Social Policy and Inequality in Australia and New Zealand: Proceedings of Joint Conference with the New Zealand Planning Council, Wellington, New Zealand 10-11 November 1988

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edited by

Peter Saunders and Adam Jamrozik

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FOREWORD

The economic and social structures of Australia and New Zealand have always shared many common features. Both have been strong trading nations, relying on agriculture and other primary produce, as well as raw materials and minerals as a source of export earnings. Both have retained strong economic and political ties to the United Kingdom. Both have indigenous people struggling to maintain their political and cultural identity in societies where the mainstream has followed trends in Britain and, to a lesser extent, North America. Finally, both have a similar demographic structure, but one that is strikingly different from most European countries, being characterised by a population comprising more younger people and far fewer elderly people than their European counterparts.

Events in Australia and New Zealand in the eighties have further strengthened the perception of similarity in the experience of both countries. With Labor Governments elected to office in the first half of the decade, both faced a similar immediate economic problem of how to confront a loss of traditional export markets in an international economy far more open to competitive forces than in earlier decades. Trade protection of the agricultural and other key sectors - the traditional response in both countries - appeared no longer to be a feasible option either economically or politically. In the event, the new governments adopted broadly similar economic strategies characterised by deregulation, fiscal restraint and public sector reform. These policies have not been pursued at no cost to social policy, and in both countries there has been considerable disquiet at the possibility that social justice has been the victim of policies driven by the dictates of economic rationalism. The papers in this Report represent the beginning of an attempt to assess the extent to which this has been the case. A fuller account will need to wait several more years, although it will hopefully be prepared in due course.

These broad similarities suggested that there was much to be gained for both countries from a careful study of the policies and experiences of the other. This was the motivation that led to the organisation of the seminar whose proceedings are contained in this Report. As Director of the Social Welfare Research Centre, I had the opportunity to visit Wellington, New Zealand to speak at a Conference on Income and Wealth Distribution in New Zealand in August 1987. During my visit, I discussed the idea of a follow-up seminar with Peter Rankin and Judith Davey from the New Zealand Planning Council, and the broad structure of the seminar was finalised in early 1988.

In selecting a theme for the seminar, we decided to concentrate on one which extended the earlier Wellington Conference, but which also embraced broader social policy issues. We also wished for a balance between material that would be comparative in nature, and other material that focused on specific social policy concerns in each country. I hope that this Report is testimony to the success with which both objectives were achieved.

I would like to take this opportunity to express appreciation on behalf of the Social Welfare Research Centre to all of our colleagues in New Zealand whose efforts ensured the success of our first trans-Tasman venture. I would like to thank in particular Peter Rankin, Judith Davey and Michelle Boag of the New Zealand Planning Council for their assistance with organisation of the seminar, and all those whose participation helped to ensure its success.

Peter Saunders
Director
Social Welfare Research Centre

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INTRODUCTION AND WELCOME

Peter Rankin
Director
New Zealand Planning Council

Welcome.

On behalf of the Planning Council, *Te Kaunihera Whakakaupapa mo Aotearoa*, I welcome all of you. Some of you came to a seminar we held last year on Income Distribution. I welcome you back to this seminar which broadens the focus to social policy and to an even wider range of difficult challenges.

At last year's seminar we had a number of overseas visitors - including some Australians who had some surprisingly useful and relevant things to say. So this year our seminar is really a joint venture with the Australian Social Welfare Research Centre and I welcome particularly our Australian colleagues.

I also want to extend a warm welcome to Dr Michael Cullen, who was originally invited to speak in his capacity as Minister of Social Welfare. Now we can welcome him in an additional role. Dr Cullen has recently been appointed as a member of the Planning Council and I'm particularly pleased to welcome him to this first public occasion in that role.

Tena koutou katoa
naumai haeremai
Haeremai ki ta tatou hui
Nga hoa nga hoa mahi,
naumai haeremai,
Nga hoa o tawahi, nga kangaroos
Naumai haeremai ki kiwi land:
Haeremai kia korererero whakaaro
Kia pai ai ta tatou haere
i te huuarahi kei mua i a tatou
Ehara, i te huarahi ngawari
engari...
ma te aroha pea, ka taea.
Na reira, naumai haeremai
tatou katoa.

I say we have a difficult road because we are in the midst of extraordinary pervasive changes. Some of them are changes in our society and in the world context which had been going on since the 1950s which we seem to have tried to ignore or push away for a long time - and now they have caught up with us and we are having to cope with them in a rush.

Some of the changes are part of that rush to adapt - changes we are making to catch up after a long period of non-adjustment.

The result is an agglomeration of changes which is very confusing - and the debate around them can be very confusing.

Let's remember in that confusion that the responses of different individuals and communities range across a wide spectrum.

At one end there are those who react well to change, and starved of it for a long time, enjoy it and revel in change so much that they forget to question the direction of change and whether it is leading us where we want to go.

Others prefer stability and find change so disturbing that they want to reject it and return to no change - forgetting the direction that was leading us.

For example, I hear many people talking now as though increasing unemployment and inequity is a new experience brought on by the changes of the 1980s. But the growth in unemployment and inequality has been developing inexorably since the 1960s. If we could go back, how far back would we have to go to find what we want.

Similarly some of those who have argued for change seem to have a blind faith that now that we've got it, change will automatically take us where we want to go, that full employment and a just society are just around the bend. I don't believe that - I think we do have to accept change but not passively - we have to accept the challenge of managing change and using it to achieve our objectives for social policy.

Some of my colleagues tease me with being an incurable optimist because I tend to concentrate on the positives of what's ahead. But to me that's the only realistic thing to do. It's like rafting down the Motu. If you're spinning around in an eddy or being tossed around in whitewater, there's not a lot to be gained either by staying twirling round in the eddy or by swearing at how you got to be in the whitewater. The only useful thing to do is to figure out how to use the twist and the toss to point yourself in the direction you want to go.

That's what I hope we can concentrate on at this seminar. The context of our discussion on social policy certainly has plenty of whirlpools and whitewater. Let's hang onto our objectives and direction; let's have an open mind about how to reach them, and see if we can figure out the routes, mechanisms, processes that are effective for reaching them in the 1990s.

I can promise you a stimulating two days. Let's see if we can make them constructive.

Kia ora tatou katoa.

OPENING ADDRESS

The Honourable Dr Michael Cullen
Minister of Social Welfare
New Zealand Government

I was delighted to receive the invitation to give the opening address at this seminar on social policy and inequality.

The topic that you will be considering for the next two days is one which draws on two distinct areas in which I have a professional interest - both as the Minister of Social Welfare in a reforming government, and as a social historian.

That it makes sense to have a joint seminar on social policy in Australia and New Zealand is no accident. Out two countries have similar social and political traditions, and share a largely common origin in the modern era - although citizens on both sides of the Tasman like to maintain a jocular rivalry on certain points of national identity. The nature of our social welfare systems, too, has developed along remarkably similar lines.

Viewing our two systems in isolation, in our particular corner of the south-west Pacific, it is often easier to focus on the points of difference that successive governments have formulated. The similarities are striking, however, when one compares the systems that our two nations have put in place with the welfare systems of Western Europe of North America.

The close correspondence in the social and political makeup of our two nations, and in the economic conditions experienced, lead to a similar range of problems and issues being faced in our two countries. The social policy responses being considered on each side of the Tasman can at times also reflect a striking identity.

However, this is not a speech about diplomatic entente, or CER, and I do not wish to spend all my time talking about Trans-Tasman comparisons. Nor would I wish to compare the relative success rates of each government, because that is something I am expecting this seminar to do. Instead I would like to offer you some perspective on the nature of the social policy problems we face.

In New Zealand the first major period of social policy reform took place in the late 19th Century. The first steps towards the development of the modern welfare state were instituted in the old age pension legislation of 1898. Behind this legislation lay a growing social problem - the ageing of large numbers of settlers who had migrated into New Zealand during the immigration boom of the 1860s and 1870s. After the long economic depressions of the 1880s and early 1890s, many among these first generation settlers were facing severe hardship. The elderly who could no longer work were the first group whose needs for income support to alleviate the distress of poverty were recognised by government, as legitimate beneficiaries of state support.

Those in retirement are still today the principal recipients of social security assistance. Income support provision for those groups experiencing poverty and hardship were next expanded significantly by the incoming Labour Government of the 1930s. The structure of welfare benefits established in the Social Security Act of 1938 still remains the basis for income support measures today. The new welfare state, in addition to boosting payment levels for benefits and pensions, also made wider and more generous provision for the support of children through Family Benefit. It put a major emphasis on access to free or subsidised provisions for health, education and housing. Importantly, it was also the era in which full access to social security benefits was extended to the Maori people.

Compared with what had preceded it, and even by international standards, the people of New Zealand experienced several decades of egalitarian prosperity and economic security through to the 1970s. The social assumptions underlying the formation of the welfare state in the 1930s were of a male breadwinner supporting an economically dependent wife and children. Care of the young, and of the dependent elderly, was very much seen as the responsibility of women at home, with full, male employment. While there are undoubtedly significant groups within society today who would argue that this is still a desirable model, it is much less true of the overall social pattern.

The social and economic factors that must be addressed by governments and social policy planners today are very different from those which faced the architects of the two earlier waves of social reform in New Zealand. The economic position of women has altered substantially. Most women now work in the cash economy for the largest part

of their adult lives. We are also moving into a situation where the majority of married women with dependent children are in the paid workforce. As a consequence, the majority of two parent households have much higher cash incomes, with a greater demand for child care.

At the same time, there has been a rapid growth of single parent households. These now represent close to a fifth of all households with children. Most of these households are headed by women, and many are dependent on social welfare benefits for their livelihood. Many of these single parents and their children are disadvantaged on a wide range of measures, and have difficulty re-entering the economic and social mainstream.

A second group which has experienced significant problems are low income families with children. These are mostly - but not entirely - one income households where child care responsibilities make it difficult or impractical for the second adult to get paid employment. This group was one of the main targets for the government's Family Support and Guaranteed Family Income schemes.

Tax and income transfer policies alone are not the only measures which can be utilised by government to ensure that all citizens receive an adequate income, and to redress unacceptable levels of inequality. Some of the more serious and socially damaging aspects of inequality relate to issues largely outside the sphere of income maintenance.

One very clear example of this is the stream of poorly educated and socially disadvantaged youth who come out of our school system and seem to be on a conveyor belt which is carrying them into long term unemployment. They simply lack the skills for employment - and very often also for life management - which are needed in a modern society. Providing a basic income level to this group is, on its own, not enough. Measures which include education and training and community development are needed to assist this group, as well as reforms in the income maintenance system such as the Youth Support Scheme which comes into effect next year.

Among the economic and social factors which must be addressed by governments and social policy planners today is the recognition that public perceptions of need, and of the legitimacy of the state's role in income support, have also shifted significantly. Social cohesion, and the existence of a broad 'middle ground' of public opinion on social policy directions, appears more fragile in the 1980s than in previous decades.

Resentment of beneficiaries as 'undeserving' or as 'idle bludgers' is a long-standing undercurrent of social attitudes. The unemployed and sole parents especially have been stigmatised in this way - despite the fact that social security for these groups has been part of the structure of the welfare state since its foundation in the 1930s. Interestingly, the later additions to the social welfare system of universal benefits for the elderly and children have been much more readily accepted, despite the fact that these items are a far greater burden on the public purse.

The Royal Commission on Social Policy recommended several major extensions of the state's commitment to income maintenance, notably through the proposal for a new 'carer's benefit' to be paid to women caring for dependent children or the elderly. At the same time, other voices have questioned whether existing levels of social security provision are too generous.

Let me quote you the following editorial from the Marlborough Express:

> *Are we becoming a race of beneficiaries?*
>
> *Statistics show that New Zealand is fast becoming a handout state in which growing numbers rely on social welfare for their existence.*
>
> *If the situation gets much worse, the country could find itself bankrupted by a social system that believes in paying people to do nothing.*

Rising unemployment has clearly created additional strains on the social consensus that holds our welfare system in place. New Zealand is far from alone in learning to cope with high levels of unemployment. It is an unpleasant experience that we share with all OECD nations. Opinion polls consistently show that New Zealanders are deeply concerned about unemployment. Nevertheless, it is saddening that some people would still prefer to blame those individuals who have the misfortune to lose their job, using the time-honoured labels of laziness and choosing to live off the state.

Some of these attacks on welfare recipients have been unscrupulously presented as pseudo-statistical analysis. Recently I was intrigued to read in my morning newspaper that a firm of professional economic consultants known as Infometrics had calculated that a single person with an income near the minimum wage would earn only $9.00 per week more than the dole. These professional economic consultants cited the statutory minimum wage as $185.75 for a single adult. They quoted the unemployment benefit that a single adult would receive as $9.00 less than that - $176.52. Curiously, the actual level of the unemployment benefit that is paid out by my department is $134.02 a week for a single adult aged 20 or older. That is $42.50 less than the amount Infometrics claim a beneficiary receives, and $51.73 less than the statutory minimum wage figure cited by the firm.

These economists went on to assert that a solo parent with 2 children will 'reap' $19.00 a week more in benefit than the Guaranteed Minimum Family Income would ensure them as a member of the workforce. They neglected to add that a solo parent could only 'reap' this weekly income if they had a part-time job on top of their benefit paying $80 a week, had declared this additional income at the wrong tax rate, and were receiving more in Family Support payments than they were legally entitled to.

This kind of shoddy attempt to stigmatise welfare recipients as undeserving, and living in luxury at someone else's expense is, regrettably, only too readily accepted by the public at large. In fact, the editorial from the Marlborough Express which I referred to earlier in my address went on to quote approvingly the very same claims made by Infometrics as proof of the country's problems. The spread of nonsense of this kind is one more reason why I am delighted to be able to open today's seminar proceedings.

New Zealand clearly needs informed and thorough study of the workings of our social security system, and the effects of our social policies. We need the findings of such study to be readily available and easily understood.

Governments cannot govern in a vacuum. Nor, in spite of the recent controversy over tax advertisements, can they control public debate and discussion of policy issues. But it is extremely helpful to good government if the policy debate that occurs is rational and informed, and not fed entirely by prejudice and social divisions.

