

Working Group on
Welfare Reform in New Zealand,
9-10 June 2010



***Welfare Reform
in New Zealand:
An OECD overview***

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www.oecd.org/els

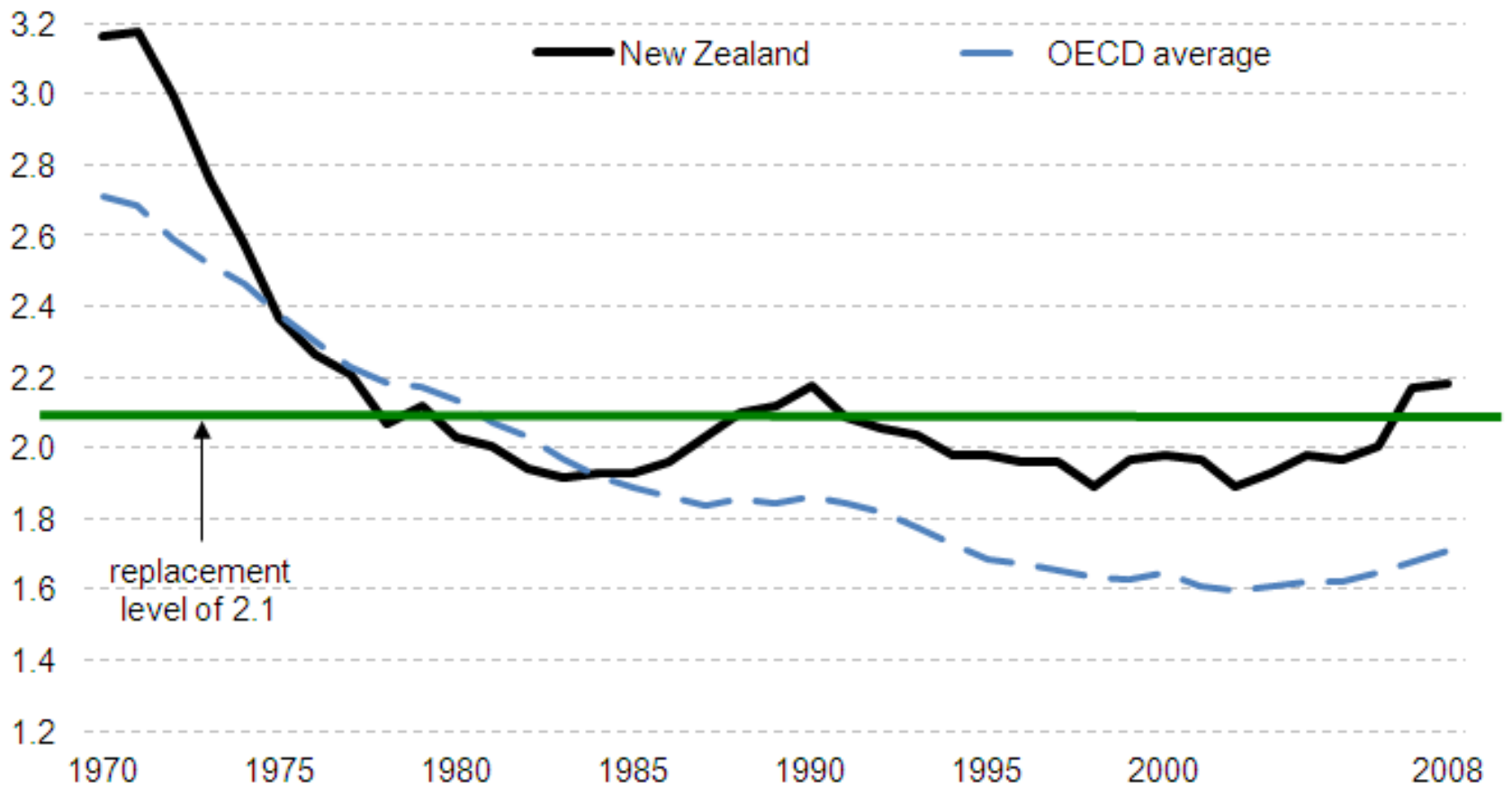
What will be discussed?

