



THE PUBLIC FINANCE DEBATES:

“It’s time...New Zealand adopted a social insurance approach to welfare”

Proposer:

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Social insurance

- Government-sponsored
 - Parameters defined by statute
- Risk pooling
- Contributions from defined population
 - Separate from general taxation
 - Explicit accounting



Welfare characteristics

“The majority of what the welfare state as a whole does is in fact this kind of **redistribution across people’s life cycles** rather than between people on a lifetime basis (Falkingham and Hills, 1995).


Titmuss (1955) once described the public finances as being like **Crewe junction, with traffic (transfers) in many directions**, rather than like a simple terminus with one-way one-dimensional flows from rich to poor.... “



National Insurance in the UK

“...There is thus much to be said for a system that conveys this idea. Given the imperfection of [National Insurance as true Social Insurance], this is close to saying that the system is a myth, but **a useful myth for the population to believe in.**”

Hills J (2004) *Heading for Retirement? National Insurance, State Pensions, and the future of the Contributory Principle in the UK* Journal of Social Policy 33



Attachment to contributory principle across the political spectrum

“Maybe it’s just because I’m a Conservative that I’m inclined towards reforming the contributory principle rather than abolishing it.”

Conservative Spokesman for Work and Pensions (2004)

“Most people want to see a bit of redistribution but they want to see themselves as having some rights as well and in a rough and ready way National Insurance is, I think, appealing to basic beliefs about social justice.”

TUC evidence to Select Committee (1999)

Quoted in PPI (2005) Seminar 3 in *Shaping a Stable Pensions Solution* programme



Social insurance for welfare?

1. Yes – there is value, even “mythical”, from introducing a new separate system
2. Yes – as we can design to acceptable cost of administration