

# Sharing the rewards?

Presentation for Where to for Welfare?  
Symposium  
21 March 2007

Gerard Cotterell, Doctoral Candidate,  
Department of Sociology, University of  
Auckland

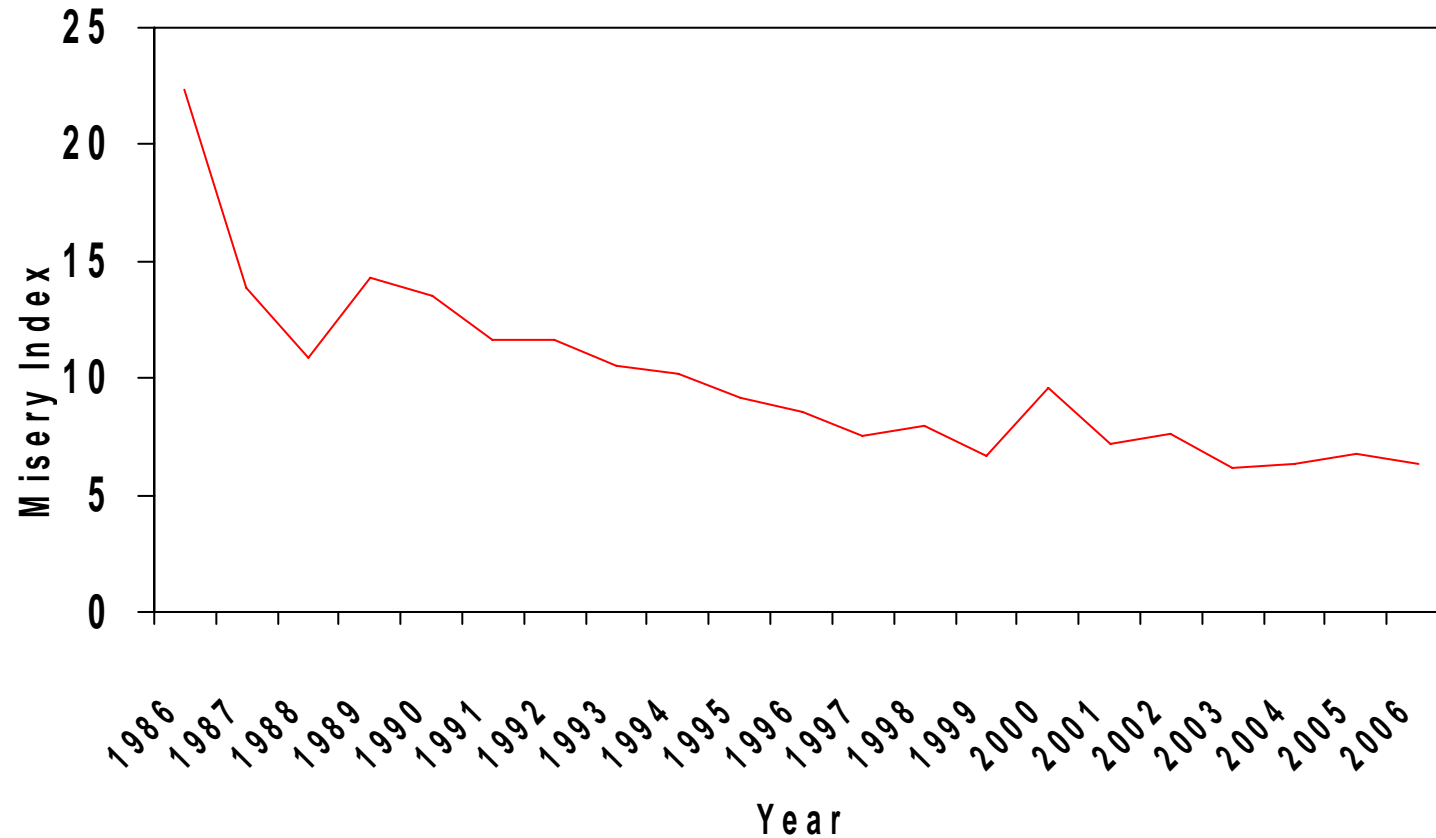
# The welfare reforms of the 1990s and their justification