- OECD-comparative summary of NZ demographics, social outcomes, and social policy
- Main welfare policy issues arising
- Building on past reforms

NZ versus the OECD: Comparative summary

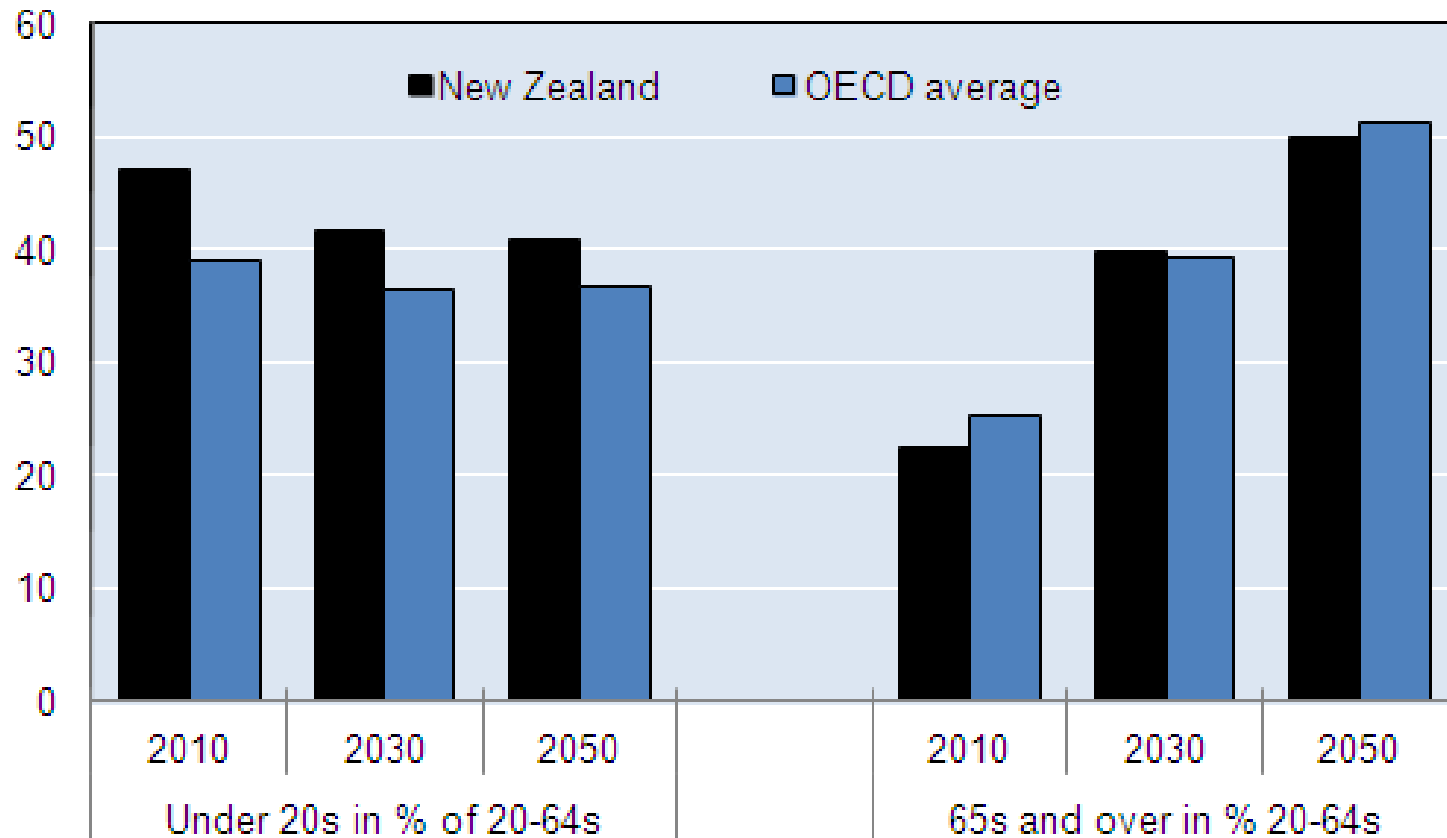
- (1) Higher fertility, younger age structure
- (2) High sole parent numbers
- (3) Low unemployment/high employment
- (4) Average welfare and health spending
- (5) Low pension spending
- (6) High child poverty and material deprivation
- (7) Low incapacity benefit receipt, growth rapid
- (8) High sole parent benefit receipt

New Zealand has the OECD's highest fertility rate



Source: Society at a Glance: OECD Social Indicators, via www.oecd.org/els/social/indicators/SAG

