



## Setting the Standard Social Democracy and the Healthcare System in New Zealand

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The New Zealand Labour Party (NZLP) was formed in 1916 by a coming together of various socialist parties and trade unions. It did not achieve power until 1935, and held office for its longest term at that time through to the late 1940s. It has always been strongest in the urban areas and its early leaders were of migrant stock (Australian, Scottish, English).

While the Party had its roots in the labor movement and even to this day has affiliated blue-collar unions, it forged an alliance with the indigenous Maori people of New Zealand in 1936 (an alliance that has mostly lasted the test of time), and it has increasingly become a social democratic rather than a specifically “labor” or “democratic socialist” party as it came to rely on women, the young, liberal urban professionals, and public sector workers for electoral success.

This trend was reinforced by the introduction of proportional representation in 1996 modelled on

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the German system of Mixed-Member Proportional (the biggest electoral change since universal suffrage was provided to women in 1893 and seats set aside for Maori in 1867). This electoral innovation completed the movement of the NZLP from a broad-spectrum left-of-center party to one closer to the center with the Greens to its left and the conservative National Party mirroring it to the right-of-center.

The First Labour Government entered office in 1935 headed by Michael Joseph Savage, a miner, laborer and trade unionist of Australian stock. He and his colleagues are seen as architects of the foundations of the modern welfare state, including the healthcare system. The party campaigned for the introduction of the Social Security Act in 1938 which provided, for the first time in New Zealand and possibly the world, comprehensive social security support, including unemployment, pensions, child benefits—along with university healthcare which provided free hospital care, doctors' visits, medications, and other health benefits. This was paid for by an increase in income tax.

The key features of the New Zealand healthcare system are free care in public hospitals, subsidized care for access to family doctors who deal with 90% of medical encounters and control referral to hospitals, and subsidized care for access to specialists. There is also a universal school dental service staffed by non-graduate dental therapists founded in the 1920s, and a comprehensive injury care, rehabilitation and compensation system that grew out of workers' compensation in the 1970s and is funded by a levy on workers and employers. Finally, New Zealand established a drug subsidy agency in 1993 that negotiates with pharmaceutical companies and has

managed to reduce prices to half their normal market level. Most New Zealanders pay a nominal sum for medications dispensed by pharmacists.

It should be noted that many of these innovations were introduced “across party lines.” Thus, the school dental service was introduced in the 1920s by conservative parties, but has stood the test of time under different partisan governments. The injury system—called Accident Compensation—was founded following a commission of inquiry under a conservative government, but founded in 1974 under the Third Labour Government, led by Norman Kirk (the first New Zealand-born NZLP leader).

Finally, the drug subsidy agency (PHARMAC) was introduced under a conservative government, but maintains support from “both sides” of politics, in part because of the enormous savings it makes.

There are two areas where a social democratic government makes a real difference—maintaining the funding base for the healthcare system so that it remains universal in coverage rather than being privatized by degrees, and instituting preventive, public health initiatives that are opposed by the relevant industries that produce harmful outcomes and products (tobacco, alcohol, food, beverage, and also environmental effects, for example from farming and other activities).

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Image: [www.who.int](http://www.who.int)





Image: borgenproject.org

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For example, in 1999 the National Government opened up the injury system to private insurers, a move that was reversed when the Fifth Labour Government came to power that year. While superficially an attractive prospect, private insurance was going to cost much more and the criteria they applied to avoid payments was going to lead to a steady decline in benefits. Similarly, the National Government of 2008-2017 steadily, but subtly, ran down the health system such that the incoming Labour/New Zealand First coalition government in 2017 had to inject large amounts of funds into the system to prevent its erosion. The NZLP has also opposed tax write-offs for private insurance cover. Again, a superficially attractive initiative, however it benefits the more affluent and requires subsidization from the taxpayer to maintain its viability (this has been the Australian experience).

The picture on preventive, public health policy is more mixed. In 1990, the last year of the Fourth Labour Government, the Minister of Health, Helen Clark, introduced the Smoke-free Environment Act which protected employees and public spaces from smoking. This was not repealed or weakened by

the incoming conservative government. All tobacco sponsorship was also bought out and banned. The Fifth Labour Government led by Helen Clark introduced nutrition and other initiatives in schools, but not much has been done to tackle the issue of obesity, against industry opposition and possibly a lack of public support. Similarly, with environmental hazards and climate change, the current NZLP government led by Jacinda Ardern, has moved slowly as it tries to bring public opinion with it against opposition from industrial interests and the National Party.

What are the lessons? Some factors are specific to the New Zealand experience. For example, the Great Depression of the 1930s provided the radical fuel for a major initiative such as the Social Security Act of 1938. That said, many of these features of the welfare state are now advocated by technocratic organizations such as the World Bank. No country can now do without a version of unemployment insurance and pension schemes, and the concept of universal health coverage is accepted around the world. Thus, initiatives that were seen as radical in the 1930s have

become basic building blocks of modern, well-governed societies, although they can still meet major opposition. More important is establishing the long-term sustainability of these systems, with funding that has wide public support and that is seen to be efficient, fair, and sufficient. The fundamental fairness of the universal principle in healthcare can be accepted by almost all social groups, regardless of cultural background. However, maintaining these systems against tax-cutting conservative governments is harder. For example, the incoming NZLP/New Zealand First government of 2017 had to commit to reversing the tax cuts promised by the previous National Government in order to protect basic public services.

In New Zealand, healthcare has proved to be part of the menu of policies that the public expects of a social democratic government, along with education, jobs, and other public services. Conservative governments also pay lip service to these features of a modern, civilized society, but actually work to erode and undermine them in subtle ways. Harder to advance has been the public health agenda, since here one can come up against public opinion as well as major industrial vested interests.

It has been estimated that 80% of health status advance comes, not from healthcare, but from the broader policy mix one expects of a social democratic government; namely, good education, a higher standard of living, urban sanitation, housing access, and public health. So, yes, progressives should advance the cause of universal healthcare, but they should also see it as part of a broader social democratic agenda that one comes to expect of a modern, civilized and caring society. 📍

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