- The welfare state was unaffordable and was damaging the economy
- Benefit levels were too close to wages, creating a disincentive to work

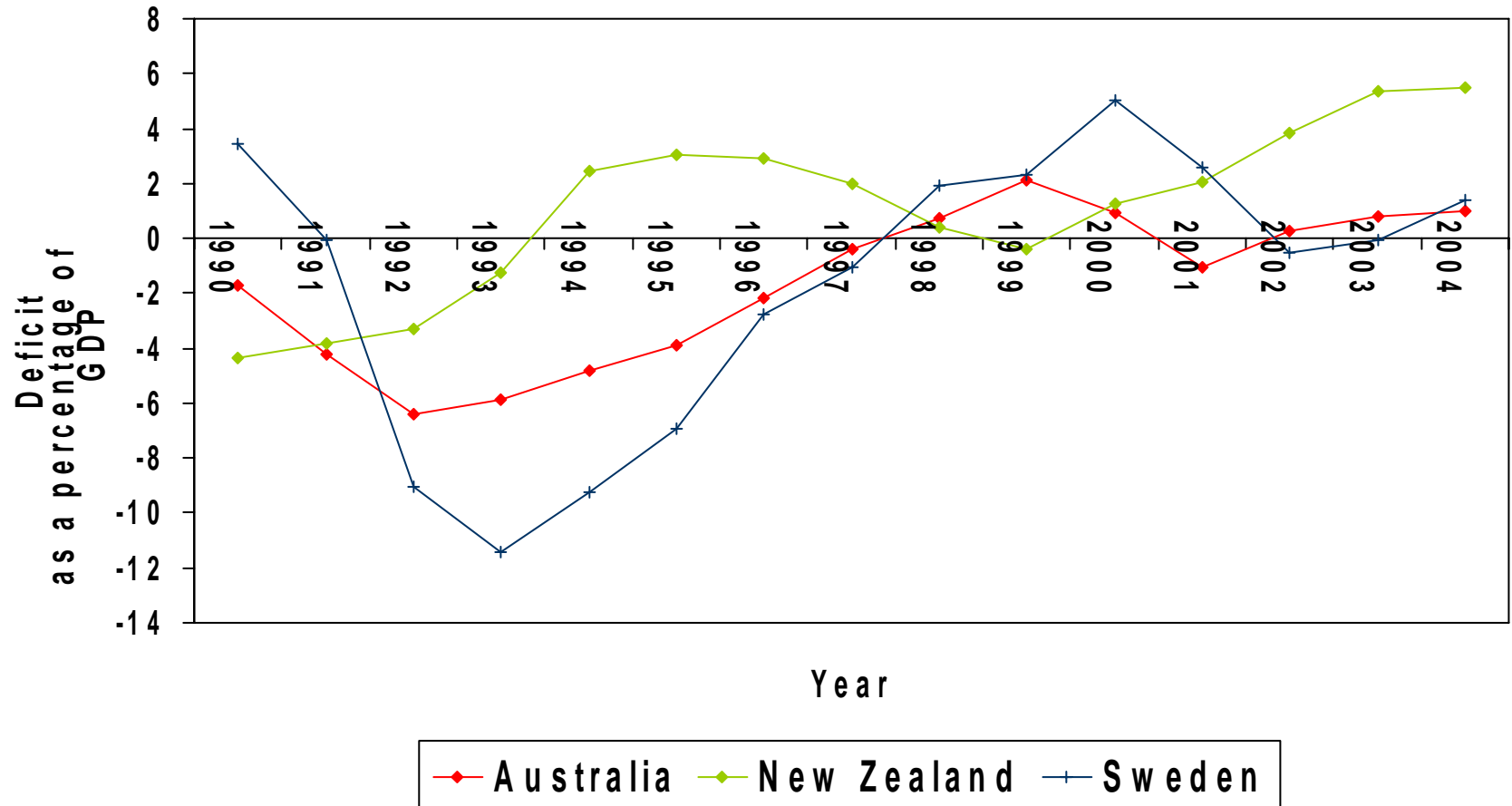
# The economic recovery

- The current state of the economy
- The evidence
  - Inflation and unemployment
  - The level of government debt and the budget deficit
  - Income per head