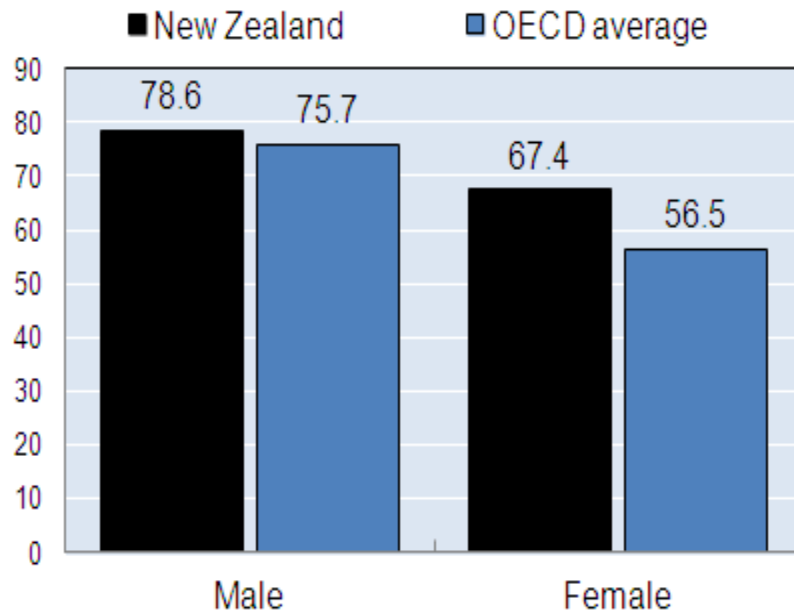
New Zealand is a young country compared to the rest of the OECD



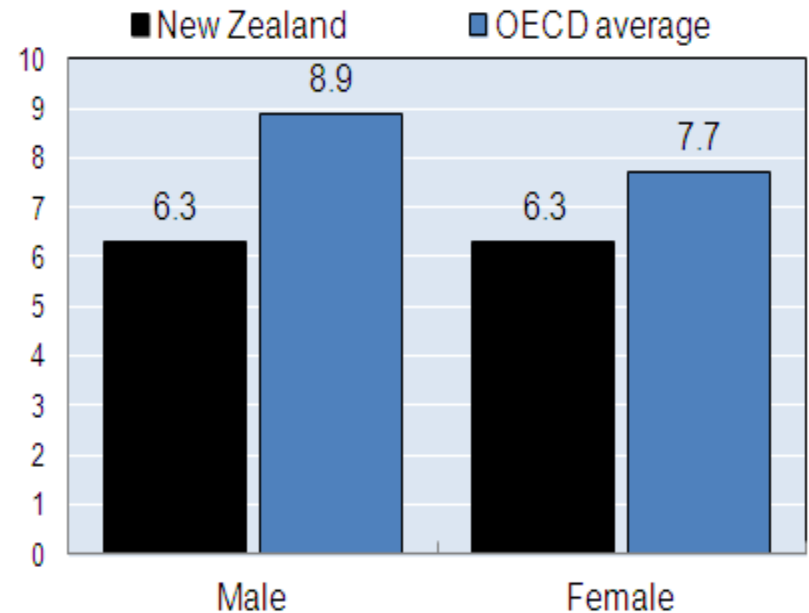
Source: *Society at a Glance: OECD Social Indicators*, via www.oecd.org/els/social/indicators/SAG

