

NEW ZEALAND BUSINESS ROUNDTABLE

SUBMISSION ON THE PUBLIC DISCUSSION DOCUMENT

***TOWARDS A CODE OF SOCIAL AND FAMILY
RESPONSIBILITY***

MAY 1998

1 OVERVIEW

1.1 This submission on the public discussion document *Towards a Code of Social and Family Responsibility* (the discussion document) is presented by the New Zealand Business Roundtable (NZBR). The purpose of the organisation is to contribute to the development of sound public policies that reflect overall New Zealand interests.

1.2 The discussion document highlights certain disquieting aspects of New Zealand society including the following:

- a high and growing rate of dependency on welfare benefits among working-age people. Over 19 percent of adults of working age and 30 percent of children are dependent on income from benefits or ACC payments;¹
- a high level of families at risk. Research from the Christchurch Health and Development Survey suggests that around 1 in 20 families are trapped in a cycle of disadvantage.² Haveman and Wolfe report that children of poor families appear to find unrewarding the traditional norms of hard work, creativity, diligence, organisation, stability and loyalty;³
- high levels of sole parenthood. One-parent families now account for 28 percent of all families with children. Growing up in a sole parent or step parent family or experiencing a parent separation or divorce have been found to have a negative effect on the educational attainment of children;⁴
- disturbing rates of child abuse and neglect, births to teenage mothers and offending by young people; and
- low levels of educational achievement of many children.

¹ Cox, James (1998), *Towards Personal Independence and Prosperity: Income Support for Persons of Working Age in New Zealand*, New Zealand Business Roundtable, Wellington.

² Families experiencing persistent and multiple disadvantage which is likely to be transmitted to the next generation are described as being in a cycle of disadvantage.

³ Haveman, Robert and Barbara Wolfe (1995), "The Determinants of Children's Attainments: A Review of Methods and Findings", *Journal of Economic Literature*, XXXIII(4), pp 1829-1978.

⁴ *Ibid.*

The discussion document invites New Zealanders to focus on whether developments such as these might be addressed, at least in part, if the government were to clarify the responsibilities of individuals and families, take certain steps to influence personal behaviour and adopt better public policies.

- 1.3 Adverse social trends should be of concern to all New Zealanders. We welcome the government's initiative to promote public debate on them. However, we do not think that the government should implement, by legislation or otherwise, a code of social responsibility along the lines proposed in the discussion document and applying to all citizens. Such a code would extend beyond the government's proper role. On the other hand, it is desirable for the government to make its requirements of beneficiaries explicit as a condition of receiving assistance from other members of the community.
- 1.4 Individuals, families and voluntary agencies are best placed to address many social problems. Church and other private institutions should provide leadership on moral issues. Individuals and private organisations should be encouraged to play a larger role in addressing social problems. The business sector should observe high ethical standards and help promote community values, and people can be encouraged to engage in philanthropy to the extent that their circumstances allow.
- 1.5 The balance of this submission is presented in three sections. The next section (section 2) emphasises the need to strengthen civil society if social concerns are to be addressed on a sustainable basis. Section 3 comments on reactions to the discussion document. Our conclusions are presented in section 4.

2 STRENGTHENING CIVIL SOCIETY

- 2.1 In a study prepared for the Business Roundtable, David Green argued that the welfare policies adopted by successive governments from the late nineteenth century are the real cause of many current social problems in New Zealand.⁵ According to Green, "Welfare programmes have tended to impair human

⁵ David G Green (1996), *From Welfare State to Civil Society: Towards Welfare that Works in New Zealand*, New Zealand Business Roundtable, Wellington.

character, above all because they have undermined the older ethos of 'community without politics'." Moreover, "instead of appealing to people's strengths, social security systems pander to their weaknesses."