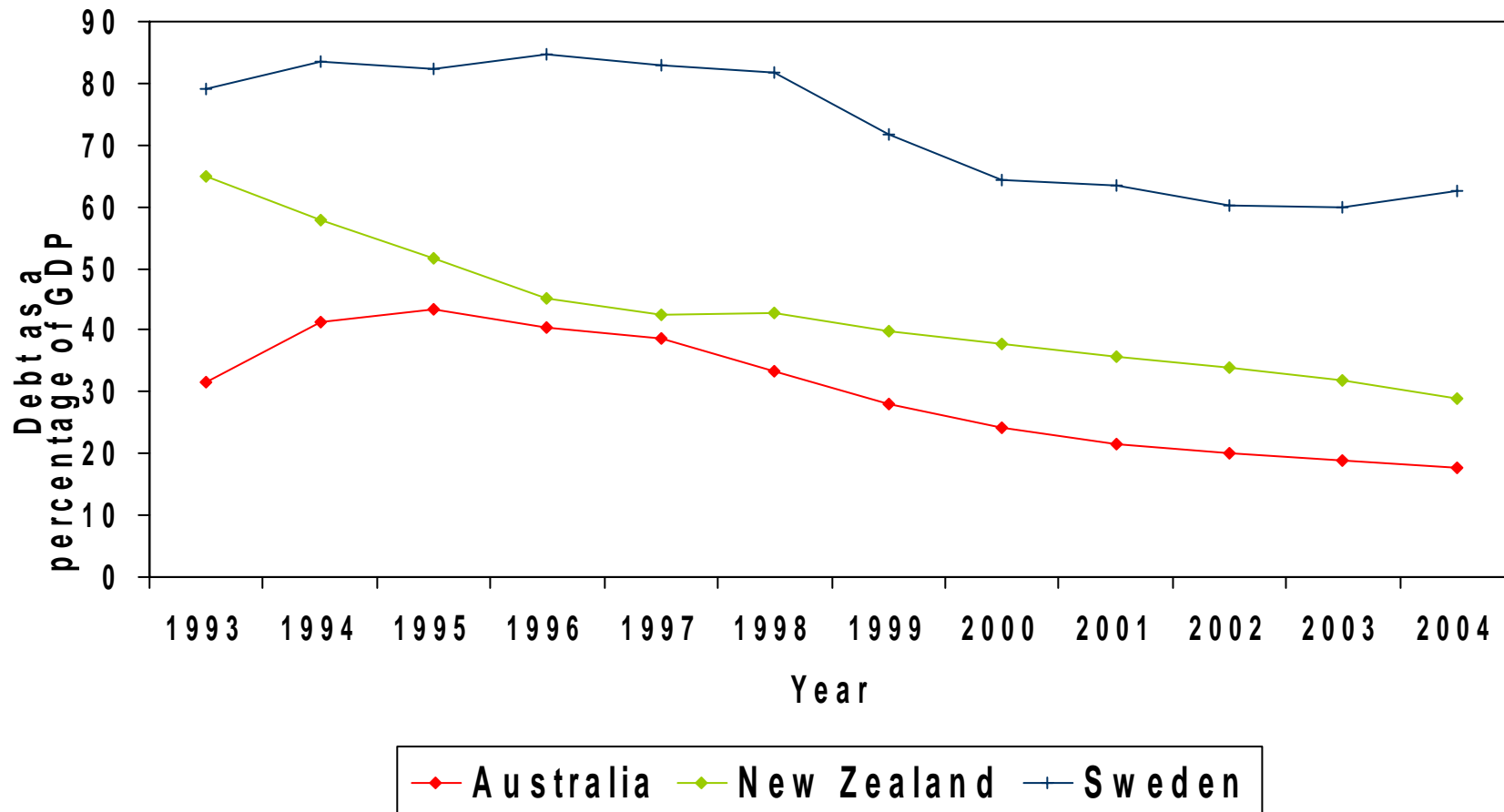
# Unemployment and inflation – Barro's 'misery' index for New Zealand from 1986 to 2006