May I wish this seminar every success in its proceedings. I look forward to receiving its conclusions.

INCOME INEQUALITY AND REDISTRIBUTION IN AUSTRALIA AND NEW ZEALAND: AN INTERNATIONAL COMPARATIVE ANALYSIS*

Peter Saunders,✦ Garry Hobbes✦ and Helen Stott✧

1. INTRODUCTION

Both Australia and New Zealand have traditionally been regarded as egalitarian nations when compared with other similar countries. Although the statistical evidence to support this is surprisingly slim, the view has persisted throughout much of this century. It has also contributed to an unwarranted complacency in social policy in both countries as well as an undeserved egalitarian respect from others. This situation is, however, beginning to change as a consequence of two developments. The first relates to increased concern within both countries in the last decade that inequality is increasing. With high and sustained levels of unemployment, poverty has re-emerged as a major social policy issue here as it has in the rest of the Western industrialised world. In Australia and New Zealand, these concerns have been further reinforced by the uncertainties and social disruptions caused by a process of rapid and fundamental change in the structure of both economies. Increased occupational and locational vulnerability has been an obvious consequence of structural adjustment policies. Accompanying these trends has been the perception of increased inequality in both income and wealth which is manifested in the upper tail of the distributions. Here again, some part of this trend probably reflects broader economic developments, but these have been reinforced by tax policies in both countries that have lowered income tax rates on high income groups and continued to tax wealth and capital gains lightly, if at all.

The second development is that recent research, for Australia at least, that has begun to question the view that the degree of inequality is in fact lower than elsewhere. In a recent comparative analysis of income inequality in Australia and six other countries Saunders and Hobbes (1988) concluded as follows:

> *Thus, earlier research which placed Australia high on the international league table of income equality is not confirmed by these results. Although Australia ranks in the middle in terms of inequality at the bottom of the income distribution, it emerges on the basis of some indicators as a country characterised by considerable inequality at higher income levels.* (Saunders and Hobbes, 1988, p.19)

The aim of the current paper is to extend the analysis undertaken by Saunders and Hobbes to include New Zealand in order that its income distribution can also be evaluated on a comparative basis. As will become apparent, considerable effort and care has been taken to ensure that the data on which the analysis is based are, as far as is practically possible, comparable across countries.

Previous comparative work on income distribution has relied on published data and thus been constrained by the fact that such data, having been produced for national purposes and thus using national definitions and concepts, has not been ideal for comparisons between countries. Such research has, however, pointed to both Australia and New Zealand as exhibiting a greater degree of income equality than other advanced economies. Lydall's analysis of the distribution of employment incomes in twenty five countries led him to conclude as follows:

> *The broad picture seems, then, to be that, amongst non-communist countries, the degree of dispersion of pre-tax employment income is related roughly to the degree of economic*

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* The views expressed in this paper are not those of the institutions with which the authors are associated.

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✧ Department of Statistics, New Zealand.

> *development, although Australia and New Zealand are exceptionally equal on this criterion.* (Lydall, 1968, p. 157)

Similarly, Sawyer's famous comparative study published by the OECD showed the Australian income distribution to be more equal than in many other OECD countries (Sawyer, 1976). This conclusion has, however, been questioned subsequently by several authors who have raised doubts about the quality of the Australian data used in Sawyer's study (Stark, 1977; Ingles, 1981). Drawing on these studies Easton - while clearly aware of the deficiencies in the data and the implied need to treat the results with caution - concludes that in the mid-seventies, the income distribution in New Zealand was more equal than in other advanced countries (Easton, 1980, 1983).

Income distribution analysis in both Australia and New Zealand has been greatly facilitated in recent years as better quality data have been produced by the relevant national statistical agencies. In Australia, the Australian Bureau of Statistics (ABS) is now conducting a regular income distribution survey and making the results available in both published form and through the public release of a unit record tape based on the survey. In New Zealand, the Department of Statistics has since 1973 been conducting and publishing the results of its annual Household Expenditure and Income Survey. In both countries, these and related data have been used to investigate many important aspects of income distribution and redistribution, as evidenced in the recent ABS Study on **The Effects of Government Benefits and Taxes on Household Income** (ABS, 1987) and, in New Zealand, the New Zealand Planning Council study **For Richer or Poorer. Income and Wealth in New Zealand** (New Zealand Planning Council, 1988).

The following analysis utilises data for Australia from the **1981-82 Income and Housing Survey** and for New Zealand from the **1981-82 Household Expenditure and Income Survey** to analyse aspects of income distribution and redistribution in both countries within a comparative framework that incorporates similar analysis for six other countries. The comparative framework used is that developed over the last five years as part of the Luxembourg Income Study, which is described briefly in the following section. Section 3 canvasses some of the methodological issues addressed in the research, while the results are presented and analysed in Section 4. Finally, Section 5 draws together the main conclusions from the analysis.

2. THE LUXEMBOURG INCOME STUDY

Following both concern over the lack of comparable income survey data and a dramatic increase in interest in income distribution by researchers and policy analysts, the Luxembourg Income Study (LIS) began under the sponsorship of the government of Luxembourg in 1983. The purpose of the LIS project was to gather in one central location, the Centre for the Study of Population, Poverty and Public Policy (CEPS) in Walferdange, Luxembourg, sophisticated microdata sets which contain comprehensive measures of income and economic well-being for a set of modern industrialised welfare states. Over the following two years, microdata sets were gathered in Luxembourg for seven countries participating in the project - Canada, Germany, Israel, Norway, Sweden, the United Kingdom and the United States. On the basis of these data sets, around 1980 was selected as the initial period for the LIS project, with all countries providing data as near to this date as possible. New data sets are currently being assembled in Luxembourg, using 1985-86 as the preferred year for the second stage of the LIS project.

Once the data sets were assembled in Luxembourg, they were reorganised with the advice of country coordinators so as to conform wherever possible to the standardised LIS definitions, concepts and structures. This does not mean that every item on every data set is rendered comparable. What it does mean, however, is that if a particular LIS variable is available for country A it should be comparable to the same variable on any other country file. While it has not proved possible to create a complete set of common variables, each represented on every file, it has been possible to ensure that the basic variables required for distributional analysis such as factor income, market income, gross income, net income and equivalent income are defined to common standards.

Analysis to date of the data from the original seven countries in the LIS project has included comparative aspects of poverty, income distribution and redistribution, the economic status of the elderly, children and one parent families, and the costs of children and equivalence scales (Smeeding et al., 1985; O'Higgins, Schmaus and Stephenson, 1985; Hedstrom and Ringen, 1987; Hauser and Fischer, 1985; Smeeding, Torrey and Rein, 1987; Buhmann, Rainwater, Schmaus and Smeeding, 1988; Smeeding, 1988). Twenty two Working Papers have been released by the LIS project, the first batch of which are about to be published in book form. A second volume is in preparation for release in early

1990, focusing on a comparative analysis of the redistributive consequences of cash and non-cash income provisions in eight countries.

Within the last two years, the scope of the LIS project has begun to expand rapidly. Under the sponsorship of the ABS and the Social Welfare Research Centre, Australia formally joined the project in 1987. Other countries now involved include Denmark, Finland, France, Luxembourg, the Netherlands and Switzerland, while further expansion to include Hungary, Italy, Japan and Poland is in the planning stage. Table 1 summarises the existing LIS data bases for the six countries that will be discussed in this paper. (The original LIS research on income distribution also included Israel although they have not been included in this analysis.) Also shown in Table 1 are the Australian and New Zealand data sets employed in the following analysis.

The four basic LIS cash income concepts are factor income, market income, gross income and net (or disposable) income. Factor income is defined as the sum of wages and salaries, self employment income, and cash property income. Market income is derived by adding employment-related (occupational) pensions to factor income. Gross income is equal to the sum of market income, public cash benefits, private transfers (e.g. alimony and child support) and other cash income. Finally, net or disposable cash income is derived by deducting personal income tax and mandatory employee (and self employed) social insurance contributions from gross income.

The three basic income unit definitions conventionally used in income distribution analysis are the household, the family and the individual. In seeking to achieve exact comparability, constraints have been imposed by the way in which some of the data sets have been structured. The New Zealand and German data sets, for example, are based on a household concept and cannot be disaggregated into family subcomponents or sub-units. Furthermore, those data sets based on the family unit do not always employ the same definition of the family. These differences are not, however, of great significance; even the New Zealand and German household definitions produce relatively few multiple family households. The basic income unit used is thus the family, defined to include individual adults or couples, with or without children. As will become apparent, while the family unit is employed in the analysis to correspond to the unit where income is assumed to be pooled, the individual is also used as the unit when measuring and describing the income distribution.

3. METHODOLOGICAL ISSUES

The methodology adopted in this paper relies heavily on the LIS analysis of income distribution and redistribution already undertaken by O'Higgins, Schmaus and Stephenson (1985). We have attempted to reproduce for Australia and New Zealand their original comparative analysis which covered six countries. This has involved reorganising the Australian and New Zealand data to conform to the standardised LIS definitions and reproduce as closely as possible the analysis undertaken by O'Higgins et al. for Canada, Germany, Norway, Sweden, the United Kingdom and the United States. The data reorganisation and analysis has been undertaken for Australia and New Zealand, respectively, by the Social Welfare Research Centre and the New Zealand Department of Statistics. While this approach has the great advantage that the framework for analysis is already in place, it is constrained to reproduce the analysis for which the original researchers have published results. A more detailed and extended analysis must await both Australia and New Zealand making their data tapes available to the LIS project. (It is worth noting, however, that the analysis is currently being repeated for Australia and New Zealand using data for 1985-86.)

It was necessary to estimate income tax liabilities for both Australia and New Zealand as these were not available on either data tape. In both cases, difficulties were encountered in estimating eligibility for deductions and rebates. For Australia, tax rebates were allocated to eligible families on a randomised basis to reflect the overall pattern of rebate receipts indicated in the published Taxation Statistics for 1981-82. For New Zealand, tax was estimated using the Simulation System for Evaluating Taxation (ASSET) model developed by the Department of Statistics. For both countries, subsequent comparisons with the published tax return statistics indicated that the tax imputation models were not a major source of error. (More details are provided in the Appendix to Saunders and Hobbes (1988) for Australia, and in Broad (1982) for New Zealand.)

TABLE 1: AN OVERVIEW OF LIS DATASETS

Country	Dataset Name, Income Year (and Size)(a)	Population Coverage(b)	Basis of Household Sampling Frame(c)
Australia	**Income and Housing Survey 1981-82** (17,000)	97.5(e)	Quinquennial Census
Canada	**Survey of Consumer Finances, 1981** (37,900)	97.5(e)	Decennial Census
Germany	**Transfer Survey, 1979**(d) (2,800)	91.5(f)	Electoral Register and Census
New Zealand	**Household Expenditure and Income Survey, 1981-82** (3,500)	94.8(e)	Quinquennial Census
Norway	**Norwegian Tax Files, 1979** (10,400)	98.5(e)	Tax Records
Sweden	**Swedish Income Distribution Survey, 1981** (9,600)	98.0(e)	Population Register
United Kingdom	**Family Expenditure Survey,**(d) **1979** (6,800)	96.5(g)	Electoral Register
United States	**Current Population Survey, 1979,** (65,000)	97.5(e)	Decennial Census

Notes:

(a) Dataset size is the number of actual units surveyed.

(b) As a percent of total national population.

(c) Sampling frame indicates the overall base from which the relevant household population sample was drawn. The actual sample may be drawn on a stratified probability basis, e.g., by area or age.

(d) The United Kingdom and German surveys collect subannual income data which is normalised to annual income levels.

(e) Excludes institutionalised and homeless populations. In some countries, some far northern rural residents (Intuits, Eskimos, Lapps, etc.) may be undersampled.

(f) Excludes foreign-born heads of households, the institutionalised, and the homeless.

(g) Excludes those not on the electoral register, the homeless, and the institutionalised.

The basic income
relates to the family or income unit as a whole, the question arises of what adjustments are required to derive a measure of equivalent income that takes account of differences in family size. The use of country-specific equivalence scales was rejected by the LIS researchers on the grounds that they would obscure the extent to which differences in the distributions of equivalent income were simply a reflection of the equivalence scales used. Thus, a common set of equivalence scales was used which allocated a value of 0.5 to the first individual in any unit, a value of 0.25 for each individual from the second to the ninth (so that a nine-person unit has an equivalence factor of 2.5), and a value of 3.0 to all units with ten or more members. It is worth emphasising that the use of this equivalence scale will induce biases into the results if, in fact, it is more appropriate to give children a lower weight in the scale than adults. Thus, for example, if income unit size increases primarily because of the presence of extra children rather than extra adults, use of the chosen scale will tend to overstate the 'true' equivalence factor for larger sized income units and thus understate the 'true' equivalent income of these income units.

The use of equivalence scales reflects the fact that income units are of different size. There remains the question of how different sized income units should be weighted when measuring income inequality, a point initially addressed by Danziger and Taussig (1979). Atkinson (1983) has noted that there are three possible weightings for an income unit comprised of N members. They can be weighted as one unit, or as N units, or as N* equivalent adults (where N* relates to the equivalence scale discussed earlier). Furthermore, the total income of the income unit can be assumed to be received by the income unit as a whole, or divided equally among each of the income unit members, or divided among each equivalent adult within the income unit. This leaves nine ways in which the income distribution can be described, depending on which combination is selected of the three different choices of income unit weighting procedures and the three choices of income received.

Of the nine possibilities canvassed by Atkinson, O'Higgins et al. rejected those that treat the family as N* equivalent units, on the grounds that equivalent individuals do not exist, even though families or individuals have an equivalent income. They preferred two of the remaining six possibilities, the distribution of family income among families, and the distribution of equivalent income among individuals. The first of these has the advantage that it has been used in the past in most analyses of income distribution and thus allows comparisons with other research to be undertaken. The second measure has the advantage that individuals, rather than income units, are given equal weight in characterising the distribution, thus implicitly giving increased emphasis to larger families, i.e. giving more weight to children, when describing the distribution.

