

Copyright is owned by the Author of the thesis. Permission is given for a copy to be downloaded by an individual for the purpose of research and private study only. The thesis may not be reproduced elsewhere without the permission of the Author.

Transformation of the Welfare State in New Zealand
with special reference to Employment

A thesis presented in partial fulfilment of the requirements
for the degree of the
Doctor of Philosophy in Economics
at Massey University

Anne Marguerite de Bruin

1997

Acknowledgements

I am grateful to Professor Rolf D. Cremer, who as Head of the Economics Department, had high expectations for career development of staff of the Department. This provided the initial stimulus for my undertaking PhD study.

I sincerely thank my supervisors, Professors Rolf D. Cremer and Ian F. Shirley for their invaluable guidance and assistance. I also thank them for their understanding which made the whole process easier, yet challenging.

My sincere thanks also to my friend and colleague, Ann Dupuis, for her advice and constant encouragement. I am particularly thankful to her for always providing a listening ear during my ups and downs and for introducing me to Bourdieu and Gramsci.

I wish to thank Massey University for the financial support I received through the Research Award for Academic Women. This made possible a freeing up of some of my time from teaching duties early in 1997, enabling the completion of this thesis.

I am indebted to Enterprise Otara and several others in the Otara community who welcomed me into their community, willingly shared their knowledge with me and were also appreciative of what I had to offer to the community.

I dedicate this thesis to my four children, Jan, Anne-Marie, Philip and Roseanne, in the hope that it will provide inspiration and encouragement in attaining goals for their lives. I also dedicate it to the memory of my brother Paul Martinus so that his two young children may know that they have an aunt in New Zealand who will always care about their welfare and particularly their education.

Abstract

This study examines the transformation of New Zealand's welfare state in the movement to a new phase of capitalist development. It adopts a multi-level approach linking the global, national and local levels.

The global level analysis provides the overall rationale for the development and subsequent restructuring of welfare states and reordering of the welfare mix more toward the market.

At the national level, highlighting the collapse of its foundations, this study contends that New Zealand's welfare state has transformed into a 'well-being enabling state'. The goal of the well-being enabling state is to ensure private provision of welfare through labour market participation in a deregulated labour market, rather than through direct state provision. Employment policy, including policies for enhancement of human capital, are therefore discussed as 'enablers' of participation in paid employment and private procurement of well-being. At the local level, specific characteristics of the local labour market have to be included in the analysis.

The need for community action for employment creation in order to respond to the challenges of the global economy and a transformed national welfare state, is a major theme of the study. A case study of community employment creation, conducted through a participatory research methodology, highlights the need for innovative local efforts for job creation at the micro or grassroots level. Local employment initiatives, especially those that build on a partnership approach and tap into the cultural wealth of the community through market-leading community entrepreneurship, are shown to be crucial to the mitigation of the current ethnic unemployment problem in New Zealand.

Contents

	Page
ACKNOWLEDGEMENTS	ii
ABSTRACT	iii
LIST OF TABLES	viii
LIST OF FIGURES	viii
1. INTRODUCTION	1
1.1 Scope and Methodology	1
1.2 Dimensions of Welfare Provision	9
1.2.1 Defining the Welfare State	10
1.2.2 Approaches to Welfare	12
1.2.3 Family Welfare - A Simple Model	15
1.2.4 Social and Demographic Change	19
1.3 Chapter Outline	21
PART I - GLOBAL CHANGE	25
2. EVOLUTION OF THE WELFARE STATE	26
2.1 Chapter Introduction	26
2.2 Phases of Capitalist Development	27
2.2.1 The Long Cycles	29
2.2.2 Transition Models	32
2.2.3 The Keynesian Welfare State	39
2.3 Implications of Globalisation	41
2.3.1 Internationalisation of the Labour Market	44
2.3.2 Labour Market Flexibility	45
2.3.3 Social Dumping	47
2.3.4 The Welfare State and Economic Performance	48
2.3.5 Alternative State Forms	50
2.4 Chapter Conclusion	54

PART II - NATIONAL CHANGE	56
3. THE NEW ZEALAND WELFARE STATE	57
3.1 Chapter Introduction	57
3.2 The New Zealand Welfare State in Historical Perspective	58
3.2.1 1890-1935: Origins	60
3.2.2 1935-1948: Establishment and Entrenchment	63
3.2.3 1948-1973: Consolidation	65
3.2.4 1973-1984: Eroding Foundations	69
3.3 From Welfare State to Well-Being Enabling State	72
3.3.1 1984-1991: Collapsed Foundations of the Welfare State	72
3.3.2 Some Characteristics of the Well-Being Enabling State	80
3.4 A Schumpeterian Workfare State?	88
3.5 Chapter Conclusion	93
4. EMPLOYMENT: THE KEY TO WELL-BEING	95
4.1 Chapter Introduction	95
4.2 Features of the Labour Market	98
4.2.1 Trends	98
4.2.2 The Emergence of Unemployment	99
4.2.3 Phases of Unemployment	100
4.2.4 Ethnic Dimensions of Unemployment	105
4.3 Theoretical Underpinnings of Employment Policy	108
4.3.1 A Simple Model	108
4.3.2 Justifying Employment Policy Within the Model	109
4.3.3 Decentralisation of Wage Bargaining	119
4.3.4 Active Labour Market Policies	122
4.4 Other Employment Policy Considerations	129
4.4.1 Taxation and the Tax-Benefit Interface	129
4.4.2 Supplementing Income of Lower Paid Workers	132
4.5 Chapter Conclusion	133
5. HUMAN CAPITAL: THE KEY TO EMPLOYMENT	135
5.1 Chapter Introduction	135
5.2 The Role of Human Capital	136
5.2.1 The Education-Unemployment Link	140
5.2.2 Education Expenditure	141
5.3 Building New Zealand's Human Capital Base	144
5.3.1 Education Reform and Restructuring: Initial Steps	145