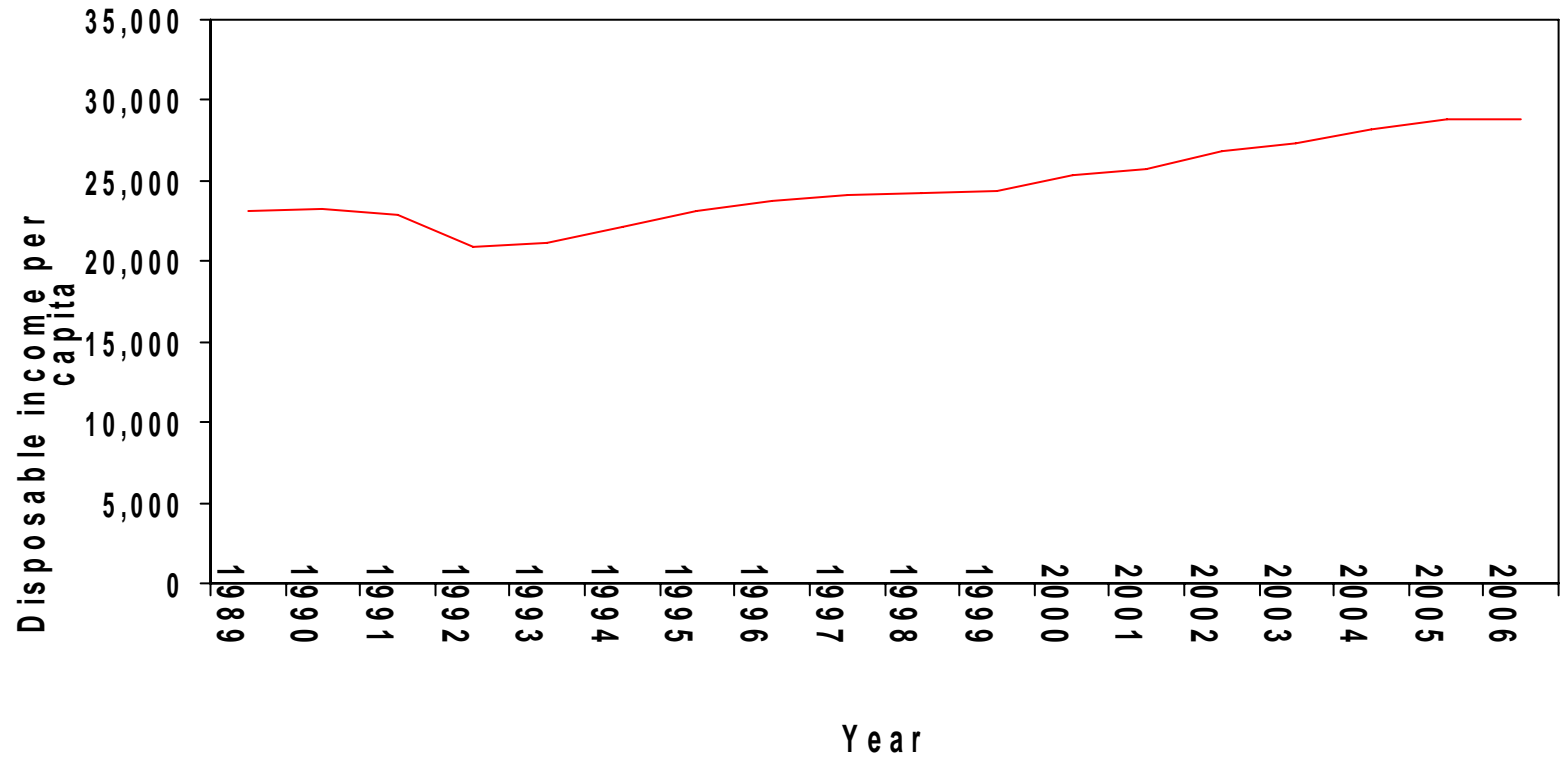
# Government deficits in the 1990s and beyond, Australia, New Zealand and Sweden compared