There remains, finally, the issue of the basis on which income units are ranked in order to derive measures of inequality. The normal procedure here, if the family is taken as the unit, is to rank families by total family income. This has the disadvantage that, for example, the bottom quintile of the distribution relates to the bottom fifth of **families**; it may contain more (or less) than the bottom fifth of the population of **individuals**. This problem can be avoided by ranking on the basis of family income, but defining the quintile boundaries on the basis of individuals. Thus the bottom quintile would be those twenty per cent of individuals living in income units with the lowest family incomes. This latter procedure has been used when describing the distribution of equivalent income, i.e. families are ranked on the basis of family equivalent income, but the quintiles are defined so that each contains one fifth of individuals, ranked according to the equivalent incomes of the families to which they belong.

4. EMPIRICAL RESULTS

4.1 Income Sources

Table 2 shows, for each country, the relative importance of each income source and direct taxes by measuring each as a percentage of average gross income. This table reflects the overall income and fiscal structure of each country and indicates the importance of the market and fiscal sectors in determining the overall structure of income inequality. In Australia, Canada and the United States, factor income (and as a consequence market income, given the low levels of occupational pensions) accounts for over 88 per cent of gross income. In New Zealand factor income accounts for 86 per cent of gross income, followed by 84 per cent in Norway, about 80 per cent in Germany and the United Kingdom and 71 per cent for Sweden. Within factor income, Australia has the highest percentage of non-wage and salary income, well above all other countries except Germany and New Zealand. Market income thus plays a major role in shaping the overall income distribution in all countries, but particularly in Australia, Canada, New Zealand and the

United States. Government cash transfers account for less than 10 per cent of gross income in Australia, Canada and the United States, and just over 12 per cent in New Zealand. At the other extreme lies Sweden, where transfers amount to more than 29 per cent of gross income. In between is a mixed group of countries, comprising Germany, Norway and the United Kingdom where transfers amount to between 14 and 17 per cent of gross income. It is already clear from this analysis of income structure that a significant difference emerges between European and non-European countries, although New Zealand and Norway have similar gross income structures.

The importance of government transfers is a guide to the significance of income tax and employee social security contributions in the income structure, although this is also dependent on the overall tax structure in each country. Together, these direct taxes account for about 15 per cent of gross income in Canada and the United Kingdom, around 20 per cent in Australia, Germany and the United States, 25 per cent in New Zealand and Norway, and close to 30 per cent in Sweden. New Zealand's income tax share is very high, exceeded only by Sweden. It reflects the importance of income tax in the overall tax structure in New Zealand in the early eighties. Australia's income tax share is also high, particularly given its low level of government cash transfers, again a reflection of the tax structure. Taken together, government cash benefits and direct taxes as a percentage of gross income indicate the potential impact that government income maintenance and direct tax policies may have on the distribution of income. In addition, the significance of wages and salaries as a source of income indicates the potential impact of wages policy in shaping the overall income distribution. The following three sub-sections investigate the result of these (and other) factors on income inequality.

4.2 The Distribution of Family Income Among Families

Table 3 presents the distribution of gross and net family income among quintiles of families, with Gini coefficients provided for each distribution. Despite the limitations of the Gini coefficient as an inequality measure in providing an unambiguous ranking of the distribution (Atkinson, 1970), it will be used along with the income shares of the lowest and highest quintiles in the following discussion as indicators of relative inequality for comparative purposes. All three indicators suggest a very similar ranking of countries in terms of the inequality of gross income among families. Sweden stands alone as clearly having the most equal distribution. At the other extreme lie Germany and the United States which have the highest degree of inequality. In between, in increasing order of inequality, are New Zealand, Norway, the United Kingdom, Canada and Australia. Overall, New Zealand's income distribution in very close to that of Norway, while Australia's - with the exception of the income share of the lowest quintile - is closer to that of Germany and the United States than it is to that of the group of countries in the middle of the range. On this measure, income in New Zealand is considerably more equally distributed among families than it is in Australia. It is interesting to note that the inequality ranking of countries does not correspond to the importance of government cash benefits in gross income (Table 2). For example, in Germany government cash benefits are almost twice as high relative to gross income as in the United States, yet they appear together at the bottom of the income inequality ranking. In contrast, government cash benefits are of a similar magnitude relative to gross income in Germany and the United Kingdom, yet income inequality is considerably greater in Germany.

The lower half of Table 3 shows the distribution of net income among families. Using the same inequality indicators as before, the general ranking of countries is broadly similar to the gross income picture, although the detailed rankings are more dependent on which measure is used. Both New Zealand and Norway now move closer to Sweden in terms of having the lowest degree of inequality. On the basis of all three indicators, the United Kingdom ranks next. Canada ranks fourth and Australia fifth on the basis of the Gini coefficient and the share of the top quintile, although their ranking is reversed when the income shares of the lowest quintile are compared. As before, Germany and the United States emerge as the two countries with most inequality, although their ranking is dependent upon which of the three indicators is used. New Zealand is again characterised by less income inequality among families than Australia.

The last line of Table 3 provides an indication of the redistributive impact of direct taxes, calculated as the percentage reduction in the Gini coefficients for gross and net income. It is worth emphasising, however, that the basis for ranking families differs in the two halves of Table 3 and this needs to be borne in mind when interpreting these results. The measure indicates that direct taxes in fact have the greatest equalising effect in New Zealand, followed by Norway and Sweden, i.e. in the three countries where the distribution of gross income is already most egalitarian. There is also a considerable equalising effect of direct taxes in both Australia and the United States, primarily due to the reduced income share of the top quintile. In the remaining three countries - Canada, Germany and the United Kingdom - the redistributive impact of direct taxes is much lower.

TABLE 2: THE RELATIVE IMPORTANCE OF INCOME SOURCES AND TAXES AS A PERCENTAGE OF AVERAGE GROSS INCOME

Income Component	Australia	Canada	Germany	New Zealand	Norway	Sweden	United Kingdom	United States
Wages and Salaries	69.9	75.7	63.1	70.8	69.9	64.5	72.0	75.8
Self-employment Income	13.5	5.4	16.7	10.7	11.1	3.7	4.5	6.7
Property Income	5.3	7.2	1.1	4.8	2.7	2.7	2.7	5.8
Factor Income	88.7	88.3	80.9	86.3	83.7	70.8	79.3	88.3
Occupational Pensions	1.1	1.8	2.3	0.7	1.2	0.0	2.5	2.6
Market Income	89.8	90.1	83.3	87.0	84.9	70.8	81.7	90.8
Government Cash Benefits	9.4	9.1	16.5	12.1	14.1	29.2	17.2	8.0
Private Transfers/Other	0.8	0.8	0.2	0.9	0.9	0.0	1.1	1.2
Gross Income	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Income Tax	18.6	15.2	14.8	26.5	19.1	28.5	13.6	16.5
Employees Social Security Contributions	0.0	0.0	7.7	0.0	6.2	1.2	3.3	4.5
Net Income	81.4	84.8	77.5	73.5	74.7	70.2	83.1	79.0

TABLE 3: THE DISTRIBUTION OF FAMILY INCOME AMONG FAMILIES

	Australia	Canada	Germany	New Zealand	Norway	Sweden	United Kingdom	United States
			Distribution of Gross Family Income among Quintiles of Families					
Lowest quintile	4.6	4.6	4.4	5.7	4.9	6.6	4.9	3.8
Second quintile	10.0	11.0	10.2	11.4	11.4	12.3	10.9	9.8
Third quintile	16.5	17.7	15.9	17.6	18.4	17.2	18.2	16.6
Fourth quintile	25.2	25.3	22.6	24.7	25.5	25.0	25.3	25.3
Top quintile	43.7	41.4	46.9	40.5	39.8	38.9	40.8	44.5
Gini coefficient	0.399	0.374	0.414(a)	0.353	0.356	0.329	0.365	0.412
			Distribution of Net Family Income among Quintiles of Families					
Lowest quintile	5.6	5.3	5.0	6.9	6.3	8.0	5.8	4.5
Second quintile	11.4	11.8	11.5	12.9	12.8	13.2	11.5	11.2
Third quintile	17.1	18.1	15.9	18.5	18.9	17.4	18.2	17.7
Fourth quintile	25.2	24.6	21.8	24.6	25.3	24.5	25.0	25.6
Top quintile	40.7	39.7	45.8	37.2	36.7	36.9	39.5	41.0
Gini coefficient	0.357	0.348	0.389(a)	0.307	0.311	0.292	0.343	0.370
Redistributive Factor (%)(b)	10.5	7.0	6.0	13.0	12.6	11.2	6.0	10.2

Note: (a) The German data contain a relatively large proportion (2.7 per cent) of income units with zero or negative reported income. These have been excluded when calculating the Gini coefficient.

(b) The redistributive factor is defined as the absolute difference between the Gini coefficients for gross and net income, expressed as a percentage of the gross income Gini coefficient.

4.3 The Distribution of Equivalent Income Among Individuals

The income distributions presented in Table 3 take no account of family size. In welfare terms, it makes a great difference whether those families in the lowest income quintile are single adults or larger families with children. In order to derive income distributions which have a closer correspondence to the distribution of economic welfare, it is necessary to consider the distribution of equivalent rather than unadjusted income. This has been done using the equivalence scales discussed earlier. Also as noted earlier, the distribution of equivalent income has now been expressed in terms of quintiles of individuals, although the ranking of the distribution has been undertaken on the basis of (gross or net) equivalent family income. The lowest quintile, for example, thus contains the 20 per cent of **individuals** who are in **families** with the lowest equivalent incomes. The resulting distributions for gross and net equivalent income are presented in Table 4.

The effect of adjusting income by equivalence scales (and re-ranking families on the basis of equivalent gross income) is to reduce inequality in all countries, although the extent of the reduction varies across countries. The share of equivalent income of the bottom quintile is greater in all countries than the bottom quintile's share of unadjusted income, particularly in Germany, Norway, Sweden and the United Kingdom. The share of the top quintile also declines in all countries when equivalent gross income is compared with unadjusted gross income, most notably in Germany and Sweden. When the corresponding net income distributions are compared, the share of the top quintile declines by almost 6 percentage points in Sweden, by about 3 percentage points in Canada, Germany, Norway and the United Kingdom. In contrast, in New Zealand the top quintile's share of equivalent income is almost the same as its share of unadjusted income, while in Australia the share of the top quintile in equivalent income **exceeds** the top quintile share of unadjusted income by almost 2.5 percentage points. Indeed, the share of the top quintile in the distribution of equivalent net income is greater in Australia than in all other countries.

The inequality ranking among countries of the distribution of equivalent income is broadly similar to the pattern already described for unadjusted income. Whichever indicator is used, Sweden ranks as the most equal country (on the basis of both gross and net equivalent incomes), followed always by Norway and then the United Kingdom. The ranking of the remaining five countries varies according to which inequality indicator is used, as well as whether gross or net equivalent income is considered. Canada and New Zealand always rank first or second amongst these five countries, while the United States generally ranks fourth or fifth. The relative positions of Australia and Germany vary according to which specific indicator is used. By and large, therefore, the inequality rankings of countries established earlier for unadjusted income are not materially affected by the analysis of the distributions of equivalent income. Sweden clearly remains most egalitarian, followed by Norway, the United Kingdom, New Zealand and Canada. The ranking of the remaining three countries - Australia, Germany and the United States - depends on the indicator selected.

Australia and New Zealand now appear much closer together in terms of the distribution of (gross and net) equivalent income. The main difference between the two countries lies in the share of the top quintile, particularly after-tax, which is significantly larger in Australia (43.1%) than in New Zealand (37.0%). New Zealand now shows up less favourably in comparative terms than indicated by the earlier analysis of the unadjusted income distributions. In understanding why this is the case, it is important to emphasise that the results in Table 4 assign greater weight to larger families (i.e. mainly those with more children) than the results in Table 3. Further investigation of the data revealed that the shift in New Zealand's relative position primarily reflects the fact that average family size in New Zealand in the lowest quintile of both gross family income and gross equivalent income is greater, due to more families in these quintiles having children, than in the other countries studied. This fact, combined with the use of an equivalence scale that does not distinguish between adults and children (see page 11 above), serves to push more larger families into the lowest quintile in New Zealand than elsewhere. This factor may be reinforced by the fact that the New Zealand data are based on households not families, so that the number of recorded single person units is lower than it would be if a family unit definition were used.

TABLE 4: THE DISTRIBUTION OF EQUIVALENT FAMILY INCOME AMONG INDIVIDUALS

	Australia	Canada	Germany	New Zealand	Norway	Sweden	United Kingdom	United States
	Distribution of Equivalent Family Gross Income among Quintiles of Individuals							
Lowest quintile	6.2	6.7	7.2	6.9	8.1	9.4	7.9	5.1
Second quintile	11.0	12.6	12.1	12.1	13.6	14.6	13.0	11.4
Third quintile	16.9	17.5	16.0	17.0	17.9	18.5	17.9	17.1
Fourth quintile	24.9	24.0	21.3	23.8	23.4	23.3	23.7	24.2
Top quintile	41.3	39.2	43.4	40.1	37.0	34.2	37.5	42.1
Gini coefficient	0.351	0.327	0.352(a)	0.334	0.289	0.249	0.297	0.371
	Distribution of Equivalent Family Net Income among Quintiles of Individuals							
Lowest quintile	8.1	7.6	7.5	8.2	9.9	10.6	9.0	6.1
Second quintile	11.4	13.3	12.7	13.5	14.8	16.1	13.5	12.8
Third quintile	14.4	17.9	16.1	17.6	18.4	19.1	18.0	18.1
Fourth quintile	23.0	23.8	20.7	23.7	22.9	23.1	23.4	24.4
Top quintile	43.1	37.4	43.0	37.0	34.1	31.1	36.1	38.6
Gini coefficient	0.305	0.299	0.340(a)	0.288	0.243	0.205	0.273	0.326
Redistributive Factor (%)(b)	13.1	8.6	3.4	13.8	15.9	17.7	8.1	12.1

Notes: See Table 3.