2.2 Green concluded that there is a need to take the following steps:

- to begin the de-politicisation of law making. This step is aimed at confining the state to its proper role;
- to restore a sense of personal responsibility and to rehabilitate virtue in its best sense; and
- to restore tasks to civil society. Governments should, first, step back to create the space for a renewal of public but not political action; and, second, refrain from actions which undermine personal responsibility, the family and voluntary associations.

2.3 Consistent with Green's analysis, we think that many social problems need to be addressed by individuals and by institutions other than the government. Individuals, families and voluntary organisations such as private welfare agencies and churches comprise civil society. Individuals and voluntary organisations are usually better placed to judge the real needs of people, to encourage people to return to independence and to strengthen the character of individuals. They have been progressively crowded out by government action.

2.4 The responsibility for setting moral standards should primarily rest with civil society. As noted below, the government should generally focus on the protection of individuals from involuntary harm caused by others. For that reason we agree with Mikkelsen's observation that:

... the code puts the government at the centre of social and moral life. Although ostensibly it seeks to encourage responsibility and independence from government, in fact it sends the message that we must answer to the government, not ourselves, for our moral strengths and weaknesses.⁶

The government should resist the temptation to overreach itself in yet another area (the setting of moral standards, which extends well beyond the limited

⁶ Mikkelsen, Andrew (1998), "Proposed Social Code Could Herald a New Type of Abuse", *National Business Review*, 6 March.

role of the government) even if civil institutions perform their role poorly. Instead it should encourage the latter to improve their performance. It could, for instance, ask the churches and other organisations to adopt the approach advocated by Father Robert Sirico of the Acton Institute:

... the way to go is [for the churches] to say 'we will revitalise our moral institutions by engaging this question. We are better qualified to morally challenge people with regard to raising their children or marital fidelity or responsible procreation.'⁷

2.5 It is appropriate, however, for the government to specify what is required of those on benefits who are supported by the rest of the community, to promote reasonable behaviour by beneficiaries and, where feasible, to encourage beneficiaries to achieve independence as soon as possible. New Zealand places fewer obligations on beneficiaries than some other countries such as Australia, and as a consequence has a higher level of welfare dependency.⁸ Beneficiaries should, for instance, be required to make a genuine effort to find a job and there should be explicit penalties, such as the payment of a lower rate of benefit, for those who do not do so. Beneficiaries need to be informed about their obligations, but this amounts to more than the code proposed in the discussion document. The introduction of personal contracts has been a feature of some of the recent US welfare reforms. The specification of the obligations of beneficiaries with the objective of reducing welfare dependency was the original aim of the code of social responsibility that was announced in the 1997 budget. It should be reinstated.

2.6 The discussion document raises the possibility that the code could lead to laws which, for instance, impose expectations on people that are ill-defined and inconsistent with the legal philosophy that underpinned our law, at least until recently. An example is the suggested expectation that people will take responsibility for developing the skills and knowledge they need to help them get a job, or take on a new job. The English law that we inherited was based on the principle that people can do whatever is not expressly forbidden. Immoral conduct which was not illegal had consequences, whether financial, reputational, social, health or otherwise, but there was a realm of conduct into which the state should not intrude. The state can require or forbid certain activities and punish offenders, but it cannot make people 'good'. The range

⁷ Sirico, Robert (1998), "For the Sake of Virtue and Aesthetics: Privatise Charity and Art", *National Business Review*, 1 April.

⁸ Cox, *op. cit.*

of things expressly forbidden was largely to be confined to protecting non-volunteers and those unable to judge for themselves, because of mental disability or age, from tangible harm. It was not a justification for law that the conduct complained of might upset neighbours or offend princes or priests. This approach was a hard-won and magnificent achievement of the English-speaking world. Many of the proposals raised in the discussion document are inconsistent with it and the principles of liberty.