# Government debt in the 1990s and beyond, for Australia, New Zealand and Sweden



# Real disposable income per head in New Zealand, 1989 to 2006

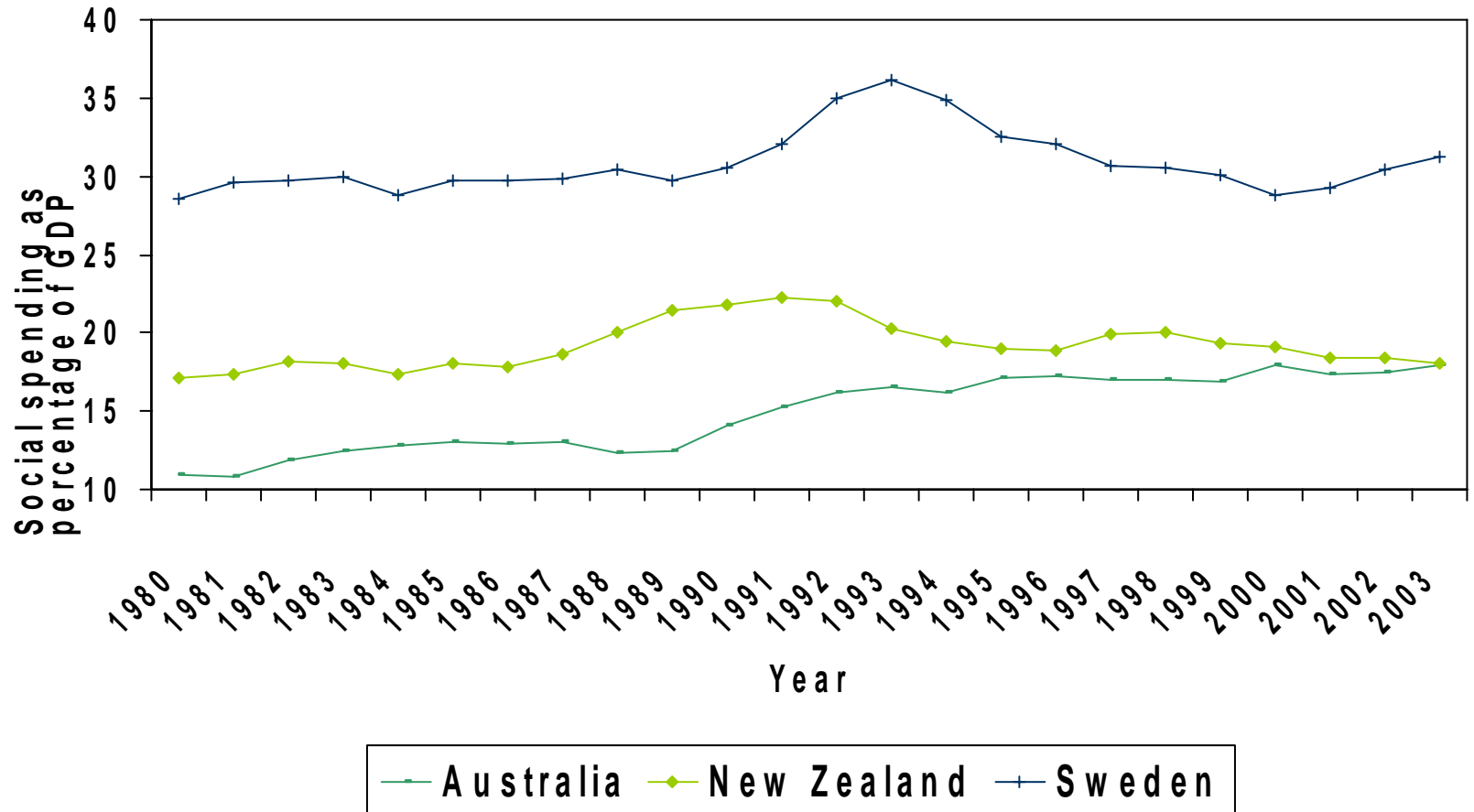


# So how have welfare recipients fared?

- Given the recovery in the economy – how have beneficiaries fared?
- The evidence
  - Total social spending
  - Overall income inequality
  - The relationship between benefit levels and wages

