from Chairman SSC to Minister of Social Security, 10 June 1959.

basis on which the Social Security Committee was applying its discretion.³¹³ This does not represent a significant change from the status quo as they had already covered most of that ground during the drafting of the legislation, including the discussion of an income limit. Earlier decisions were confirmed for the benefit of the Social Security Commission and the officials were given an assurance that their interpretation of the scheme was in accordance with the Government's intentions. Cabinet endorsed the view that need for a house existed if an applicant did not already own one, whatever the applicant's current housing status, and that financial need existed if the applicant could not afford to buy the house without financial assistance. No explicit income limit was to apply but the Social Security Commission was to continue to take income into account, particularly in assessing applications to capitalise for the purpose of repaying or reducing existing mortgages.³¹⁴

Despite the Cabinet's income limit decision, a 1970 inter-departmental review of the operation of the capitalisation scheme indicated that officials did in fact apply a specific income limit from the inception of the scheme.³¹⁵ There is no evidence to suggest that the officials considered they were doing anything other than what was necessary to make the scheme work in practice. The use of a maximum income level as an indication of when an applicant might reasonably be expected to be able to afford a house without capitalisation should not be interpreted as the officials disregarding the intentions of the Government. The inter-departmental review stated that

Income limits have been set, with the approval of successive Governments, to give effect to the family benefit home ownership legislation which states that a certificate of eligibility may be issued where the Commission is satisfied that the applicants...could not reasonably be expected to arrange finance from any other source...³¹⁶

The fact that the income limit was set by the officials rather than the Government (even if they regarded it as more of a guide than a limit) was an outcome of the very general wording of the legislation and in 1970 the review

³¹³ NA, SAC, 38/1 Part 2, Memo from Secretary of the Cabinet to Minister of Social Security, 15 July 1959.

³¹⁴ NA, SAC, 38/1 Part 2, Memo from Secretary of the Cabinet to Minister of Social Security, 15 July 1959.

³¹⁵ NA, SAC, W1956, 38/1 Part 5, Report of the Inter-Departmental Committee, 1970.

³¹⁶ NA, SAC, W1956, 38/1 Part 5, Report of the Inter-Departmental Committee, 1970, p.1.

report recommended that the legislation should be amended to make it clear that income limits applied.³¹⁷

The extent of the Social Security Commission's discretion in assessing applications remained a continuing cause of political criticism. In a supply debate on the Social Security Fund in September 1959 Bill Sheat (National, Egmont) claimed there was uncertainty as to eligibility, with insufficient definition of entitlement in the Regulations and no possibility of appealing a decision of the Social Security Commission.³¹⁸ The response of the Minister of Social Security, Mabel Howard, was that the demand from people on low incomes should be satisfied before consideration was given to high income earners and individual decisions would be investigated if details were supplied. While the extent of the Social Security Commission's discretion gave the Opposition another opportunity to attack the Government, analysis of specific cases would be needed in order to ascertain whether it resulted in more or less effective decision-making.

Several issues arose in connection with the requirement in section 6 of the Act that the property in question be owned solely by the applicant, or as a joint family home. A firm of solicitors approached the General Manager of State Advances, J.D.R. Wood, with a request that capitalisation should be permitted where the home was owned as a simple joint ownership rather than as a joint family home. This was rejected by Mr Wood on the grounds, acknowledged as unlikely, that in that case a husband would be able to dispose of his portion of the joint tenancy.³¹⁹ The same firm of solicitors also requested that a section should be able to be regarded as a joint family home. They pointed out that a house could not be registered as a joint family home until it was built and there could be some delay before building was complete. This was also rejected, on

³¹⁷ NA, SAC, W1956, 38/1 Part 5, Report of the Inter-Departmental Committee, 1970, p.3.

³¹⁸ *NZPD*, 321 (1959), p.2033.