New Zealand has high employment and low unemployment compared to OECD averages

Employment rate in % working-age population, in 2009

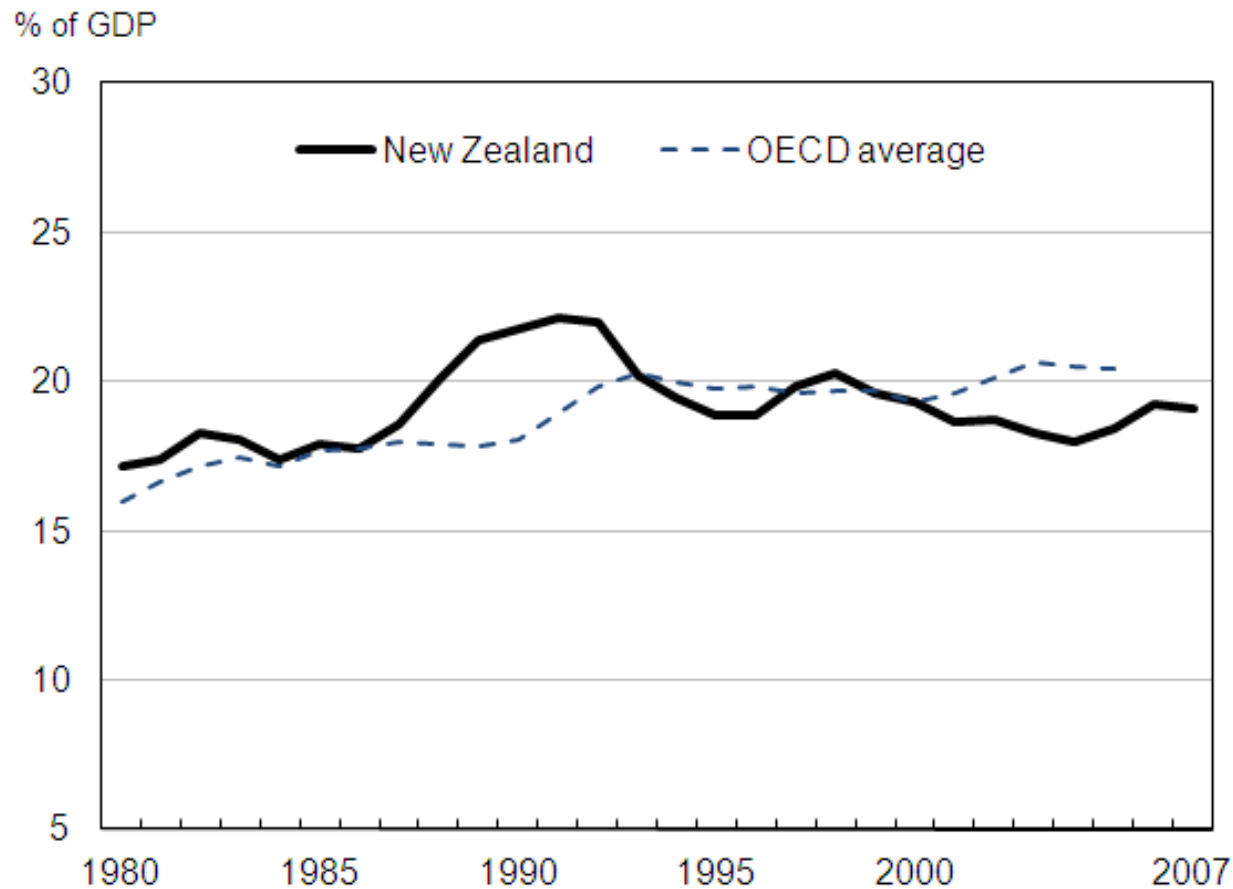


Unemployment rate in % labour force, in 2009



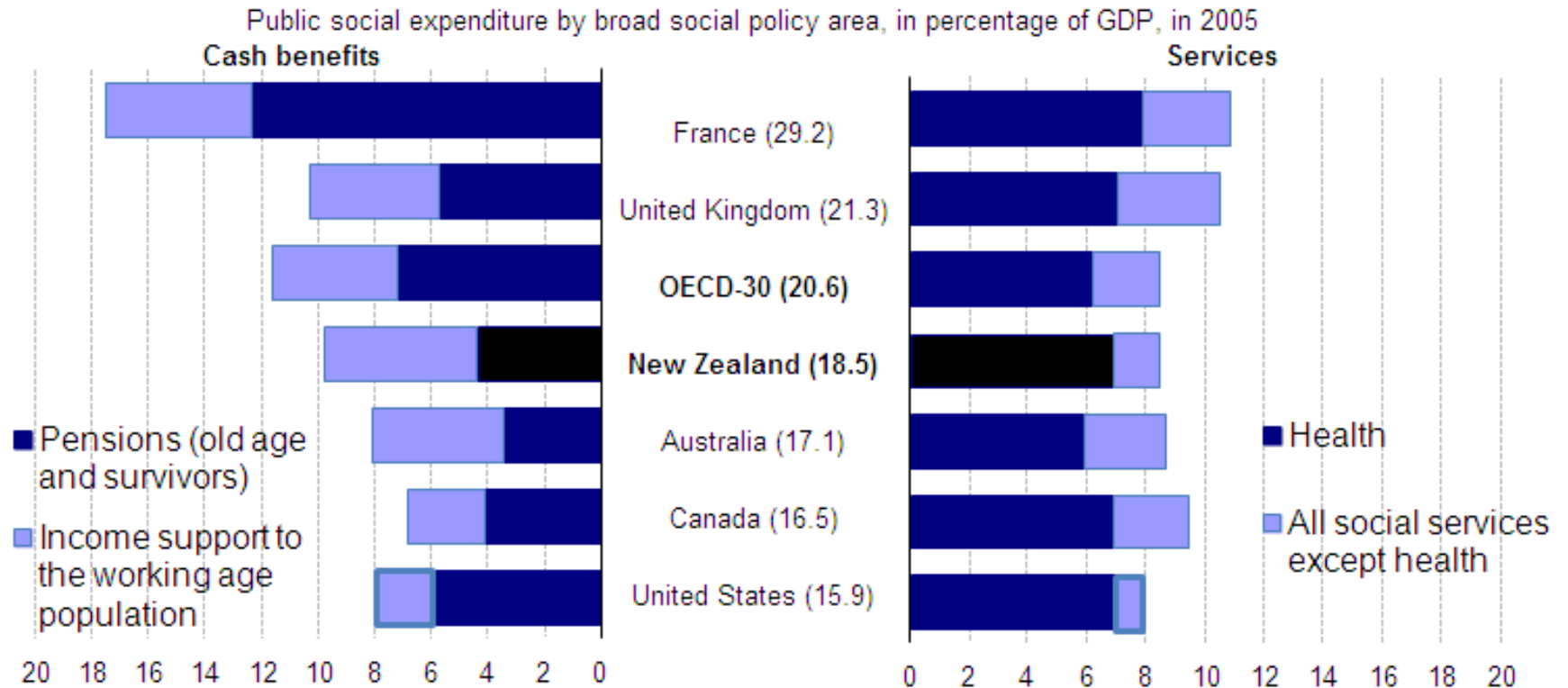
Source: OECD Labour Force Statistics, via www.oecd.org/els/employment/data