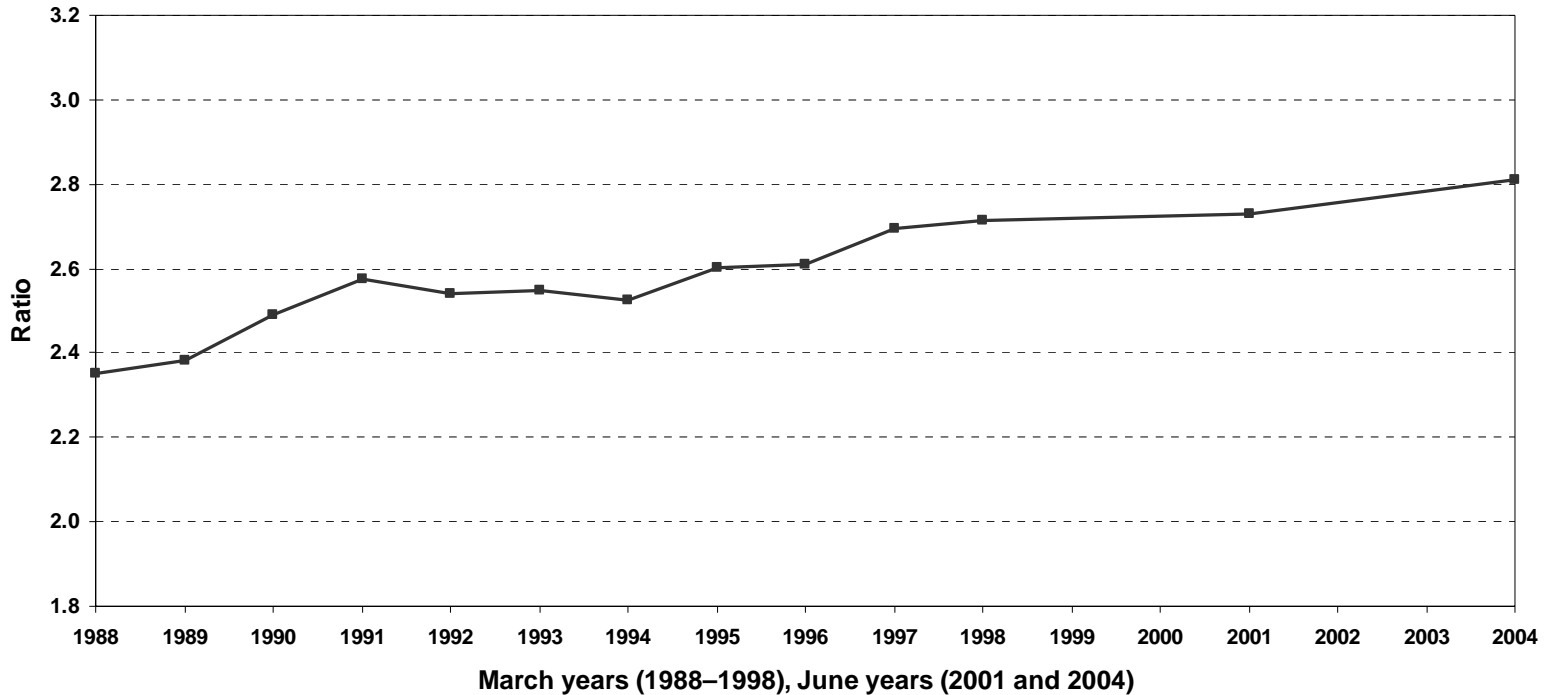


# Total social spending as a percentage of GDP for New Zealand, Australia and Sweden



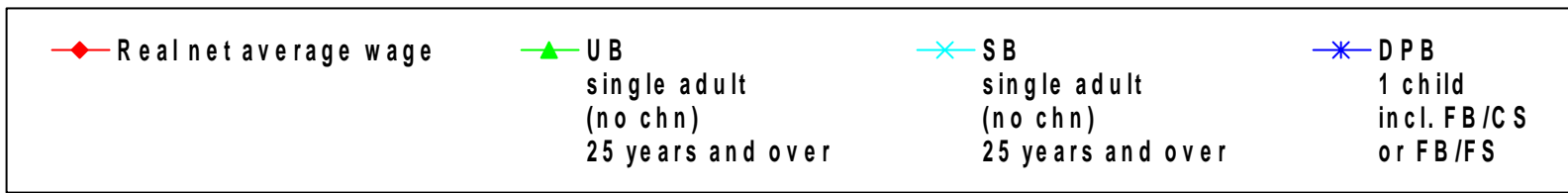
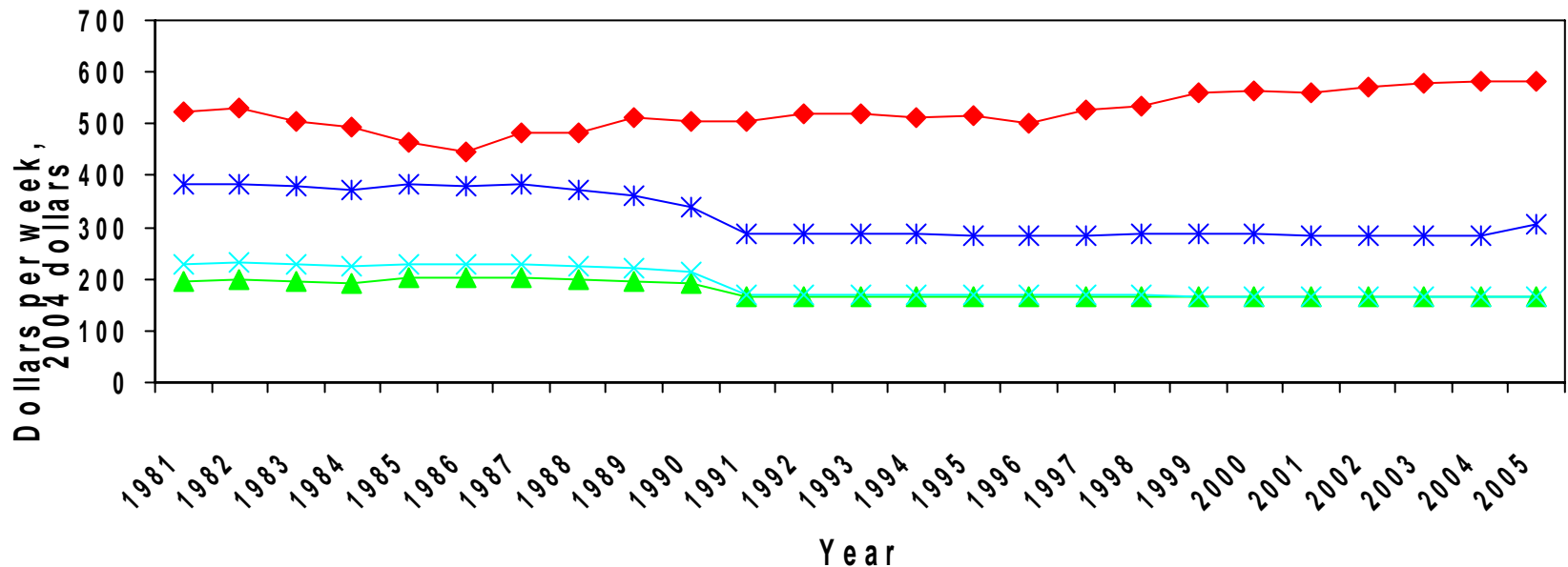
# Overall income inequality

Ratio of the 80th percentile of equivalised disposable household income to the 20th percentile of equivalised disposable household income, 1988–1998, 2001 and 2004