³¹⁹ NA, SAC W1956, 38/1, Part 2, Letter from Gen. Manager, SAC to McVeagh, Fleming, Uren and Hunt, 1 December 1959.

the grounds that any difficulties that arose could be dealt with by existing administrative procedures without requiring a change in the legislation.³²⁰

On 25 November 1960 A.E.T. Williams, chairman of the Social Security Commission, wrote to the chairman of the Officials Policy Committee advising that 'Difficulties are being experienced...' in respect of rural housing and its exclusion from the scheme when not registered as a joint family home.³²¹ He described three situations where the problems were arising and submitted recommendations to be considered by the Cabinet Committee on Capitalisation of the Family Benefit. The three situations he referred to involved applicants who wanted to build or make additions to a house where they were either full-time farming on the property, or they were rural workers with a small area of land intended only for housing, or they owned a small uneconomic farm and worked off the property. Williams recommended that in the first situation the application should be refused, the second should be accepted and the third should be accepted subject, in the case of Maori applications, to the approval of the Department of Maori Affairs. He advised, however, that State Advances did not support the recommendation in respect of the owners of small uneconomic farms.³²²

Mr Williams also noted that the Minister of Social Security had received questions for Ministerial reply on the issue. Mabel Howard neatly side-stepped a question in the House from Ernest Aderman (National, New Plymouth) which asked whether country people were being denied equal treatment where they had a need for the benefits of the capitalisation scheme. Miss Howard replied:

The regulations do not differentiate between town and country applicants who wish to acquire a family home or make additions to a home already owned to meet the needs of the family, or who wish to capitalise benefit for any of the other purposes provided for under the regulations.³²³

³²⁰ NA, SAC W1956, 38/1, Part 2, Letter from Gen. Manager, SAC to McVeagh, Fleming, Uren and Hunt, 1 December 1959.

³²¹ NA, SAC, W1956, 38/1 Part 3. Letter from A.E.T. Williams to chairman of Officials Policy Committee, 25 November 1960.

³²² NA, SAC, W1956, 38/1, Letter from A.E.T. Williams to Chairman Officials Policy Committee, 25 November 1960, p.4.

³²³ *NZPD*, 325, (1960), p.3403.

The issue of course was that the Act specified that an advance could be made only where the beneficiary was sole owner of the property or it was registered as a joint family home.³²⁴ Farm homesteads and other homes on rural properties were seldom registered as joint family homes so, while the regulations did not specifically exclude them from the scheme, that was the practical effect of the legislation. This feature of the scheme does not appear to have been considered of sufficient public interest, at least among likely Labour voters, for it to be an issue for the Labour Government in the election held on 26 November 1960. That part of the legislation was never amended, even after the change of Government.

There were a number of other issues that arose shortly after the implementation of the scheme in 1959 that caused concern to the officials charged with its administration. At least one problem arose from the regulations being precise rather than vague. A.E.T. Williams advised the Minister of Social Security in August 1959 of problems arising from section 5 of the regulations which allowed capitalisation of the family benefit to be used to pay off an existing debt or mortgage only if it was in existence on 1 January 1959. He noted that the intention had been '...to prevent dummy mortgages or loans being arranged for other than housing purposes and repayment or reduction obtained by capitalisation of benefit.'³²⁵ The effect, however, was to exclude genuine cases where the housing proposition had commenced before 1 January 1959 but not been completed by that date.

This approach by Williams to the Minister led to a meeting of the Officials Policy Committee on 14 August 1959 which concluded that the regulations did in fact allow capitalisation of the family benefit to be used to pay off debts which were incurred before 1 January 1959, but were not secured by mortgage or agreement until after that date. Williams' memo to the Minister was regarded by State Advances Corporation as being precipitate, and was the cause of great annoyance to State Advances officials. A file note written by the

³²⁴ Family Benefits (Home Ownership) Act 1958, section 6.

³²⁵ NA, SS7, W2756, 10/5/18, Part 2 Paper from A.E.T. Williams to Min. of Social Security, 5 August 1959.

office solicitor of State Advances recorded the view of Messrs Hay and Cain that Williams had misrepresented the position of State Advances and potentially embarrassed the Corporation. The extent of the annoyance possibly indicates that State Advances did not want attention drawn to the fact that they were prepared to make advances in cases that complied with the spirit, if not the letter, of the regulations. Williams placated Hay and Cain by agreeing to advise the Minister that some of his concerns had been based on a misunderstanding of the State Advances attitude, and also agreeing that no such approach would be made to the Minister in future without discussing the issue with the other departments concerned.³²⁶ The significance of this disagreement is that it draws attention to the extent of the inter-relationship between the departments that were involved in administration of the capitalisation scheme and the difficulties that arose from that.