- 2.7 There are many areas of government policy which should be reviewed with the objective of advancing the aims of the discussion document. Government policies often encourage behaviour and outcomes which are inconsistent with the goals implied in the discussion document. For instance, poorly structured welfare programmes discourage work effort, saving and the acceptance of personal responsibility. Private providers of education wishing to promote religious or other values face substantial impediments in competing with state providers. Some policies relating to marriage and youth offending affect family breakdown and juvenile crime respectively. The public provision of health services and inappropriate regulation of health professionals may impede the effective supply of health services and information to families at risk. Finally, high taxes required to fund an over-extended government sector reduce the scope for philanthropy.
- 2.8 In a free society individuals should be permitted to choose their lifestyle and to defy convention provided that other people are not harmed. The government may have a role in making information available on the risks of certain lifestyles to encourage informed decisions where it has information that is not otherwise available and the benefits of its dissemination outweigh the costs involved. However, people who defy established patterns of conduct cannot, with any logical consistency, demand that their lifestyles be supported by taxes imposed on people whose values they reject. In such cases people who are required to pay are not being treated as equally entitled to live their own lifestyle; rather they are expected to support their way of life as well as that of other people who disagree with them and may well hold them in contempt.
- 2.9 Recent experimentation with lone parenthood illustrates this problem. Individuals who choose such lifestyles should do so at their own expense and risk and, to that end, should not be shielded completely from the

consequences of their actions. Among the advantages of experimentation is the discovery of lifestyles which are viable, economically or otherwise. Moreover, experimentation allows lifestyles to evolve over time. If a particular lifestyle proves not to be self-sustaining, that lesson is worth learning. Tax-funded subsidies, however, conceal the discovery of non-viable lifestyles and diminish the capacity of society to learn from its experiences. The extent of the growth of lone parenthood has only been possible because the government has provided welfare assistance which supports it.

- 2.10 There is a risk that those aspects of desirable behaviour that are spelled out in the code may come to be regarded as more meritorious than equally important aspects that are not. We think it would be impossible to spell out clearly and precisely, let alone legislate, all aspects of behaviour that are important to a well-functioning society. Furthermore, the granting of wide powers to public officials to interfere with families on the grounds that they are not meeting some ill-defined standard is undesirable.

3 COMMENT ON REACTIONS TO THE DISCUSSION DOCUMENT

- 3.1 The discussion document has been criticised for what we regard as less valid reasons by many spokespeople for welfare organisations, churches, political parties and other commentators. The key criticisms appear to reflect the following views:

- a concern that a code of social responsibility would lead to lower benefits and/or greater obligations for beneficiaries. The discussion document does not address the level of benefits. This should be a quite separate debate. However, New Zealand and international research supports the finding that the higher the level of benefits relative to wages, the greater the level of welfare dependency (other things being equal). Welfare agencies have persistently downplayed the link between the level of benefits and eligibility rules on the one hand, and the rate of welfare dependency on the other;
- a view that the code would see beneficiaries being blamed for their dependency. The New Zealand Federation of Voluntary Organisations, for instance, argues that the expectations contained in the code are "cleverly worded making it difficult to disagree with them". It is

concerned, however, that the government will "blame individuals and beneficiaries in particular for their shortcomings, because its economic and social policies have failed to ensure general well-being."⁹

A decent society should be willing to provide a safety net for those in need through no fault of their own, after other means of support have been exhausted. But as Green notes, the claiming of victim status has become a popular strategy for winning political support for measures which go well beyond a basic state safety net and which confer advantages on one group at the expense of others. Victim status undermines the self-respect of affected people. It is inconsistent with the view that beneficiaries and other people respond to the incentives that they face. Welfare dependency is encouraged by high replacement ratios, lenient eligibility conditions and community values which are tolerant of welfare dependency. The last point may well reflect the fact that welfare dependency has become far more common since the 1970s; and

- The view that New Zealand's economic reforms are responsible for many adverse social trends. This claim is also untrue. Many of the trends that are of concern, such as growth in family breakdown and dependency on the domestic purposes benefit, emerged well before 1984. Moreover, the question that needs to be asked is what economic conditions would have been like had the reforms not been implemented. While economic performance has fallen well short of the country's potential – and the government can rightly be held accountable for not moving more vigorously to improve it – recent economic policies are not the primary cause of New Zealand's social problems, as the Catholic Church wrongly suggests.¹⁰ Moreover, church and welfare groups are prominent among those organisations that have consistently opposed the implementation of many proven economic strategies that would enhance economic performance.