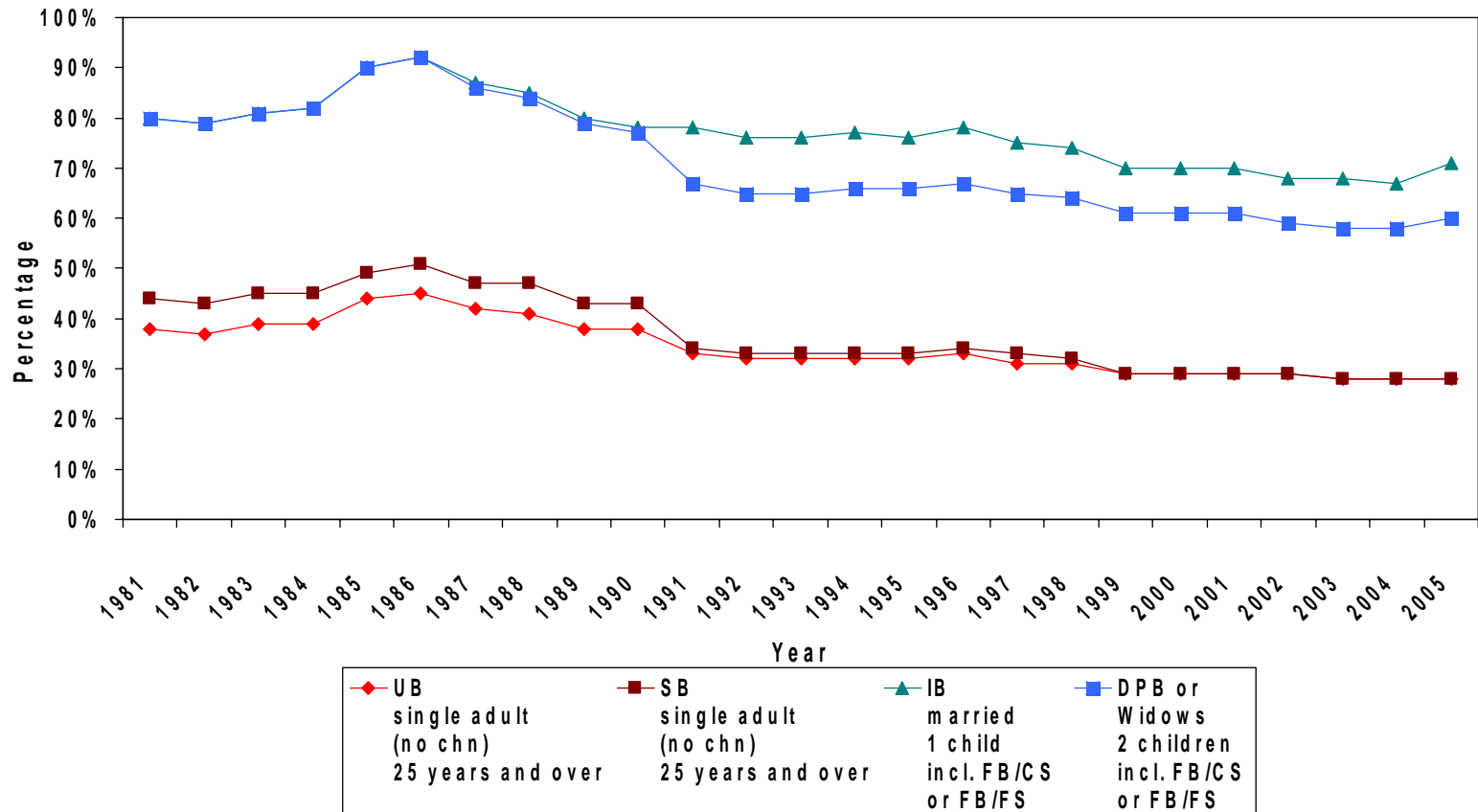
# The relationship between wages and benefits - part one

Real net benefit rates and real net average wage rates, 1981 to 2005



# The relationship between wages and benefits - part two

Real net benefit rates as a percentage of real net average wages



# Conclusion

- 1988 Royal Commission on Social Policy defined the following ‘standard of living’ for beneficiaries as a measure of a fair society
  - “maintenance of a standard of living sufficient to ensure that everybody can participate and have a sense of belonging”
- Why have beneficiaries not shared in the economic recovery?