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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.