New Zealand's social spending is slightly less than the OECD average



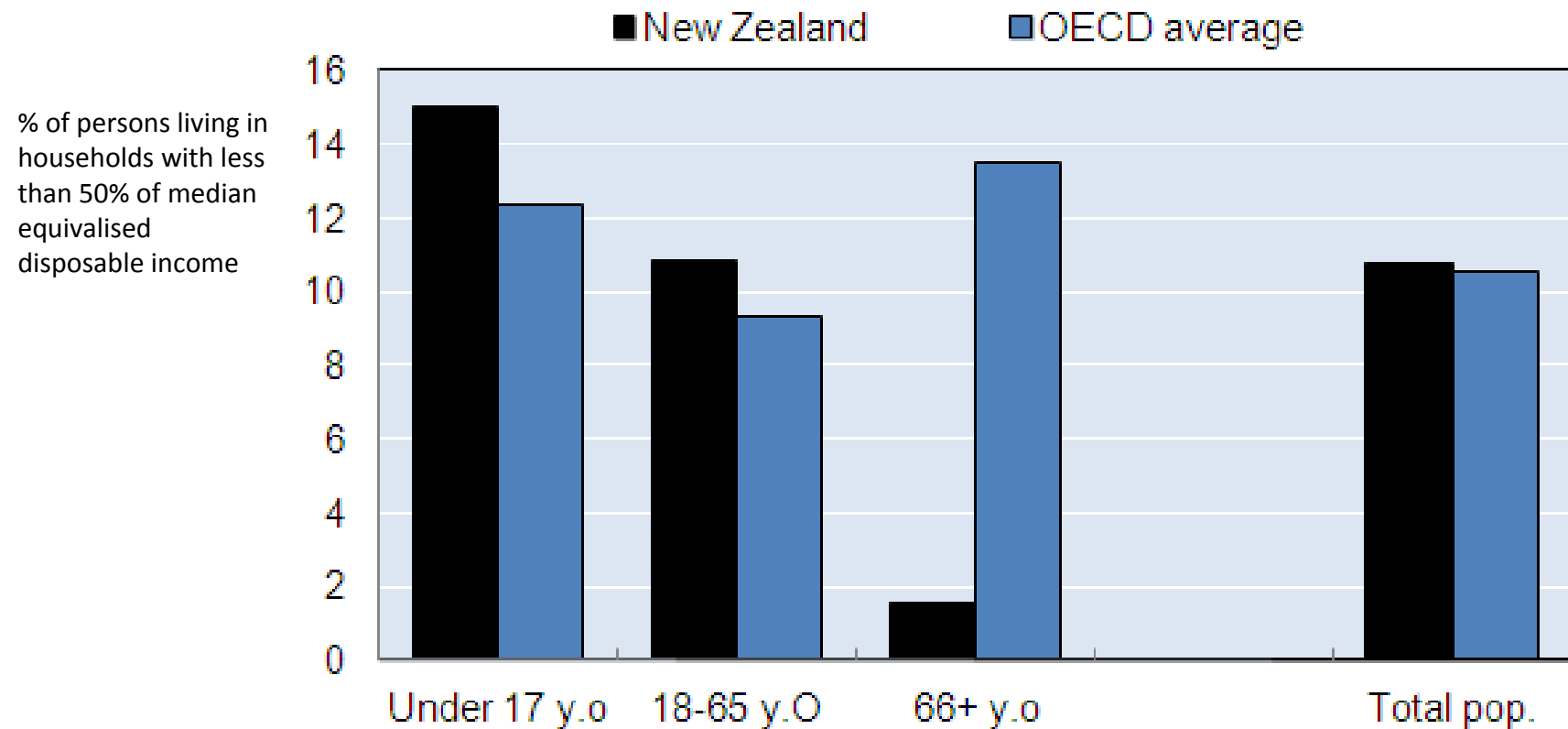
Source: OECD database on Social Expenditure (SOCX), via www.oecd.org/els/social/expenditure