Since the distributions of equivalent net income represent the best approximation of the distribution of monetary economic welfare, they deserve particular attention. What is most striking about these results is the low degree of inequality in Sweden, as evidenced by the Gini coefficient of 0.205 and the closeness of the income shares of the bottom and top quintiles. Across countries, the equivalent net income share of the bottom quintile ranges from 6.1 per cent in the United States to 10.6 per cent in Sweden. Australia and New Zealand both fall in the middle with the share of the bottom quintile equal to 8.1 per cent and 8.3 per cent, respectively. The share of the top quintile in equivalent net income ranges from 31.1 per cent in Sweden to 43.1 per cent in Australia. The share of equivalent net income going to the middle sixty per cent of families is close to 55 per cent in Canada, New Zealand, the United Kingdom and the United States. It is just over 56 per cent in Norway and over 58 per cent in Sweden. In Germany it is 49.5 per cent, and in Australia 48.8 per cent. Thus in Australia the medium-ranking share of the lowest quintile, combined with the high share of the top quintile has left the income share of families in the middle of the income distribution well below that in most of the other countries. The distribution of equivalent income is more equal in New Zealand than in Australia, particularly after tax. However, the two countries appear much closer together than they did on the basis of the distributions of unadjusted income. The major difference between the two distributions is in the top quintile, where inequality of net equivalent income is much greater in Australia than in New Zealand. Counterbalancing this, the share of the second and third quintiles is significantly higher in New Zealand than it is in Australia. In terms of the other countries studied, both the Australian and New Zealand distributions are closer to that of Canada than of any other country.

The redistributive factors shown in Table 4 exhibit a similar pattern across countries to those presented in Table 3. Redistribution is now greatest in Norway and Sweden, which have the most equal distributions before tax. Australia, New Zealand and the United States again also have quite large redistributive factors, yet in two of these countries the Gini coefficient after tax exceeds the before tax Ginis in Norway and Sweden, while it is only marginally lower after-tax in New Zealand than before-tax in Norway. The estimated redistributive impact is lower again in Canada and the United Kingdom, and particularly low in Germany where direct taxes cause the Gini coefficient for equivalent income to decline by only 3.4 per cent.

4.4 Sources of Inequality

It is useful to begin the analysis of the sources of inequality by using data with a single income ranking scheme. Thus, the following results are based on rankings by family gross income, but weight each individual equally. Although in conceptual terms the use of equivalent income data has much to recommend it, this procedure has not been followed because in practice equivalencing transformations of the data obscure the impact of various income sources on overall inequality. Table 5 sets out the quintile shares of individuals in factor, gross and net income once ranking has been undertaken on the basis of family gross income. Inequality in the distribution of factor income is particularly marked in Germany, where inequality at both extremes is greater than elsewhere. The range of factor income inequality shows great variation across countries. For example, the ratio of the top quintile share to the lowest quintile share of factor income varies from 5.1 in Sweden to 19.4 in Germany. Australia and New Zealand both have high values for this ratio (10.8 and 10.2, respectively), ranking second and third. Both also rank next to Germany in terms of the factor income share of the lowest quintile. There thus appears little comfort in these results for those who argue that the income distribution generated by the market in Australia and New Zealand is more equal than in other similar countries. Indeed, the reverse appears a better description of reality.

The distribution of gross income among individuals shows a similar pattern across countries to the results already discussed, although with a lower degree of inequality overall. Focusing on the income shares of the lowest and highest quintiles, Sweden exhibits greatest equality, followed by Norway and the United Kingdom. The ranking of the remaining countries depends on which summary indicator is selected. Australia, Canada and New Zealand each have relatively low shares for both the lowest and top quintiles, Germany is characterised by considerable inequality favouring the top quintile, while the United States has the lowest share to the bottom quintile. The significant equalising effect of government cash transfers is apparent from comparisons of the inequalities in gross and factor income. Inequality in gross income is much less than that of factor income in all countries, and the variation across countries in the distribution of gross income is also less than for factor income.

TABLE 5: THE DISTRIBUTION OF INCOME AMONG INDIVIDUALS

(Income shares of quintiles of individuals ranked by family gross income)

	Australia	Canada	Germany	New Zealand	Norway	Sweden	United Kingdom	United States
			Distribution of Factor Income among Quintiles of Individuals					
Lowest Quintile	3.5	5.4	2.3	3.7	4.4	6.5	4.0	4.2
Second Quintile	14.9	14.9	13.8	13.5	17.0	18.5	15.0	12.8
Third Quintile	20.2	19.2	17.1	19.0	19.6	18.8	19.9	19.2
Fourth Quintile	23.6	24.5	22.0	26.0	24.2	23.0	24.9	25.1
Top Quintile	37.7	36.0	44.7	37.8	34.9	33.2	36.3	38.8
			Distribution of Gross Income among Quintiles of Individuals					
Lowest Quintile	9.1	9.5	10.7	9.7	12.0	13.7	10.9	7.5
Second Quintile	16.0	15.6	14.7	14.3	17.8	20.5	15.6	14.3
Third Quintile	18.9	18.7	16.2	18.0	18.4	18.6	18.7	18.8
Fourth Quintile	21.6	23.0	20.1	23.7	21.6	20.1	22.9	23.6
Top Quintile	34.3	33.2	38.2	34.3	30.3	27.1	31.9	35.9
			Distribution of Net Income among Quintiles of Individuals					
Lowest Quintile	10.9	10.8	13.1	11.6	14.7	16.4	12.4	9.0
Second Quintile	17.2	16.4	15.3	15.7	18.6	21.2	15.9	15.9
Third Quintile	19.3	18.8	16.0	18.6	18.6	18.3	18.6	19.5
Fourth Quintile	21.5	22.6	19.3	23.3	21.0	19.9	22.4	23.6
Top Quintile	31.1	31.4	36.2	30.8	27.2	24.2	30.6	32.0

Notes: (i) In each part of the table, individuals are weighted equally but ranked by family gross income.

(ii) The Gini coefficients are not presented since the income unit (the family) is not congruent with the unit weight (the individual).

The ratio of the gross income share of the highest to lowest quintiles ranges from 2.0 in Sweden to 4.8 in the United States. Australia again ranks second last on this measure, with a ratio of 3.8, although this is only slightly higher than the corresponding ratios for Germany (3.6) and Canada and New Zealand (both 3.5). The lowest quintile of individuals receives more than 10 per cent of gross income in all countries except Australia, Canada, New Zealand and the United States, while the highest quintile of individuals receives less than 35 per cent of gross income in all countries except Germany and the United States. Finally, it is interesting to note, with the exception of Germany, the extreme similarity in all countries of the gross income share of the third quintile. For the remaining seven countries, the third quintile's gross income share varies from 18.0 per cent in New Zealand to 18.9 per cent in Australia. In fact, with the exception of both Germany and Sweden, the gross income share of the middle three quintiles shows remarkable stability across countries, varying from 56.0 per cent in New Zealand to 57.8 per cent in Norway. The low gross income share of the middle three quintiles in Germany (51.0 per cent) reflects the inequality already noted in the top quintile, while the high gross income share of the middle quintiles in Sweden (59.2 per cent) reflects Sweden's relative equality across the whole income distribution. The distribution of net income among individuals ranked by family gross income shows a similar pattern of inequality across countries as the earlier results. Sweden, Norway and the United Kingdom, in that order, exhibit greatest equality and the United States most inequality. New Zealand follows the United Kingdom, and next comes Australia and Canada whose distributions are very similar at both extremes. The ranking of these two countries relative to Germany is indeterminate, since Germany has a greater share of net income going to both the lowest and highest quintiles. The inequality of net income in Australia at the top end of the income distribution is now less marked than was indicated in Table 4. It is important to stress however, that Table 5 differs from Table 4 not only because equivalencing transformations are not used in Table 5, but also because families are ranked by different income concepts in each table. The share of net income going to the middle three quintiles again shows remarkable stability across all countries with the exception of Germany. Elsewhere, the combined share of the 60 per cent of individuals in the middle of the income distribution range from 56.9 per cent in the United Kingdom to 59.4 per cent in Sweden. In Germany the relevant share is 50.6 per cent. Thus in seven of the eight countries studied, the net income share of all those individuals in the middle of the distribution does not markedly differ from the share they would receive if net income were shared equally across the whole population.

Table 6 provides information on the composition of the lowest and highest gross income quintile shares of individuals when ranked according to the gross income of the families to which they belong. Each entry in the table indicates the percentage of gross income which goes to each quintile in the particular form of income indicated. Examination of the lowest quintile shows the significance of government cash benefits in the determination of overall inequality. The main exception to this is Germany, where cash benefits are a significant income source in the lowest quintile but overall inequality is also considerable. This highlights the fact that income inequality in Germany is at the top rather than the bottom of the income distribution. There are considerable country differences in the lowest quintile in the importance of wages and salaries as a source of gross income. Both Australia and New Zealand rank low in this regard, exceeding only Germany. Clearly, whatever the wages system is able to do to secure greater income equality higher up the income distribution, its impact in the lowest quintile is quite limited. It needs to be remembered, however, that the results in Table 6 in part reflect the demographic composition of the quintiles and further work needs to be done to establish the significance of this before any definitive conclusions can be drawn. In all countries except Canada, less than 5 per cent of gross income goes to the bottom quintile in the form of market income. In conjunction with the earlier comments, it is apparent that income maintenance policies are easily the most important vehicle for reducing inequality at the lower end of the income distribution.

Turning to the composition of gross income in the highest quintile, while wages and salaries are now a considerable source of income, they are not sufficient alone to explain the pattern of inequality. (This is not so for the second, third or fourth quintiles, where wage and salary income plays the dominant role in the pattern of inequality.) There are many considerable differences across countries in the contribution to gross income of the other forms of market income, i.e. self-employment income, property income and occupational pensions. Their combined contribution to gross income is 1.3 per cent in Sweden, 2.8 per cent in the United Kingdom, 5.8 per cent in Canada, 6.8 per cent in the United States, 6.9 per cent in Norway, 8.4 per cent in New Zealand, 9.9 per cent in Australia and 14.7 per cent in Germany. Self-employment income is a particularly important source of gross income (and, by implication, a factor contributing to inequality) at the upper end of the income distribution in Australia, New Zealand and Germany. The importance of self-employment income in the top quintile in Norway also helps explain why the Norwegian income distribution is less equal than in Sweden.

TABLE 6: THE COMPOSITION OF GROSS INCOME IN THE LOWEST AND TOP QUINTILES OF INDIVIDUALS

Income Source	Australia	Canada	Germany	New Zealand	Norway	Sweden	United Kingdom	United States
				Lowest Quintile:				
Wages and Salaries	2.2	3.6	1.5	2.4	2.9	3.6	2.4	3.0
Self-employment Income	0.4	0.4	0.3	0.2	0.3	0.4	0.3	0.2
Property Income	0.5	0.8	0.2	0.6	0.5	0.6	0.5	0.5
Occupational Pensions	0.1	0.4	0.5	0.1	0.4	0.0	0.8	0.3
Total Cash Benefits	5.7	4.2	8.3	5.9	7.6	9.1	6.7	3.2
Gross Income	9.1	9.5	10.7	9.7	12.0	13.7	10.9	7.5
				Top Quintile:				
Wages and Salaries	23.9	26.3	21.9	24.5	22.4	22.1	26.3	28.0
Self-employment Income	7.2	2.5	13.8	6.2	5.9	0.9	1.5	3.5
Property Income	2.3	2.9	0.5	2.0	0.9	0.4	0.9	2.7
Occupational Pensions	0.4	0.4	0.4	0.2	0.1	0.0	0.4	0.6
Total Cash Benefits	0.4	0.8	1.6	0.8	0.8	3.6	2.6	0.8
Gross Income	34.3	33.2	38.2	34.3	30.3	27.1	31.9	35.9

Note: The quintiles are derived by ranking individuals according to the gross income of their family. The income and benefit shares are based on the family totals in each quintile. The gross income figures include private transfers and other cash income which are not shown in the details.

5. SUMMARY AND CONCLUSIONS

This paper presents results on income inequality in Australia and New Zealand which have been derived so that they are comparable with results for a range of other countries. It needs to be emphasised that the data used in this exercise are in some cases almost a decade old, a reflection of the unavoidable delays in the release of survey unit record tapes in each country and their reorganisation on a standardised basis. The paper has been primarily concerned with presentation of a number of indicators of income inequality with relatively little attempt to explain the similarities and differences that emerge. The content of the analysis has been constrained by the framework of the earlier research on which this paper has relied very heavily. However, now that Australia is participating fully in the Luxembourg Income Study, it will be possible to use the standardised unit record tapes to explore further the issues raised here and begin to test alternative hypotheses on the causes of inequality and the impact of redistributive policies. It is to be hoped that New Zealand may soon decide to join the LIS project.

On the basis of all of the inequality indicators and income concepts used in the paper Sweden always emerges as the country characterised by greatest income equality. On almost all measures, Germany and the United States have most inequality. The ranking of the remaining five countries depends somewhat on the precise measure used. Most, however, place Australia sixth out of the eight countries on the international league table of income equality. New Zealand's ranking is particularly sensitive to whether income is unadjusted or expressed in equivalent dollars by adjusting using standardised equivalence scales. On the basis of unadjusted income, New Zealand ranks high in terms of income equality, both before and after tax, exceeded only by Sweden, and has a very similar distribution to that in Norway. On this basis, the New Zealand income distribution is markedly more equal than that in Australia. Once equivalent income is considered, however, the New Zealand distribution appears less equal than that in the United Kingdom, very similar to that in Canada, but still slightly more equal than that in Australia. The main difference between the Australian and New Zealand income distributions appears to be in the top quintile, whose share of total equivalent income is considerably greater in Australia than in New Zealand. Overall, however, the results in this paper imply that neither country can be accurately described as relatively egalitarian, at least amongst the countries considered here.

It is interesting to note that in two of the countries (Sweden and Norway) where incomes appear more equal before government transfers and taxes are considered, transfers and taxes exhibit the greatest redistributive effects. This seems at first sight at odds with a mode of thinking all too familiar on both sides of the Tasman, which sees a need for redistributive policies only where unacceptable income inequalities are generated by the market. The problem with this line of thought is that it implicitly assumes that the distribution of income produced in the market is independent of the redistributive policies introduced to ameliorate inequality. What is required is a greater awareness and appreciation of the arguments all too familiar in the Nordic and other European countries that stress the fundamental interdependence of both the generation of market outcomes and the redistributive policies introduced to influence market outcomes. Recognition of this, combined with a greater understanding that it is **income inequality**, rather than **income redistribution** that is of ultimate concern, would do much to improve social policy discourse and analysis in both Australia and New Zealand.