Another anomaly which arose in the implementation of the Act and Regulations concerned the inability of parents to apply for capitalisation of the family benefit until their child reached the age of one year. The Minister of Finance, Arnold Nordmeyer, asked the Officials Policy Committee to consider an amendment to the legislation which might at least allow capitalisation for mortgage repayment once the child reached one year of age.³²⁷ He advised that representations had been made to him (but did not reveal by whom), pointing out that this restriction discouraged people from building or buying a house before their child was one year old and disadvantaged those people who did do so as they could not subsequently apply for capitalisation of the family benefit in respect of that purchase.

During the second reading of the Family Benefits (Home Ownership) Bill, William Tennent (National, Manawatu) had criticised this aspect of the scheme and also the fact that an applicant would need to have three children in order to be eligible for the maximum £1000 advance, noting: '...you can safely say that

³²⁶ NA, SAC 1 W1956, 38/1, Part 2 Memo for File signed by Office Solicitor, 17 August 1959.

³²⁷ NA, T52/479/7, Letter from A. Nordmeyer to Chairman of OPC, 5 November 1959.

the people would need to be married about five years before being eligible for a loan of this nature.³²⁸

A.B. Taylor, Deputy Secretary to the Treasury and chair of the Officials Policy Committee referred Nordmeyer's recommendation to the Officials Policy Committee, noting that it had been Nordmeyer himself who originally suggested excluding children under the age of one year, on the grounds of significantly higher mortality in the first year³²⁹. The Committee agreed, however, that there was an anomaly and proposed an amendment to the regulations.³³⁰ Nordmeyer then wrote to the Cabinet Committee on Capitalisation of the Family Benefit recommending an amendment to the regulations to allow:

- (a) Capitalisation to be permitted in respect of a child on its attaining age one for the repayment of a mortgage or other debt incurred in acquiring a house as in Regulation 5(e), (f) and (g), even though the debt is incurred after 1 January 1959.
- (b) Provided that capitalisation would have been available for the purpose of acquiring a house under Regulation 5(a), (b) or (c) had the child been at least one year of age at the date of acquisition.³³¹

The recommendation was drafted into an amendment to the Regulations, approved by the Cabinet on 21 March 1960 and signed by the Governor-General with immediate effect.

As noted in the previous chapter, there were continuing concerns regarding the appropriate policy and procedure regarding recovery or writing off of the capitalised amount in the event of the death of the child for whom the benefit was payable. This issue had been discussed on a number of occasions both during and after the drafting of the regulations but remained unclear until the legislation was amended in 1961. The 1959 Regulations allowed for recovery of the unexpired amount of an advance in the event of the death of the child,

³²⁸ *NZPD*, 318 (1958), p.2079.

³²⁹ NA, SS7, W2756, 10/5/18 Part 2, Letter from A.B. Taylor to Officials Policy Committee, 12 November 1959.

³³⁰ NA, SAC, W1956, 38/1, Part 2, Letter from A.B. Taylor to A. Nordmeyer, 23 November 1959.

³³¹ NA, SS7, W2756, 10/5/18 Part 2, Memo from A. Nordmeyer to Cabinet Committee on CFB, 26 November 1959.

unless the death occurred more than one year after the date of the advance.³³² They specified the requirement that the amount of the advance would be repayable if the child in respect of whom the benefit was payable died within one year of the date of the advance. As previously noted, it was recognised that this gave great importance to the date of the advance, which was defined as the date on which the regular payment of the family benefit ceased.

The Government Actuary had confirmed that the tables in the regulations assumed repayment of the advance where death occurred during the first year, but contained an insurance premium for the period after one year from the date of the advance.³³³ Apparently, however, the Officials Policy Committee had been working under a different understanding. A letter from A.E.T. Williams, the Chairman of the Social Security Commission, to the General Manager of State Advances on 9 March 1960 refers to a draft submission to the Officials Policy Committee from representatives of Social Security, State Advances and the Department of Maori Affairs³³⁴. As well as the appropriate procedure on the death of the child, this submission raised issues concerning a child leaving the family home and the procedure to follow when the family home was to be let. The submission went through the process of discussion by the Officials Policy Committee and referral to the Cabinet Committee on Capitalisation of the Family Benefit, referral to Cabinet and approval on 29 August 1960 of the recommendations put forward by the Cabinet Committee, which were based on recommendations from the Officials Policy Committee.³³⁵

Cabinet agreed that, in the event of the child in question dying within one year of the advance,

- no interest would be applied to the outstanding balance
- no approach would be made to the family for 3 months

³³² Family Benefits (Home Ownership) Regulations 1959, Section 10, *Statutory Regulations*, 1, 37, (1959).