Most spending in New Zealand is on health and income support, not pensions



Source: OECD database on Social Expenditure (SOCX), via www.oecd.org/els/social/expenditure

New Zealand has high child poverty and very low pensioner poverty compared to the OECD



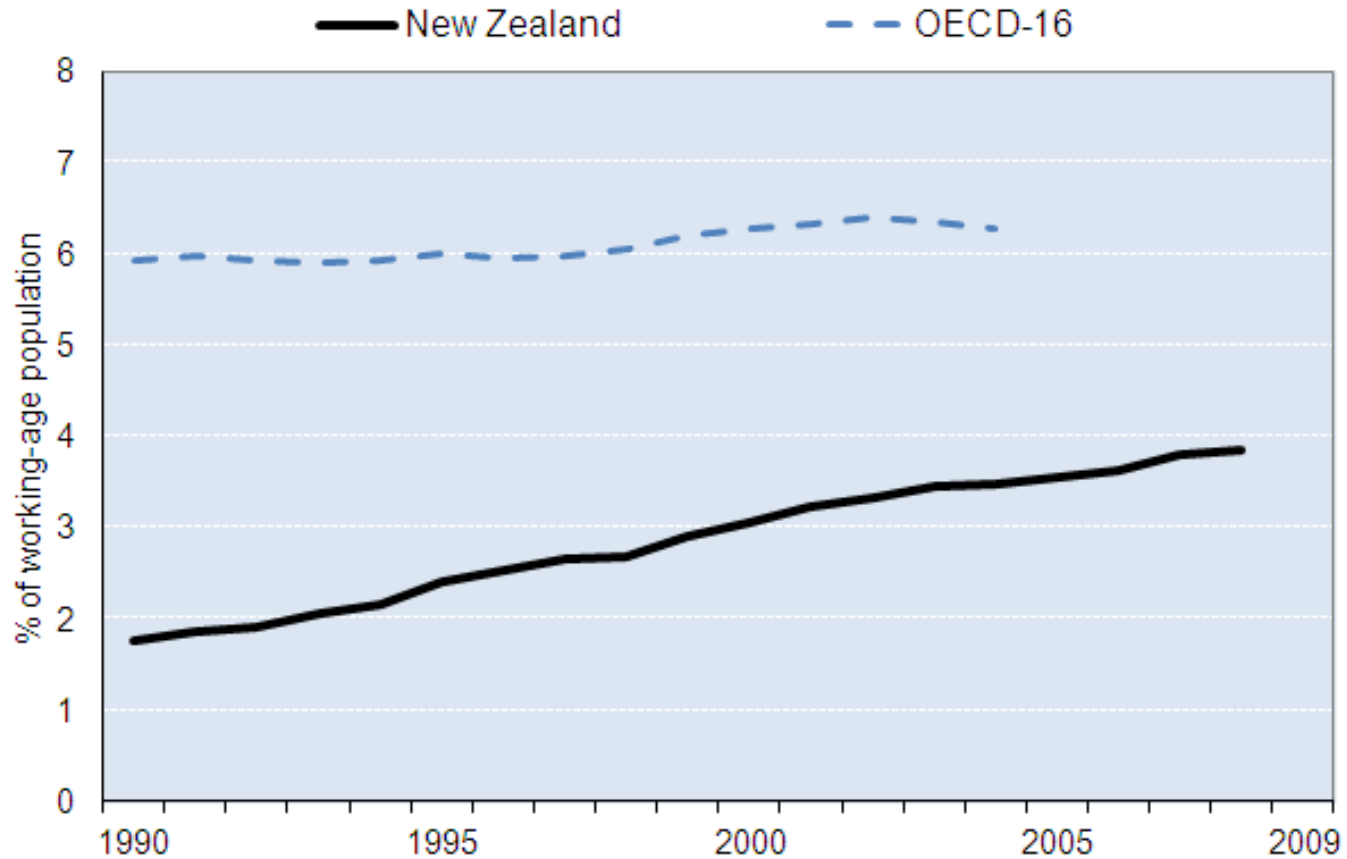
Source: OECD (2008) *Growing Unequal*, via www.oecd.org/els/social/inequality