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LABOUR MARKET PROGRAMS AND INCOME SUPPORT: THE AUSTRALIAN EXPERIENCE

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I. INTRODUCTION

Government policy on labour market intervention is a central factor in social policy analysis. The importance of the state of the labour market to the realm of income support is an issue which has attracted little attention in recent debates on social policy development and determination. It is an area of central concern in the current economic policy debates in times of high unemployment (at least in post-1945 terms) and severe constraints on government expenditure. Governments realistically have three options in relation to labour market policy; active direct intervention (i.e. labour market programs), passive direct intervention (i.e. 'band-aid' income support for the unemployed), and indirect intervention (i.e. less direct methods of improving individuals labour market prospects, e.g. via the education system). The challenge for governments is to strike the appropriate balance between these three forms of intervention in the current context of severe fiscal constraints on governments wanting to dampen inflationary pressures. Active direct intervention is the most costly (i.e. in terms of government expenditure) in the short term, yet if successful produces less reliance on the social security system for income support in the longer term. Indirect intervention implies a lower degree of control over labour market outcomes, while passive income support via adequate levels of Unemployment Benefit is often seen as politically attractive in the short term.

In Australia, the Commonwealth Government is the major provider of labour market programs either directly or via tied funding to the states.[1] However, expenditure on labour market programs (LMPs) represents a very small proportion of labour market related government expenditure. Following Kirby (1985, p. 63 on), labour market related expenditure includes all government expenditure on post-secondary education, direct income support for the unemployed, and labour market programs. Post-secondary education represents the major form of indirect labour market intervention in that virtually all of such education is undertaken to improve individuals employment prospects in the labour market. Expenditure on income support for the unemployed is passive direct labour market intervention reflecting at least in part the consequences of insufficient or inappropriate active direct labour market intervention.[2] Table 1 indicates total annual expenditure by the Commonwealth on these three components of labour market related intervention for the period 1973 to the present. Figures 1 and 2 present the same information graphically in nominal and real terms respectively.

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1. Throughout this paper attention is directed to Commonwealth labour market programs. Although the states do provide labour market programs of their own, the amount of money involved is relatively slight. For example, according to Kirby (1985, Table 43) in 1982/83 combined expenditure on labour market programs of all states was $113m, of which New South Wales and Victoria accounted for $94m.

2. There is no unique 'boundary' between government expenditure relevant to the labour market and expenditure not relevant to the labour market. The 'boundary' adopted here has the advantage of being clearly defined, easily understood, and encompasses the areas of major expenditure.

TABLE 1: LABOUR MARKET RELATED EXPENDITURE BY THE COMMONWEALTH GOVERNMENT; 1973/74 TO 1988/89, NOMINAL PRICES

	LMP ($m)	UB ($m)	PSE ($m)	TTL ($m)	LMP/TTL (%)
1973-74	12	58	566	636	2
1974-75	159	252	1102	1513	11
1975-76	239	514	1258	2011	12
1976-77	77	618	1507	2202	4
1977-78	173	794	1621	2588	7
1978-79	239	910	1552	2701	9
1979-80	187	925	1658	2770	7
1980-81	248	996	1825	3069	8
1981-82	285	1224	2019	3528	8
1982-83	430	2249	2139	4818	9
1983-84	886	2912	2339	6137	14
1984-85	939	2984	2603	6526	14
1985-86	788	3122	2833	6743	12
1986-87	622	3454	3035	7111	9
1987-88	806	3375	3382	7563	11
1988-89*	737	3397	3441	7575	10

Notes:
- LMP: expenditure on Labour Market Programs
- UB: expenditure on Unemployment Benefits
- PSE: expenditure on Post-Secondary Education
- TTL: LMP + UB + PSE
- LMP/TTL: LMP as a percent of TTL
- *: figures for 1988/89 are budget estimates

Sources:
- up to 1984/85: Kirby (1985), Table 3.1
- 1985/86 onward: Australia (1986, 1987 and 1988a), DEIR (1986, 1987).

Figure 2 indicates that since 1974 real expenditure on labour market programs has risen significantly, although relative to post-secondary education and unemployment benefit payments it is still very small. Over the same period (i.e. ignoring 1973/74), expenditure on post-secondary education has been maintained in real terms while unemployment benefit payments have risen fivefold (due to increased numbers of recipients and duration of unemployment spells rather than to increases in the value of the Unemployment Benefit).[3]

This paper presents, in Section II, an overview of the labour market programs used by the Commonwealth government, concentrating on the thrust of government strategy and changes to that strategy over time. Section III discusses the evaluation of labour market programs and includes detailed discussion of two major programs. Finally, some concluding comments are offered in Section IV.

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3. In June 1974, 32,009 people were receiving the Unemployment Benefit and the average duration of unemployment was 5.8 weeks. In June 1988, the figures were 475,070 and 58.0 weeks respectively. Between these two dates, the real value of the Unemployment Benefit for a single adult has risen 28 per cent, while that for 18-20 year olds rose 5 per cent and that for 16-17 year olds fell 43 per cent.

Figure 1: Commonwealth Expenditure Related to the Labour Market ($m, nominal prices)

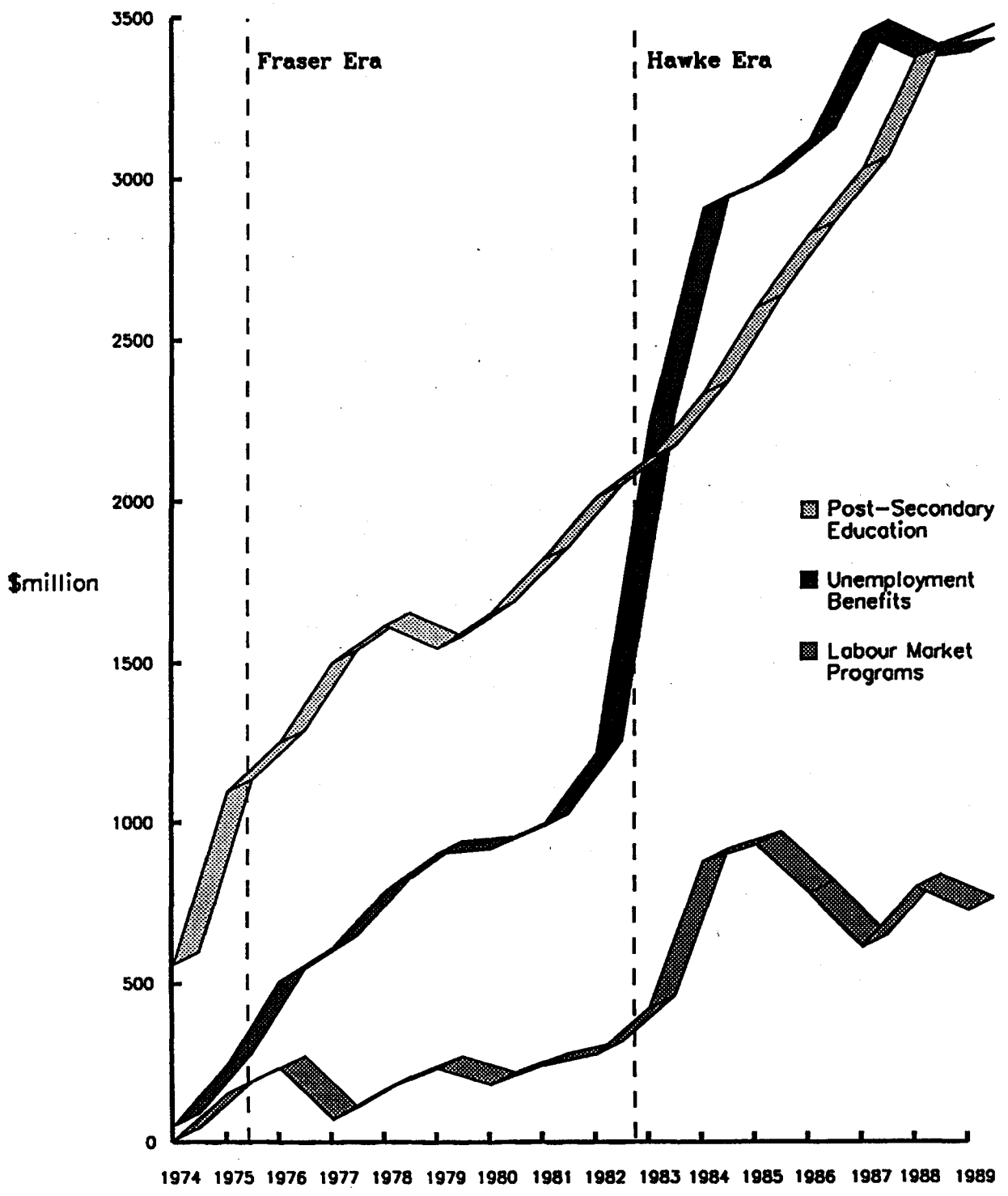
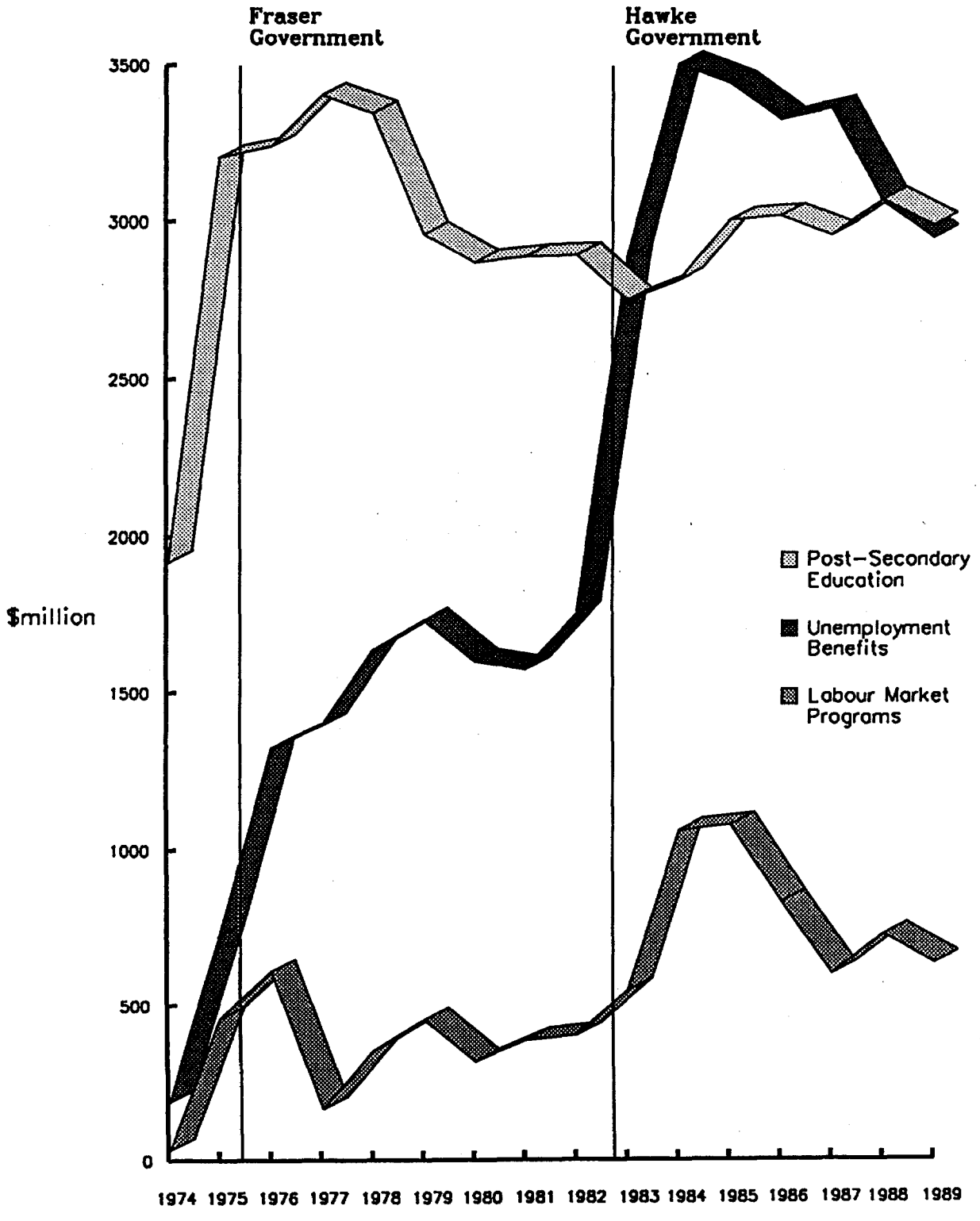


Figure 2: Commonwealth Expenditure Related to the Labour Market ($m, 1987/88 prices)



The major objective of any labour market program ought to be to improve the ability of the recipient to gain long term meaningful employment.[4] In this discussion, programs are classified into two broad groups; job creation programs and job matching programs:

> *Job creation* programs are those in which the primary aim is to improve the long term employability of participants by providing short-term employment experience, usually in subsidised employment of a fixed duration, while
>
> *job matching* programs are those in which the primary aim is to improve the long term employability of participants through skills acquisition, usually through formal training courses, with an emphasis on those skills expected to be in demand in the future.

Although individual programs may have elements of both types of program, this distinction is drawn as a tool for highlighting the relative importance of the two aims in policy determination. Table 2 indicates annual expenditure and numbers of individuals assisted by the two types of programs.

II. LABOUR MARKET PROGRAMS IN AUSTRALIA: HISTORICAL PERSPECTIVE

Australia's experience with labour market programs can be described as brief, ad hoc and reactionary; *brief* because there were no significant programs until the early 1970s, *ad hoc* because individual programs have often been developed in isolation (both from other labour market programs, and from other labour market related activities of government), and *reactionary* because programs have been developed in reaction to labour market problems (predominantly rising levels of unemployment, but with some recognition of consequences of labour bottlenecks in particular occupations/industries) rather than as a planning tool to prevent the development of problems.