³³³ NA, SS7, W2756, 10/5/18, Part 2 Letter from Deputy Sec. of Treasury to Director of Social Security Department, 8 July 1960.

³³⁴ NA, SAC, W1956, 38/1 Part 3, Letter from A.E.T. Williams to Hay, 9 March 1960.

³³⁵ NA, AAFD 811, W3738, 886, 64/7/3, Cabinet minutes CM(60) 35, 29 August 1960.

- repayment would be required but would be based on the family's ability to pay
- repayment would not be required in cases of hardship.

In the event of the child in question dying after one year from the date of the advance,

- if the offer had been made before the death occurred, the advance should be made and immediately written off
- if the offer had not yet been made, the certificate of eligibility should be cancelled but arrears of family benefit up to the date of death should be paid.³³⁶

The issue came up for discussion again in 1961 and a letter from the NZ Society for the Protection of Home and Family Inc. warned the Minister of Social Security of the risk that parents would neglect or kill their children once one year had elapsed from the date of the advance.³³⁷ The Office Solicitor of the Social Security Department advised against retrospective legislation but recommended that a decision be made not to write off the amount outstanding if the parent was convicted of causing the death of the child.³³⁸ In its early cautions against various proposed features of the capitalisation scheme in 1958 Treasury had warned the Minister of Finance of a potential conflict with the Life Insurance Act 1908, which did not allow for the payment of insurance claims on the lives of children under the age of ten.³³⁹ The Government did not ignore this advice but maintained the insurance provided was an indemnity for the Government rather than insurance policies on individual children.³⁴⁰

Despite that, the National Government amended the Act in 1961 to provide that, in the event of a parent of the child being convicted of causing the death of the child, the chairman of the Social Security Commission could apply to the

³³⁶ NA, AAFD 811, W3738, 886, 64/7/3, Cabinet minutes CM(60) 35, 29 August 1960.

³³⁷ NA, SAC, W1956, 38/1 Part 3, Letter from Mrs Z.J. Lilley to Minister of Social Security, 27 February 1961.

³³⁸ NA, SAC, W1956, 38/1 Part 3, Memo from Office Solicitor to Minister of Social Welfare, 15 June 1961.

³³⁹ NA, T53/479/7, Memo from Secretary to the Treasury to Minister of Finance, 21 August 1958, p.2.

³⁴⁰ *NZPD*, 318 (1958), p.2088.

courts for an order declaring the unpaid balance of the advance to be repayable from the date of the child's death.³⁴¹

The National Government was elected in November 1960. By that time the capitalisation scheme had become an accepted part of the political landscape and members of the National Party were prepared to openly support it. Certainly, in the lead up to the 1960 general election there were no votes to be gained by attacking the scheme. Speaking in the House, Leon Gotz (National, Manukau) admitted that he had opposed capitalisation when it was introduced but '...today, in consequence of what it has done for the people by allowing those with small incomes to go into homes of their own, I support it.'³⁴²

In December 1960 A.E.T. Williams, chairman of the Social Security Commission, wrote to the Officials Policy Committee asking the Committee to consider the implications of the newly elected National Government's policy to allow capitalisation for the purchase of State rental houses. He noted that it would open up the whole question of allowing capitalisation for the purchase of existing houses.³⁴³ The Labour Government had resolved that the regulations should not distinguish between State houses and privately owned houses for capitalisation purposes, but apparently that did not mean in practice that capitalisation was available for the purchase of a State rental house.³⁴⁴ Certainly the General Manager of State Advances, J.D.R. Wood, had made it clear during the drafting of the regulations that the State Advances Corporation opposed the use of capitalisation for the purchase of State rental houses and indicated that the Minister (Bill Fox) agreed.³⁴⁵ It appears that, although the Government did not want to explicitly say so, they did not want capitalisation of the family benefit used for the purchase of State houses. As Mr Wood noted, State house tenants were already benefiting from comfortable

³⁴¹ Family Benefits (Home Ownership) Act 1961, No.25, section 4.