3.2 Confusion over the role of individuals, families and other private organisations underlies much reaction to the discussion document. The executive director of the YWCA, commenting on the rejection of the code by

⁹ "Say 'No' to Code", *Newsletter of the New Zealand Federation of Voluntary Welfare Organisations*, No. 98, March.

¹⁰ See Morris, Cyprian and Ewart, Peter (1998), *Open Letter to Catholics and All People of Aotearoa New Zealand*, New Zealand Catholic Bishops Conference and Congregational Leaders Conference of Aotearoa New Zealand, Wellington.

53 community and welfare organisations, stated that:

One of the major concerns ... was that the questionnaire that has been devised by the government is all about individual responsibility but not about social responsibility. Now to put it in Christian terms ... we were advised to love our neighbours as ourselves. But loving ourselves is the individual responsibility side of that and that's what the questionnaire is all about but the loving our neighbours is not there at all and *we put the government into place to help us provide public health systems and public welfare systems so that we can indeed love our neighbours* (emphasis added).¹¹

The Christian injunction to love one's neighbour calls for personal involvement as illustrated in the parable of the good Samaritan. Furthermore, much of the discussion document addresses the issue of collective responsibility by asking 'what can we all do' to address particular issues. More generally, the proposition that responsibilities to people other than family members cannot, or will not, be fulfilled other than by government action is mistaken.

- 3.3 The Labour party has also criticised the discussion document. Its claims that the document "is a bizarre initiative without precedent in the modern, western world" and that "New Zealanders no longer have a meaningful welfare state" are not credible. The Labour party suggests that an expansion of government services in the areas of housing, education, employment, safety, CYPFS, income support, health and retirement is required. It argues that "It is the job of the welfare state to ensure that there are opportunities for people to reach their potential. ... In other words, the welfare state would not just look after people when things go wrong."
- 3.4 If more government services were the answer to New Zealand's social problems, we would have seen fewer social problems since the 1960s as government spending has expanded rapidly since then. Instead we observe rising government spending and increasing social problems. Much research suggests that higher government spending has often done little to alleviate social problems and may have made many of them worse. There is a legitimate debate to be had over the proper form of government social policies, but this does not detract from the equally legitimate case for debate over non-government responsibilities, which are the focus of the proposed

¹¹ Wood, Marion (1998), "Morning Report", Radio New Zealand, 13 March.

code.

- 3.5 One reason why the discussion document has been criticised by some groups may be its inadequate presentation and the process that has been followed. The problem that the government seeks to address is poorly defined in the discussion document, and the analysis and arguments presented in it are of inconsistent quality. In these circumstances it is perhaps not surprising that some respondents should suspect that the government is pursuing a hidden agenda. The government could examine whether an independent review should be undertaken to provide a sound foundation for further development of the ideas behind the proposed code.

4 CONCLUDING COMMENTS

- 4.1 In our view the following steps should be taken in seeking to progress the matters raised in the discussion document:

- the government should specify obligations for beneficiaries as a condition for the receipt of benefits. This was the original aim of the code;
- the idea that a code of social responsibility along the lines outlined in the discussion document should apply to all citizens should be dropped. It extends beyond the proper role of the government;
- the responsibility for setting moral standards should primarily rest with civil society;
- the government should encourage individuals, and private institutions and organisations, to play a more active role in addressing the social concerns that gave rise to the discussion document;
- government policies, particularly in the areas of welfare, justice and education, should be reviewed with the objective of advancing the aims of the discussion document; and
- the government could examine whether an independent review should be undertaken to provide a sound foundation for further development of the ideas behind the proposed code.