Chart 1 itemises annual expenditure on each program, while detailed information on the timing of every individual program used since the 1973/74 budget year is provided in Chart 2.[5] As is apparent from Charts 1 and 2, there has been an abundance of programs during this period, although some of the changes are more cosmetic than real, being changes of titles rather than of content. In this paper the emphasis is on the major themes, trends and directions of the developments in policy and implementation of labour market programs rather than on a detailed discussion of specific programs. For reasons of economy of space, not all programs are discussed here and programs are usually referred to by acronyms (defined in the appendix) rather than their full titles.

Chart 1 indicates that

* In each of the years up to 1986/87 there was one dominant program which accounted for at least one-quarter of total expenditure for the year,

* In every year up to 1985/86 the top two programs accounted for at least one half of total annual expenditure,

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4. The Kirby Report distinguishes between employment prospects and earnings prospects; Kirby (1985, p. 93). The term meaningful employment is used here to include only jobs with at least adequate earnings levels.

5. The figures for total annual expenditure on labour market programs in Table 1 and Chart 1 differ as Table 1 was presented in a manner consistent with Table 3.1 of Kirby. The disparity is caused by: Table 1 includes overheads and administrative costs whereas Chart 1 includes only direct expenditure, Table 1 covers only labour market programs funded through the Commonwealth Department with primary responsibility for employment-related matters (this department has had a number of name changes reflecting portfolio re-organisations; Department of Employment and Youth Affairs up to May 1982, Department of Employment and Industrial Relations to July 1987, Department of Employment, Education and Training from July 1987) whereas Chart 1 covers all Commonwealth funded labour market program expenditure; and, Table 1 includes but Chart 1 excludes expenditure on the Commonwealth Employment Service.

TABLE 2: ANNUAL EXPENDITURE AND NUMBERS OF PEOPLE ASSISTED BY LABOUR MARKET PROGRAMS, 1974-1989

	ANNUAL EXPENDITURE ($m)			NUMBERS ASSISTED (000's)		
Year	Job Matching	Job Creation	Total	Job Matching	Job Creation	Total
1974/75	92.9	93.4	186.3	58.8	89.4	148.2
1975/76	68.1	181.3	249.3	45.3	62.6	107.9
1976/77	33.6	68.1	101.7	51.3	60.3	111.6
1977/78	47.9	111.2	159.1	94.8	160.8	255.7
1978/79	51.6	151.4	203.0	113.0	171.5	284.5
1979/80	49.6	86.5	136.0	124.5	161.9	286.4
1980/81	59.6	128.9	188.6	140.7	208.7	349.4
1981/82	63.4	153.2	216.5	147.6	187.4	335.0
1982/83	85.8	270.9	356.7	174.3	206.0	380.2
1983/84	136.7	651.3	788.0	211.4	266.6	478.1
1984/85	248.8	653.2	902.0	123.7	229.2	352.9
1985/86	254.9	593.8	848.7	129.6	205.7	335.3
1986/87	277.0	426.7	703.7	n.a.	n.a.	n.a.
1987/88	292.2	343.4	635.6	n.a.	n.a.	n.a.
1988/89✧	387.7	276.3	664.0	n.a.	n.a.	n.a.
1974-1986				1,415.1	2,010.1	3,425.3
1974-1989	2,149.8	4,189.6	6,339.2			

Sources: Kesteven (1987), Australia (1988b) and DEIR (1987).

Notes: n.a. not available.
✧ budget estimate.

* The last four years - i.e. 1985/86 to 1988/89 - have seen a more even spread of expenditure with the top two programs accounting for significantly less than half of total expenditure, and

* In all years, the dominant program has been a job creation program.

Figures 3, 4, 5 and 6 indicate the levels of expenditure and relative importance of job creation and job matching programs throughout the entire period. Taken in conjunction with Figures 1 and 2 they indicate the patterns in the level of and composition of labour market programs expenditure over the period reviewed. Although job matching programs have been more numerous (Chart 1), the major thrust of program delivery has been via job creation programs both in terms of expenditure outlays (Figure 5) and numbers of people assisted (Figure 6).

The discussion focuses on the period since 1973 as that year effectively marks the beginning of active direct labour market intervention in the form of labour market programs. Three phases are identified, coinciding with the Whitlam labor party government, the Fraser coalition parties government, and the Hawke labor party government.

A. Prior to 1973

Prior to the early 1970s there was very little attention to the labour market. With unemployment rates of around 1-2 per cent, unemployment was not considered to be a problem. There was no coherent or cohesive labour market strategy. By default, the tariff structure ensured that demand for labour was high while labour shortages were handled by a general emphasis on greater education (beyond compulsory level) and immigration policy which favoured particular skills identified as of value to Australia.

B. Whitlam Labor Government: December 1972 to November 1975

With the onset of rising unemployment levels in 1973, the initial response was ad hoc and uncoordinated. The focus was on 'public works schemes', initially in non-metropolitan areas but eventually including metropolitan areas as unemployment spread. These schemes were band-aid programs intended to address symptoms (i.e. loss of earnings) rather than causes (i.e. lack of more permanent employment prospects). The major criticisms were:

* lack of tight financial controls, at the Federal level, meant that funds were not always spent in the spirit of the scheme,

* new employees taken on under the scheme did not have to have been registered with the Commonwealth Employment Service (i.e. they were not necessarily unemployed),

* in non-metropolitan areas most recipients were prime aged males whereas unemployment was concentrated more among females and teenagers, and

* the development of policy appeared to be made on the run.

At the same time there were a number of small scale supply side programs targeting specific groups considered to be especially disadvantaged; e.g. Aborigines, individuals displaced by technology, persons displaced by rural reconstruction, and apprentices in rural labour markets.

As it became apparent that unemployment was not going to be short-lived, concern about the functioning of the labour market increased. A number of formal Inquiries were set up, reflecting an increased awareness of the need for more active intervention on aspects of the labour market.[6] Direct intervention via labour market programs (LMPs) took the form of a small number of large scale programs; see Chart 1.

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6. The following Inquiries were set up; Unemployment Statistics (1973), Overseas Manpower and Industry Policies (1973), and Labour Market Training (1973).

Figure 3: Commonwealth Expenditure on Job Creation and Job Matching Labour Market Programs
($m, nominal prices)

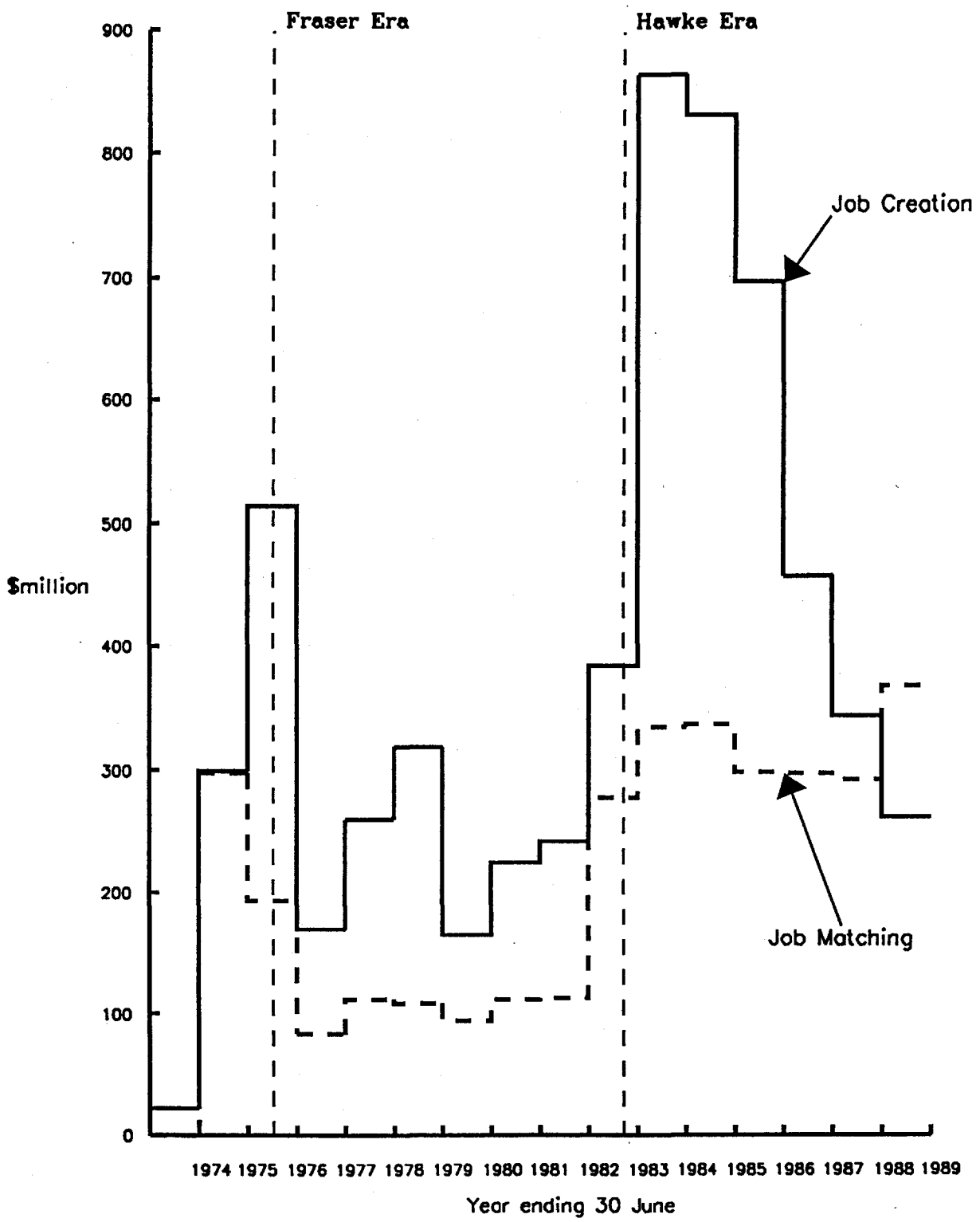


Figure 4: Commonwealth Expenditure on Job Creation and Job Matching Labour Market Programs
($m, 1987/88 prices)

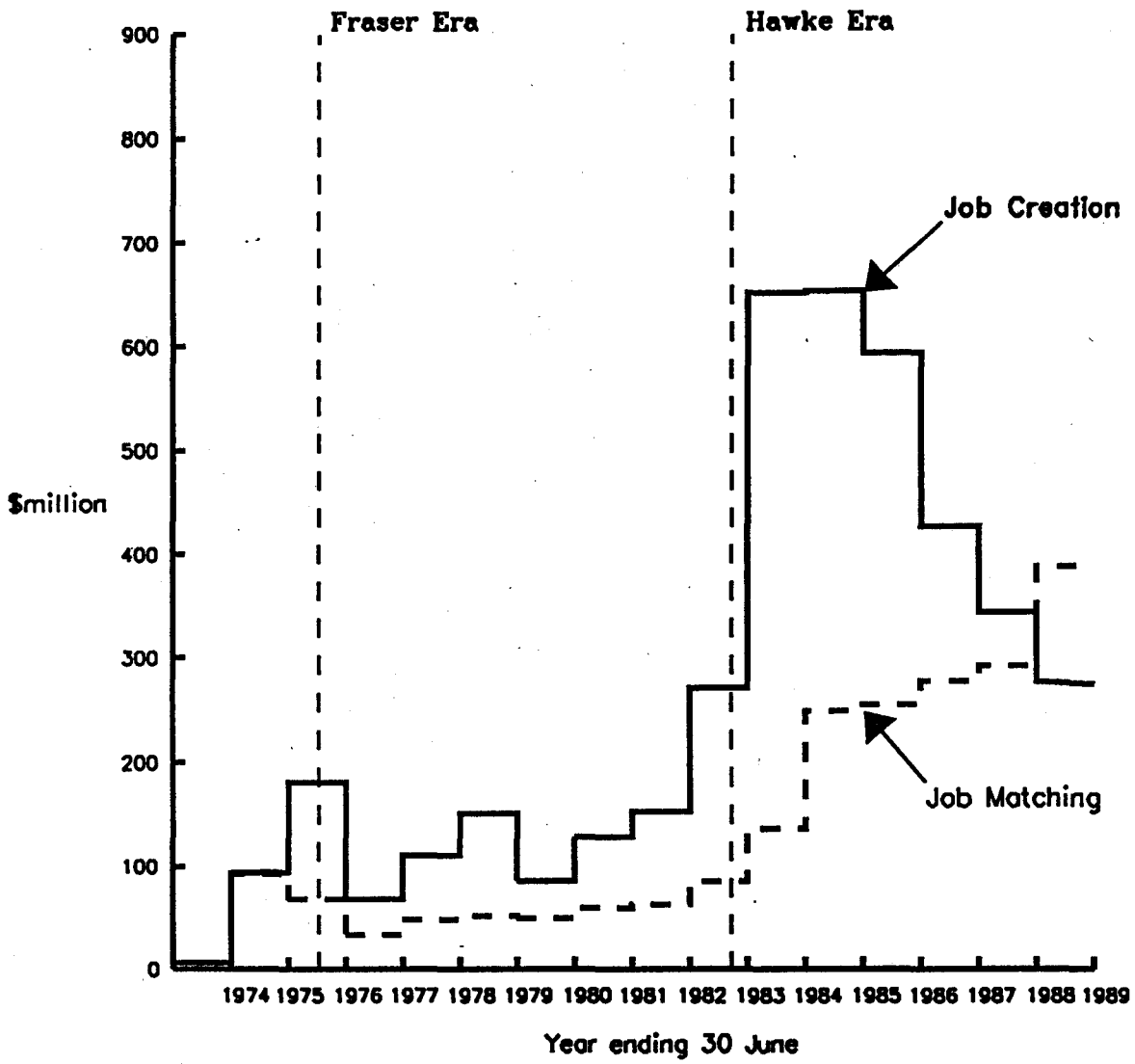


Figure 5: Relative Expenditure on Job Creation and Job Matching Labour Market Programs