³⁴² *NZPD*, 325, (1960), p. 3033.

³⁴³ NA, SAC W1956, 38/1, Part 3, Letter from A.E.T. Williams to OPC, 19 December 1960.

³⁴⁴ NA, AAFD 811, W3738, 886, 64/7/3, Cabinet minutes CM (59) 11, 16 March 1959.

³⁴⁵ NA, SAC, W1956, 38/1 Part 2, Letter from General Manager SAC to Minister for State Advances, 20 February 1959.

housing.³⁴⁶ While it was not prevented by the legislation, it seems that officials implemented the scheme on the basis that the purchase of a State rental house was not a suitable purpose for capitalisation.

That changed with the change of Government. The National Party had pledged during the 1960 election campaign to retain capitalisation of the family benefit and extend it to include the purchase of State rental houses. A recommendation to that effect was approved by Cabinet on 3 July 1961³⁴⁷ and the Family Benefits (Home Ownership) Amendment Bill was introduced to the House in August 1961.³⁴⁸ The extension to allow for capitalisation to be used in the purchase of a State rental house could have been done by a relatively simple change to the regulations but the National Government was acting on its criticism that the previous Labour Government had left too much of the detail of the scheme to appear in the regulations. Thus, the whole of section 5 was removed from the regulations and inserted as section 2(1) in the Family Benefits (Home Ownership) Act. During the second reading debate of the amendment Bill the Minister of Social Welfare, Norman Shelton, made it clear that:

It would have been a simple matter to carry out the intention by amending the regulations, but this Government considers that the proper place to set out the housing purposes is in the Act itself, and not in any regulations, and that is being done in this amendment.³⁴⁹

The Labour Opposition agreed that that the time had come for the regulations to be transferred to the statute. They also supported the extension to include State rental houses but questioned why the scheme was not extended further to allow capitalisation for the purchase of other existing houses.³⁵⁰ The reason, of course, was cost. State Advances advised that no additional Government funds would be needed for the extension to include State houses, but would be

³⁴⁶ NA, AAFD 811, W3738, 886, 64/7/3, Letter from J.D.R. Wood to Minister for State Advances, 20 February 1959.

³⁴⁷ NA, SAC, W1956 38/1, Part 3, Cabinet minutes CM(61) 30, 3 July 1961.

³⁴⁸ NZPD, 327, (1961), p.1514.

³⁴⁹ NZPD, 328, (1961), p.2064.

³⁵⁰ NZPD, 328, (1961), p.2067.

required if the scheme was extended further.³⁵¹

Following these amendments to the Family Benefits (Home Ownership) Act 1958 in 1960 and 1961, the Act was rewritten as the Family Benefits (Home Ownership) Act 1964. The rewritten Act reflected the National Government's policy to have much more of the detail of the scheme written into the Act rather than being in the regulations, or left to the discretion of the officials. Of particular interest is the legislation covering eligibility and its transfer and expansion from section 6 of the Family Benefits (Home Ownership) Regulations 1959 to section 10 of the Family Benefits (Home Ownership) Act 1964. The new Act did not go so far as to specify an income limit but it did go further than the 1958 Act in referring to the Commission: '...taking into consideration the income and assets of the applicant and of the spouse of the applicant...' and approving the application only if they '...could not reasonably be expected to arrange finance from any other source...'.³⁵²

A further amendment to the Act in 1969 extended the approved housing purposes to include the purchase of a previously occupied house. This change was motivated less by a desire to extend the scope of the capitalisation scheme, than by a policy decision to withdraw encouragement for production of new housing stock. Gael Ferguson also makes the point that a trade deficit in the late 1960s prompted the Government to limit finance available for building.³⁵³ That of course gave encouragement to homebuyers to purchase existing, rather than new, homes and further encouragement was given by the ability to capitalise the family benefit for such purchases.

More recommendations for amendment of the scheme were made as part of a review carried out in 1970 by an inter-departmental committee consisting of officials from Social Security, State Advances and Maori and Island Affairs. The committee, which met between March and May 1970, was authorised '...to

³⁵¹ NA, SAC, W1956, 38/1 Part 3, Letter from Gen. Manager SAC to Minister for State Advances, 25 September 1961.