Poverty and material deprivation

- (1) Poverty of older NZers rises considerably using a 60% median
- (2) But material deprivation of older NZers rises modestly from 4% to 6% with an equivalent higher deprivation threshold
- (3) Older NZers have Swedish material deprivation - 5th best out of 27 countries in a 2008 EU comparison
- (4) NZ children have Italian material deprivation - 18th out of 27
- (5) NZ's gap between deprivation of children and of older people is largest out of 27 countries

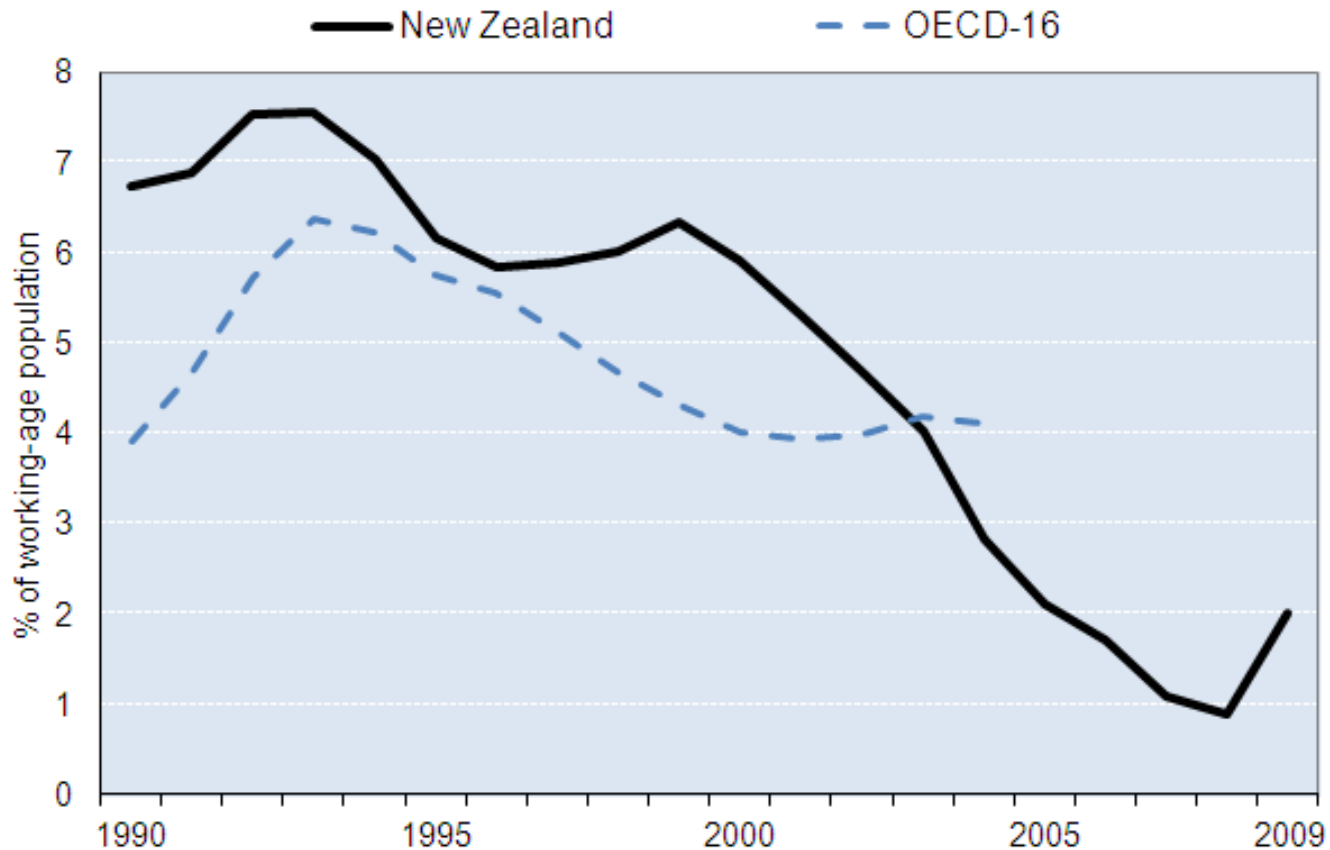
Incapacity benefit receipt low, but rising fast