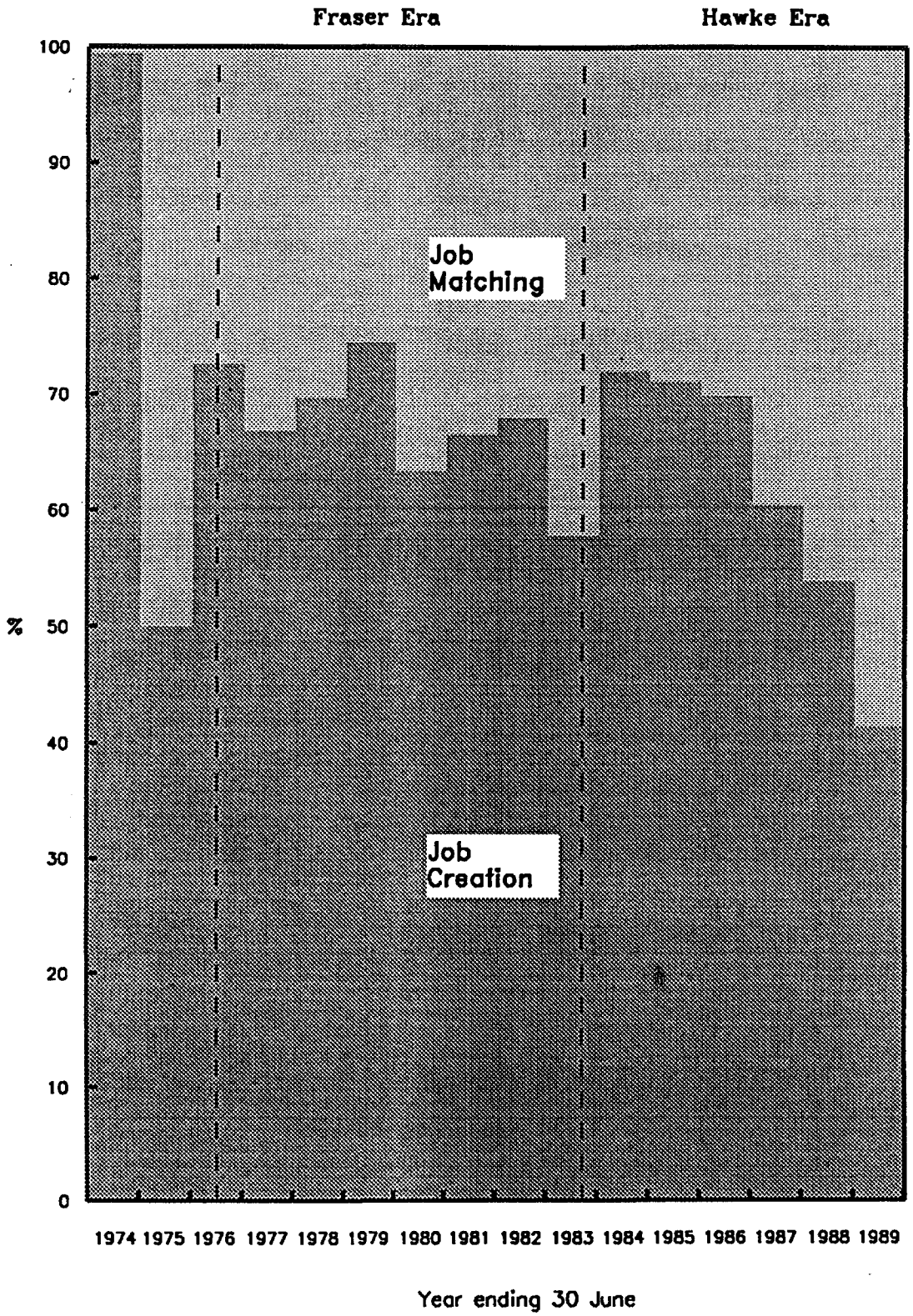
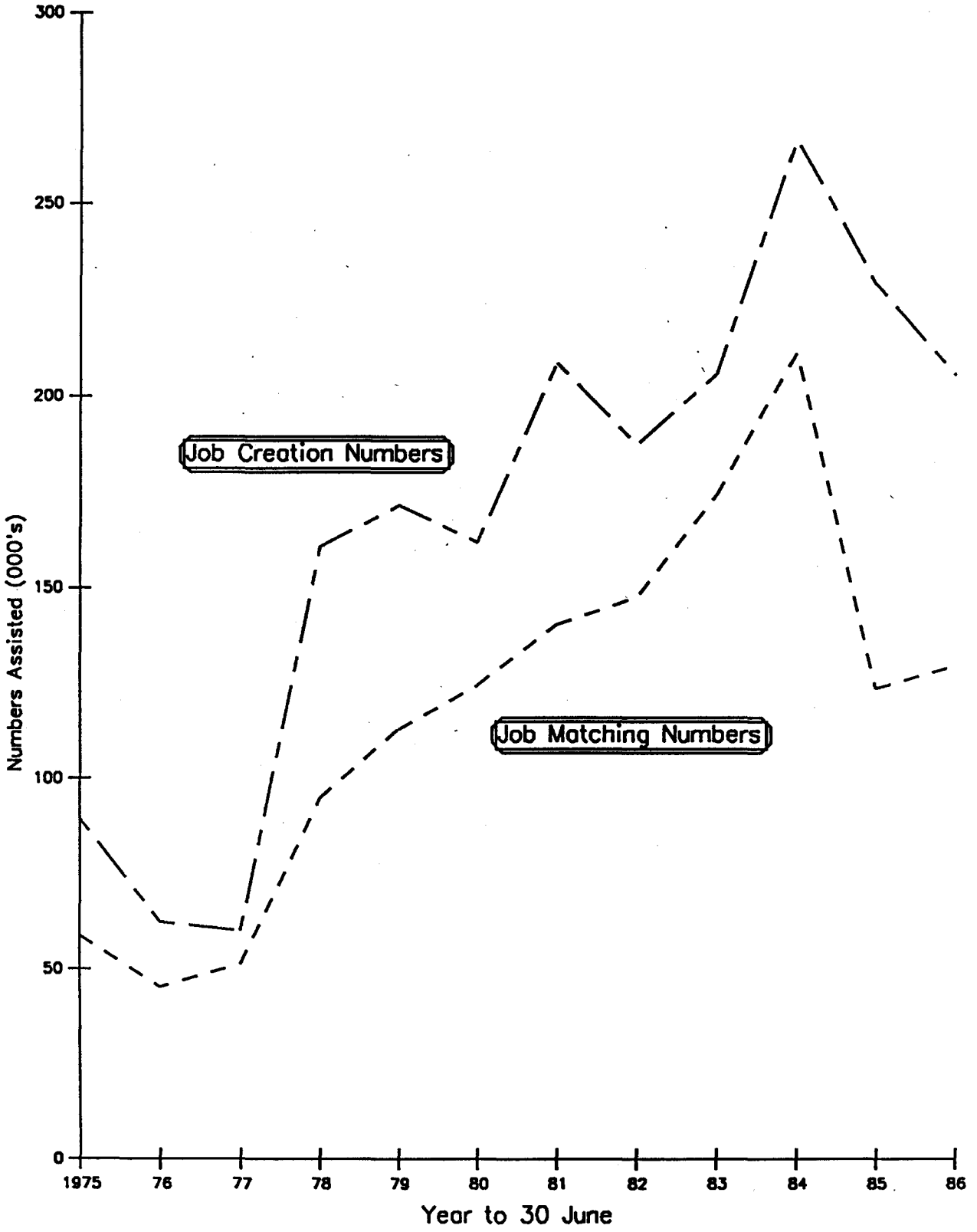


Figure 6: Annual Numbers Assisted, Job Matching and Job Creation Programs, 1974/75–1985/86



C. Fraser Coalition Government: December 1975 to March 1983

With the change of government in late 1975, there was a change of emphasis in economic policy to the 'fight inflation first' strategy. An integral part of this strategy involved sustained reductions of the government budget deficit and resulted in a lessening of commitment to LMPs. Table 1 and Figure 1 illustrate the substantial drop in current expenditure on labour market programs between 1976/77 and 1977/78. It was not until 1980/81 that annual expenditure on labour market programs surpassed the 1975/76 level. In fact real expenditure (i.e. after allowing for inflation) never reached the 1975/76 level during the life of the Fraser government (see Figure 2).

Unlike the Whitlam government where the emphasis had been more on job matching programs, the emphasis in the Fraser era was much more towards job creation schemes and the perceived needs of young people in the labour market including considerable resources put into apprenticeship schemes. Like its predecessor, the Fraser Government established a number of labour market related Inquiries.[7]

D. Hawke Labor Government: March 1983 - Present

In 1982/83 the unemployment rate rose sharply, peaking at 10.7 per cent in February 1983 from 7.1 per cent in February 1982. The Hawke government was elected in March 1983 and quickly set up two major Inquiries on the labour market.[8] The major features of the Hawke era to date have included

* an increased commitment to active labour market intervention through expenditure on LMPs

* an initial strategy of (i) 'more of the same' with most existing program structures being maintained but with higher expenditure levels (although some had name changes), and (ii) the introduction of only two new programs (CEP and AWSS)

* since 1985 a major re-structuring of existing programs occurred with many being subsumed into new programs[9] as well the introduction of completely new programs[10] (see Chart 1)

* reduction in emphasis on job creation programs and increased emphasis on job matching ones, although more money was put into job creation programs than in job matching programs in every year up to 1987/88 (see Chart 1)

The Hawke era can be divided into two phases, with the delineation occurring around mid-1985. Figure 2 demonstrates that in the first two years, i.e. financial years 1983/84 and 1984/85, expenditure on labour market programs rose significantly in real terms but since 1985 expenditure has fallen in each financial year except 1987/88. Budget estimates for 1988/89 indicate that this trend is expected to continue. Figures 3 and 4 show that the expenditure cuts have been directed almost entirely at job creation programs. In real terms, expenditure on job creation programs has

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7. These included Inquiries on Education, Training and Employment (1976), the Commonwealth Employment Service (1976), and Unemployment Benefit Policy and Administration (1977). Two other committees of relevance to the labour market were the Study Group on Structural Adjustment (1977) and the Inquiry on Technological Change (1978).

8. These were on Labour Market Programs (1983), and Australian Industrial Relations Law and Systems (1983). In 1984 a Review of Aboriginal Employment and Training Programs was also established.

9. e.g. JOBSTART subsumed AWSS, SNJSS, SYETP, and parts of several programs for disabled persons. ATP subsumed SKID, LATA, part of GTA, and parts of existing programs for disabled persons. SAT was set up as an umbrella for CRAFT, GASP, GOYAS, PAA, SAP, STTP, and parts of programs for the disabled.

10. e.g. ATS, CIREA, CMTS, EEA, FTAY, HEADP, NEIS, YA:CSV.

been cut by two-thirds since 1983/84 while expenditure on job matching programs has been maintained; see Figure 4. Budget estimates for 1988/89 indicate an increase in real expenditure on job matching programs.

Initiatives Announced in the August 1988 Budget

The major feature of the 1988/89 Budget delivered in August 1988 was the continued emphasis on job matching programs; see Figures 3, 4 and 5. For the first time ever, job matching programs were allocated more funds than were job creation schemes. The vehicle for this emphasis is the introduction of four new programs; two involving the subsumation of a number of existing programs, and two which are intended to address the problems of access to existing programs experienced by particular target groups.

JOBTRAIN, set up in August 1988, is the amalgamation of the Adult Training Program (ATP) and the Youth Training Program (YTP). Its aim is to provide short term 'vocational training opportunities for disabled people and others seriously disadvantaged in the labour market'; Australia (1988a, p. 240).

SKILLSHARE, to begin in January 1989, is the amalgamation of the Community Youth Support Scheme (CYSS), the Community Training Program (CTP) and the Community Volunteer Program (CVP). Its target group will be disadvantaged and long term unemployed people with special attention to young people. The program will provide grants to non-profit community organisations who will provide participants with training and employment related assistance. The emphasis will be on providing 'structured skills training'; Australia (1988a, p. 243).

The two new programs are NEW-START and JET, both of which are initiatives designed to improve the access of their targeted groups into existing labour market programs rather than distinct programs in their own right. NEW-START is a new program offering increased assistance to the long term unemployed in the 21-54 age range. Features of NEW-START include easier transition arrangements from passive income support to employment,[11] and improved information flows between Commonwealth agencies and recipients; Australia (1988a, p. 241).

The Jobs, Education and Training program (JET), to begin in March 1989, is a new program specifically targeted to sole parents. It seeks to reduce barriers to work force entry for sole parents by providing information, counselling, assistance with child care, training and education. This program will not be fully operational until the 1989/90 financial year; Australia (1988a, p. 241).

III. EVALUATING LABOUR MARKET PROGRAMS

Evaluation here focuses not on the stated goals of the program as announced but rather on the role played in improving the workings of the labour market and the outcomes of program participants. In the context of social policy, a critical question must be the extent to which recipients are permanently removed from the social security net as a result of their LMP experience. The Kirby Report puts it succinctly in one of its major recommendations

> *The primary objective of any labour market program should be to enhance the participant's long term employment and earnings prospects ... ;* Kirby (1985, p. 93)

It is important to distinguish between the outcomes for LMP recipients and the impact on the income support system as a whole. For example, the fact that the job status of participants improved is a necessary but not sufficient condition for success. If all the LMP expenditure does is shuffle the unemployment queue without making it smaller then success is much more tenuous; although plenty of evidence exists to suggest that the employment prospects of an individual with multiple short spells of unemployment are much better than those of a similar individual with the same 'stock' of

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11. e.g. immediate re-claiming of the UB if employment ceases through no fault of the employee, maintenance of the UB while on full-time vocational courses, maintenance of the UB while on English language courses (if language difficulties are a cause of employment problems), and a $100 employment entry payment for UB beneficiaries taking up full-time employment).

unemployment concentrated in a single spell of longer duration; see e.g. Gregory (1982). In addition, reshuffling the queue at least reduces the devastating impact of long term unemployment.