³⁵² Family Benefits (Home Ownership) Act 1964, Section 10 (1).

³⁵³ Ferguson, p.232.

review the policies adopted by the Social Security Commission in the administration of the family benefits (home ownership) scheme.³⁵⁴

The number of applications for capitalisation declined every year after the first year it was available. While a large number of applications at the start would have been expected, by 1970 the steady decline was sufficient to warrant investigation and the main administrative aspect considered by the review committee was the use by the Social Security Commission of weekly income limits as a guide in determining applicants' eligibility.³⁵⁵

The income limit applied at the time the scheme commenced in April 1959 was a gross income of £26 per week for a one-child family, plus £2 for each additional child. In the year to 31 March 1960 there were 19,449 applications for capitalisation, of which 11.8% were declined. The number of applications declined each year and the proportion declined increased. In the year to 31 March 1967 there were 8113 applications, of which 18.3% were declined. In 1968 the income limit increased to \$56 per week plus \$4 for each additional child, and the number of applications also increased. There were 11,318 applications for the year to 31 March 1970, of which 23.8% were declined.³⁵⁶

The review report noted: 'Income limits have been set, with the approval of successive Governments, to give effect to the family benefit home ownership legislation...'³⁵⁷ and reported that the Social Security Department had been criticised for rejecting an increasing proportion of applications because the applicants exceeded the income limit. In view of the fact that the review committee was made up of officials from the departments involved in administering the scheme it is interesting that they concluded that income limits had been kept at too low a level. After all, the use of income limits was an administrative procedure introduced by the officials themselves, rather than being a part of the legislative structure of the scheme. If the officials

³⁵⁴ NA, SAC, W1956, 38/1 Part 5, Report of the Inter-Departmental Committee, 1970, p.1.

³⁵⁵ NA, SAC, W1956, 38/1 Part 5, Report of the Inter-Departmental Committee, 1970, p.2.

³⁵⁶ NA, SAC, W1956, 38/1 Part 5, Report of the Inter-Departmental Committee, 1970, p.3.

³⁵⁷ NA, SAC, W1956, 38/1 Part 5, Report of the Inter-Departmental Committee, 1970, p.2.

considered the income limits were too low they could have changed them without needing an inter-departmental review to do so. Possibly the interdepartmental review was used by the officials as an opportunity to persuade the Government of the day that more of the detail of the scheme's administration should be written into the legislation. If so, that is an interesting turnaround from the position of the officials involved at the time the regulations were drafted. At that time they had argued that there should be no specific income limit,³⁵⁸ whereas the 1970 review committee recommended that the legislation should be amended to include an explicit reference to the use of income limits in deciding whether applicants met the requirement for financial need. It also recommended that the income limit should be increased to \$70 per week for a one child family, plus \$5 per week for each additional child, and that the income limits should be publicised by the Department of Social Security rather than kept confidential to the Department.³⁵⁹

The second major issue considered by the review was the necessity for applicants for capitalisation to have a specific housing proposition at the time they made their application when the application was for the purpose of purchasing a new or existing home. The report notes that 'The present policy is that a specific proposition is not generally required under these circumstances.'³⁶⁰ However, it certainly had been required at the start of the scheme in 1959. The Joint Circular Memorandum issued in March 1959 stated:

The certificate of eligibility will show the specific housing purpose for which benefit may be capitalised... and ...applications giving details of the housing proposition and applying for authorisation of the advance will be lodged with the State Advances Corporation.³⁶¹

Other recommendations included extension of the scheme to allow capitalisation for the purpose of upgrading (rather than extending) an existing home to make it more suitable for the applicant's family.

³⁵⁸ NA, T52/479/7, Letter from Chairman of Officials Policy Committee to Convenor of Cabinet Committee on Capitalisation of Family Benefits, 20 November 1958, p.4.

³⁵⁹ NA, SAC, W1956, 38/1 Part 5, Report of the Inter-Departmental Committee, p.3.

³⁶⁰ NA, SAC, W1956, 38/1 Part 5, Report of the Inter-Departmental Committee, p.12.

³⁶¹ NA, SAC, 38/1, Joint Circular Memorandum SS Dept No. 1959/544, SAC No. 16/1959, p.2.