5.3.2	Further Steps to Build Human Capital	152
5.3.3	Labour Market Training Programmes	161
5.3.4	Broad Underpinnings of Education Policy	169
5.4	Human Capital of Ethnic Minorities	174
5.4.1	Closing the Ethnic Education Gap	176
5.4.2	A Widening Gap?: Comment	180
5.4.3	Working Within the Human Capital Constraint	182
5.5	Chapter Conclusion	185
 PART III - EMPLOYMENT CREATION		 187
 6. ENTREPRENEURSHIP : THE CATALYST OF EMPLOYMENT CREATION		 188
6.1	Chapter Introduction	188
6.2	The Supply of Entrepreneurship	190
6.2.1	Extending the Neo-Schumpeterian Approach	191
6.2.2	Maori Ownership of Assets	193
6.2.3	Business Immigrants and Foreign Direct Investment	196
6.3	Community Entrepreneurship	199
6.3.1	The Concept	199
6.3.2	Community Entrepreneurship in Action	202
6.4	Small Businesses and Self-Employment	205
6.4.1	The Recent New Zealand Context	205
6.4.2	Small Business and Self-Employment Programmes	207
6.4.3	Self-Employment for Ethnic Minorities	210
6.5	Chapter Conclusion	213
 7. EMPLOYMENT CREATION: A COMMUNITY CHALLENGE		 215
7.1	Chapter Introduction	215
7.2	Fostering Local Employment Creation	217
7.2.1	Community Enterprises	217
7.2.2	State Initiatives for Local Employment Creation	220
7.3	A Case Study of Otago	223
7.3.1	The Otago Community	223
7.3.2	Enterprise Otago/Maia Whakaaro	226
7.3.3	A Holistic Approach	230
7.3.4	Enterprise Otago: Problems and Prospects	230
7.4	The Otago Tourism Project	234
7.4.1	Macroeconomic Background: Tourism - A Growth Market	235
7.4.2	Author's Involvement with the Project and Community	236
7.4.3	Stages of Development of the Project	240

7.4.4	Overcoming Constraints of the New International Division of Labour	246
7.4.5	The Need for Innovative Financing	248
7.5	Chapter Conclusion	249
8.	CONCLUSION	252
8.1	Further Research	261
8.2	Concluding Comments	264
	REFERENCES	267
	APPENDICES	303
Appendix 1	Labour Market Programmes and Incentives	303
Appendix 2	Graphs	310
Appendix 3	Geographic and Demographic Details for Otara Executive Summary of Feasibility Study	312 313
Appendix 4	Glossary of Maori Words	315

List of Figures

	Page
1.1 The Multi-level Analysis of the Study	4
2.1 The Global Focus of the Multi-level Analysis	26
3.1 The National-level Focus of the Multi-level Analysis	57
4.1 The Employment Policy Focus of the Multi-level Analysis	97
4.2 Changes in Employment by Industry Group (1951-1991)	98
4.3 Unemployment	101
4.4 Real GDP Growth: New Zealand and OECD	102
4.5 Number of People on Benefits	103
4.6 The UV Relationship in New Zealand 1985-1995	115
4.7 Calmfors-Skedinger Modified Layard-Nickell Model	123
5.1 The Education and Training Focus of the Multi-level Analysis	135
5.2 The Seamless Education System	154
5.3 Secondary School Retention Rates	176
7.1 The Local-level Focus of the Multi-level Analysis	216
Appendix 2 Figure 1 Unemployment Rates	310
Appendix 2 Figure 2 Labour Force Participation Rates	311

List of Tables

2.1 Growth Rates of Industrial Production in van Duijn's Long Wave Upswings and Downswings	31
2.2 Indicators of Macroeconomic Performance, 1870-1989	31
3.1 The Changing Nature of the Welfare State in New Zealand	82
4.1 Recent Labour Market Indicators	104
4.2 Public Expenditure on Labour Market Programmes	126
5.1 Productivity Growth in the Business sector	139
5.2 Unemployment Rates of Young People by Educational Attainment 1991	140
5.3 Expenditure on Education in New Zealand	142
5.4 Distribution of Education Expenses	143
5.5 Educational Qualifications by Ethnic Group	174
5.6 Maori Education Funding 1995/96	177

Errata

p38 paragraph 3 line 6	delete 'division labour' insert 'division of labour'
p93 line 10	delete 'see section 2.3.4' insert 'see section 2.3.5: 51'
p172 line7	delete 'free education state provided education' insert 'free state provided education'
p189 paragraph 2 line15	delete 'creation entrepreneurial' insert 'creation of entrepreneurial'
p196 paragraph 2 line 2	delete 'is' insert 'are'
p202 paragraph 2 line 11	delete 'itself' insert (population close to 300 people)
p288 Mirrlees	insert (1995)