Sickness & invalid's benefit



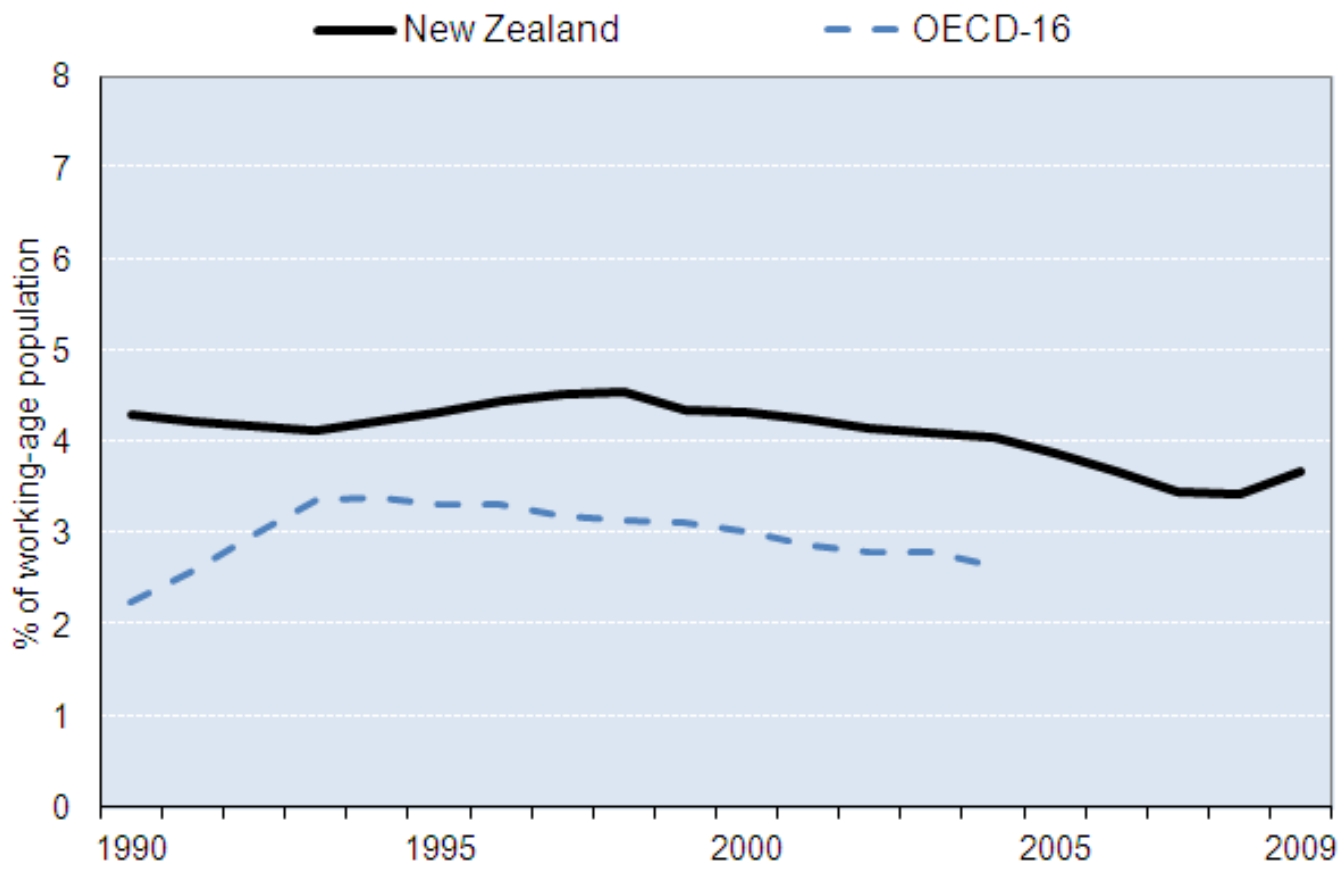
Source: OECD database on Social Benefit Recipients.

Unemployment benefit receipt below the OECD average



Source: OECD database on Social Benefit Recipients.

Sole parent benefit receipt above the OECD average



Source: OECD database on Social Benefit Recipients.

Main welfare policy issues

- (1) Rapid incapacity benefit growth
- (2) High sole parent benefit numbers
- (3) High child poverty
- (4) A child support system not alleviating poverty in sole parent families
- (5) High effective marginal tax rates for low to middle income earners with children
- (6) Substantial complexity - many income-tested benefits, with variable abatement rates and thresholds

A need to build on past reforms

- (1) High effective marginal tax rates remain despite recent 2010 tax cuts
- (2) Working for Families 2006 has not reduced high child poverty
- (3) An integrated approach to reviewing tax-benefit systems would pay dividends
- (4) Lessons to be learned from universality, simplicity and effectiveness of NZ Super
- (5) Low child poverty countries (Nordics, France) spend more universally on children