The overall conclusion of the review committee was that, with the recommendations it had made, the scheme would be able to achieve the objectives for which it had been established.³⁶² The recommendations made by the review committee were not implemented by the Government, however, and the value of the capitalisation scheme was gradually lost as it failed to keep pace with rising costs and income levels.

In 1972 the Royal Commission of Inquiry into Social Security in New Zealand reported that criticisms of the capitalisation scheme had been expressed by 'a number of individuals and organizations', although it did not identify them.³⁶³ The main criticisms were that allowing capitalisation was not in the best interests of the family as it reduced the regular income available to the mother for the support of the child, and in the event of the mother and child leaving the family home they would have lost both income and housing.³⁶⁴ The Royal Commission also reported the opinion of the Chairman of the Social Security Commission on the scheme:

...there can be no doubt that the availability of such a provision has been of prime importance to young couples in the upbringing of children. The capitalisation scheme has also assisted many problem families where marital discord was apparently due to unsuitable living conditions...In effect the scheme has been a worthwhile social welfare measure.³⁶⁵

The Royal Commission concluded:

The scheme for the capitalisation of family benefit for lower-income family housing should continue at least until alternative housing finance facilities for such families are available through more orthodox arrangements.³⁶⁶

The facility for beneficiaries to apply to capitalise their family benefit was finally removed in August 1986 with the enactment of the Family Benefits (Home Ownership) Act 1986 and in 1991 the Family Benefits (Home Ownership) Act 1991 removed the family benefit itself from 31 March 1991. Ironically, it was the third Labour Government that stopped new applications for capitalisation in 1986. Its ending did not attract the same degree of

³⁶² NA, SAC, W1956, 38/1 Part 5, Report of the Inter-Departmental Committee, p.14.

³⁶³ Royal Commission of Inquiry, *Report on Social Security in New Zealand*, Wellington, Government Print, 1972, p. 236.

³⁶⁴ *Report on Social Security in New Zealand*, 1972, p.236.

³⁶⁵ *Report on Social Security in New Zealand*, 1972, p.238.

³⁶⁶ *Report on Social Security in New Zealand*, 1972, p.239.

attention as its introduction, however, as the level of family benefit had not kept pace with wage increases over the years and the relevance of capitalisation had slowly declined. The value of capitalisation of the family benefit depended on maintenance of the family benefit as a universal benefit at a significant level, but by 1986 the value of the family unit appeared to have changed over the years and the importance that the Government placed on the support of families had changed with it.

Conclusion

This thesis set out to examine the reasons for the development of capitalisation of the family benefit and its adoption as Labour Party policy in the 1950s, and also to look at how the policy was translated into practice and, to a lesser extent, whether it achieved its objectives.

The historical record of the policymaking process has been examined in order to explain what appears to be a major move from the State rental housing policies of the first Labour Government to encouragement of private ownership with the capitalisation policy under the Second Labour Government.

In the secondary literature there are two major schools in thought on the reasons behind the introduction of capitalisation of the family benefit. There are those, such as Alan Ward and Margaret McClure, who see the scheme as representing a way of promoting 'social cohesion' and family formation by tying people into the community with a home and mortgage. Others, such as Gael Ferguson, see the scheme as a form of redistribution of wealth by which the Labour Government could extend the benefits of home ownership to those who would not otherwise have been able to afford to purchase.

There is evidence for both views and it appears that in fact both motivations may have applied at different times in the development and introduction of the scheme. In the early 1950s when the proposal for capitalisation first appeared the threat to social cohesion was a definite factor. By the time the Labour Party became Government at the end of 1957 the perceived threats of Communism and industrial unrest had diminished somewhat and the encouragement of private home ownership and mortgages was aimed more at allowing as wide a section of the public as possible to have access to the ideal of a house and section.

The political and economic situation facing the Second Labour Government in the period from 1957 to 1960 had a major impact on the implementation of the

capitalisation policy. It had become more politically expedient to introduce the scheme at the same time as the economic situation made it less affordable. The result was legislation which did little more than establish the framework for the scheme, leaving the officials to fill in the details. The popularity of the scheme with the public was never in doubt and its continued relevance after 1960 was limited only by the reduction in value of the family benefit in relation to the average wage.

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