A major criticism of the implementation of labour market programs in Australia is the lack of an overall strategy, at least up to 1985. Chart 1 illustrates the proliferation of programs, especially job matching programs, with new programs often being added to existing ones rather than replacing them. The result has been a lack of co-ordination among program deliverers which in turn has resulted in inefficiencies, service duplications, confusion and incomplete knowledge of program availability and eligibility criteria. It would appear that information dissemination was often unsatisfactory, so that potential recipients were ill-informed as to their entitlements. This has reduced the effectiveness of LMPs.

There has been very little formal evaluation of labour market programs. Some was done by the Bureau of Labour Market Research, set up by the Commonwealth Government in 1980 but disbanded in 1986.

One problem that an objective evaluation faces is the almost certain lack of an appropriate control group. In order to ascertain the impact of a particular program on the income support system, it is important to be able to determine how program recipients would have fared in the absence of the program. It is also necessary to judge the impact of the program on persons not directly involved. For example, does a wage subsidy result in completely new jobs being created or rather is a subsidised employee taken on in place of a non-subsidised employee?

As a device for illustrating the problems confronting an evaluation, two major programs will be discussed in detail. These are the Special Youth Employment and Training Program (SYETP) and Community Employment Program (CEP); both are job creation programs and are important because of their size.

A. Special Youth Employment and Training Program (SYETP)

Since its introduction in October 1976 as a part of NEAT, the Special Youth Employment and Training Program (SYETP) has provided subsidised employment for over 550,000 young people; see Table 3. Although the NEAT umbrella was collapsed in 1981, SYETP was maintained as a program with its own identity until January 1986 when it was subsumed, along with AWSS and some programs for disabled persons, into JOBSTART.

Goal: To assist long term unemployed young people to improve their job prospects by gaining meaningful work experience. This was to be achieved by encouraging employers to take on young people who had been unemployed for a specified period.

Mechanics: Wage subsidy paid direct to employers for a finite number of weeks. Initially the subsidy rate was equivalent to 45 per cent of male average award wages, although in August 1978 this was reduced to 30 per cent. The weekly amount of the subsidy, the number of weeks for which the subsidy was payable, and the eligibility criteria were varied from time to time; see Table 4.

BLMR researchers produced a number of reports in which SYETP was discussed; e.g. Baker (1984), Fisher and Scherer (1983), Hoy (1983), Hoy and Ryan (1984), Stretton (1982), and Vella and MacKay (1984) among others. Included in their collective findings are:

* Commonwealth surveys consistently indicate that a high proportion of SYETP recipients were still employed six months after their funding ceased; figures derived from Stretton (1982, Tables 3.1 and 4.1) suggest that 55.8 per cent of SYETP recipients surveyed in November 1981 had full-time jobs and a further 4.3 per cent had part-time jobs at least six months after completion of their SYETP-subsidised employment. Only a third of SYETP recipients were back on the Unemployment Benefit. Clearly there was at least a short term reduction in reliance on the social security system for income support.

* Durations of teenage unemployment were reduced but numbers of spells increased; this follows since the incidence of long term unemployment was reduced while those who returned to unemployment started a new spell of unemployment.

TABLE 3: SYETP ANNUAL EXPENDITURE AND NUMBER OF PLACEMENTS

Year	Expenditure ($m)	Expenditure (%)	Number of Placements
1976/77	6.6	6.5	9,590
1977/78	47.1	29.6	66,000
1978/79	82.6	40.7	66,350
1979/80	24.2	17.8	44,300
1980/81	41.3	21.9	65,309
1981/82	53.7	24.8	51,696
1982/83	63.6	17.8	66,270
1983/84	120.2	15.3	87,582
1984/85	97.7	10.8	68,874
1985/86	61.7	7.3	30,107

Notes: The (%) column indicates SYETP expenditure as a percentage of total annual expenditure on all labour market programs listed in Chart 1.

Sources: Chart 1, and Kesteven (1987).

* When the subsidy was reduced in August 1978 there was a 66 per cent drop in the numbers subsidised from 40,000 (July 1978) to 15,000 (January 1979); Hoy (1983, Figure 1 reproduced here as Figure 7A). The wage subsidy figures for August 1978 in Table 4 represent a fall from 45 per cent of average junior weekly award wages payable for six months to 30 per cent payable for four months; in dollar terms the subsidy fell 55 per cent from $1716 to $765.

* Employers' responses to the subsidy suggest that only one in three SYETP-funded employees were net additions to these employers' work forces; i.e. two in three were substitutes; Hoy and Ryan (1984). A pattern emerged where many employers replaced one SYETP-funded youth with another when the first's funding ceased (i.e. they effectively had a permanent SYETP-funded position).

* Recipients were predominantly females; Hoy (1983, Figure 4 reproduced here as Figure 7B).

* Recipients were disproportionately placed in relatively low wage occupations; Hoy (1983, various pages).

* Up until 1981, SYETP disproportionately assisted the youngest age groups; Hoy (1983, Figure 3 reproduced here as Figure 7C).

These facts reflect employers rational response to the scheme. For example, the fact that the youngest age groups, females, and low-wage occupations were disproportionately assisted in the first years reflects employers responses to the interaction between (i) the subsidy being a flat dollar amount and (ii) award rates and weekly earnings being related to age, gender and industry. For employers hiring unskilled labour the net (of subsidy) wage cost was lowest for 16-17 year olds, while for employers hiring semi-skilled workers female rates of pay are typically lower than male rates of pay. It is therefore somewhat surprising that it was not until 1983 that the subsidy rate was made age specific (see Table 4), although an extended version of SYETP had been introduced in 1981 which had more stringent eligibility criteria (including exclusion of 15-17 year olds).

Clearly the labour market outcomes of SYETP recipients were improved by the program and that as a result of the program they are now less reliant on social security payments for income support; it would be interesting to ascertain the present labour market position of former SYETP recipients. However, it is worrying that studies consistently show net employment gains of around one third. This suggests that two in three SYETP recipients are occupying jobs that would have gone to someone else in the absence of SYETP. Against this negative outcome must be set the fact that SYETP has undoubtedly lowered long term unemployment among young people; the benefits of this are immeasurable.

B. Community Employment Program (CEP)

The Community Employment Program (CEP) was created in August 1983 to provide work experience through 'additional short-term jobs for people for those most disadvantaged in the labour market, particularly the long-term unemployed' Australian Department of Employment and Industrial Relations [DEIR] (1987, p. 22). These jobs were to be provided through projects of community benefit that improved the participants' longer term employment prospects. In addition to the long term unemployed, CEP target groups were Aborigines, people with disabilities, and migrants with language problems; groups who are least likely to benefit from employment growth. Projects were to be labour intensive (a CEP requirement was that at least 75 per cent of project funds were to be spent on wages and labour overheads) and equal access for women was a CEP aim. It was announced in the May 1987 Economic Statement that no new grants would be made under CEP, although all existing projects would be funded until completion. CEP was the single largest labour market program in each financial year from 1983/84 to 1986/87 (see footnote 13 above). Over its lifetime, it provided employment experience for more than 135,000 people; see Table 5.

Goal: Improve long-term employment prospects of unemployed persons by creating short-term employment opportunities to provide appropriate work experience.

Mechanics: Funding to labour intensive projects of economic and/or social benefit to the community. Projects had to be in the government sector (Commonwealth, state or local) or in not-for-profit organisations. New employees taken on for the duration of the project had to have been unemployed and away from formal education for the three months immediately preceding the project, and priority was given to persons unemployed for at least nine months and disadvantaged groups (e.g. Aborigines, disabled, non-English speaking background migrants). Projects were to be of 3-12 months duration.

There has been very little evaluation of this program other than that offered in the DEIR Annual Reports (see DEIR 1984, 1985, 1986 and 1987). At the time of its disbandment, the Bureau of Labour Market Research was proceeding with a large scale evaluation of CEP but no output is available from that work.

Based on figures in DEIR (1985, 1986 and 1987) the CEP program has been successful in terms of post-CEP employment; i.e. a significant proportion of those in CEP funded employment found further employment after their CEP employment ceased. For example, 33 per cent of a sample of individuals were in full-time employment six months after ceasing CEP-funded employment, and a further 7 per cent were in part-time employment, although 52 per cent of the same sample were unemployed at the time of the survey; see DEIR (1985, p. 49-50). Similarly, DEIR (1987) states that 'post-program monitoring surveys indicate that between 36 and 46 per cent of participants .... were in unsubsidised employment six months after their assistance ended' (p. 23).

C. Lessons from SYETP and CEP

The major problem facing this evaluation is the sparsity of useful information. All information discussed has been reported from Commonwealth government sources. Although the integrity of the Bureau of Labour Market Research's research on SYETP is beyond question it had to rely on raw data taken from surveys carried out under the auspices of the Department of Employment and Industrial Relations.

SYETP and CEP were major job creation programs, although each had significant job matching characteristics. Their respective delivery thrusts were quite different. SYETP was a straight wage subsidy putting individuals into private sector employment in existing production activities. CEP funded not-for-profit organisations to initiate new projects (within existing enterprises) and paid all project costs not just a partial wage subsidy. As such, CEP was the more expensive program per unemployed person assisted (in terms of direct Commonwealth outlays) but it would have also had much higher expenditure multiplier effects.

TABLE 4: SYETP EMPLOYER WAGE SUBSIDY RATES, WEEKS PAYABLE, AND ELIGIBILITY CRITERIA, 1976-1986

Date of Change	Rate ($/wk)	Weeks	Eligibility Criteria (age, unemployment duration)	Unemployment Benefit Rate✧ ($/wk)
1976				
October	58	26	15-19 1975 school leavers	36.00/41.25
November	59	26	**all** 15-19 year olds, **at least 6 of last 12 months** not in full time education	36.00/43.50
1977				
August	63	26	15-24 year olds, at least 6 of last 12 months	36.00/47.10
October	66	26	15-24 year olds, **at least 4 of last 12 months**	36.00/49.30
1978				
August	45	17	no change	36.00/51.45
November	50	17	no change	as above
1980				
April	50	17	no change, **except if unemployed for 4 months continuously after a previous SYETP position eligible for a second SYETP placement**	as above
November	55	17	no change, **except the 'unemployed for at least 4 months' condition waived for ex-STWTP participants**	36.00/53.45
1981				
February				
Standard	55	17	no change	as above
Extended✦	80	17	**18-24 year olds unemployed at least 8 months in last 12 months**	
1982				
August				
Standard	75	17	no change	36.00/58.10
Extended✦	100	17	no change	
1983				
August				
Standard	75	17	15-17 year olds	40.00/68.65
	100	17	18-24 year olds	
Extended✦	75	17	no change	

TABLE 4: SYETP EMPLOYER WAGE SUBSIDY RATES, WEEKS PAYABLE, AND ELIGIBILITY CRITERIA, 1976-1986 (CONT'D)

Date of Change	Rate ($/wk)	Weeks	Eligibility Criteria (age, unemployment duration)	Unemployment Benefit Rate✧ ($/wk)
1984				
August				
Standard	50	17	15-17 year olds	45.00/78.60
	75	17	18-19 year olds	
	100	17	20-24 year olds	
Extended✦	50	17	18-19 year olds	
	75	17	20-24 year olds	
1986†				
January	50	26	15-17 year olds unemployed 6-12 months	
	75	26	15-17 year olds unemployed at least 12 months	
	75	26	18-20 year olds unemployed 6-12 months	
	110	26	18-20 year olds unemployed at least 12 months	
	100	26	21-44 year olds unemployed 6-12 months	
	150	26	21-44 year olds unemployed at least 12 months	
	125	26	45-64 year olds unemployed 6-12 months	
	180	26	45-64 year olds unemployed at least 12 months	

✧ The first rate is for 15-17 year olds, the second is for 18-24 year olds.

✦ Participants in the Extended SYETP scheme then reverted to the Standard SYETP scheme; e.g. in February 1981, the Extended SYETP scheme was $80 a week for 17 weeks then $55 for a further 17 weeks.

† SYETP was one of a number of programs subsumed into JOBSTART effective from January 1986. These figures are those for Private Sector JOBSTART.

TABLE 5: CEP EXPENDITURE AND NUMBERS ASSISTED, 1983-1988

Year	Expenditure ($m)✦	Numbers Assisted	Percent of Numbers Assisted being✧				
			LTU✛	F◆	A❖	DP✣	ESL✛
1983-84	285.4	30,450	54.4	38.9	9.6	9.9	6.2
1984-85	405.5	46,670	74.3	49.5	13.3	12.8	8.3
1985-86	289.9	37,019	78.0	48.5	13.2	15.1	9.7
1986-87	199.0	20,934	78.9	†	14.3	16.9	†
1987-88	100.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Notes:
- ✧ these categories are not mutually exclusive
- ✦ $1.3m has been budgeted for the 1988-89 year as final payment on projects approved before the decision to terminate CEP in May 1987
- ✛ Long Term Unemployed (unemployed at least 9 months)
- ◆ Females
- ❖ Aborigines
- ✣ People with Disabilities
- ✛ Migrants with language difficulties
- † not reported
- n.a. 1987-88 Annual Report not yet available

Sources: Expenditure figures are from Chart 1. All other figures are from DEIR (1984) → (1987).

IV. CONCLUSIONS

There is still much work to be done on evaluating the role of labour market programs in the delivery of social policy. What evidence that is available suggests they are effective in reducing long term unemployment and the benefits to society of this can not be stressed too much. Some of the questions that require further research concern the dynamics of unemployment/employment histories of program participants, the cost-effectiveness of labour market programs relative to more passive forms of labour market intervention, and the extent to which programs generate genuinely new employment opportunities.

For example the evidence from the research on SYETP and CEP indicates that around 40-60 per cent of participants do not immediately revert to being UB recipients; they remain in employment for upwards of six months post participation and possibly much longer. During the time they are employed they are paying taxes, and spending more money than when receiving the Unemployment Benefit; these effects must be taken into account when assessing the initial outlays on the labour market program. Of similar importance is the need for better information as to net job creation effects, i.e. after allowing for any displacement of existing employees by program participants, and labour churning.

Labour market programs are not a cure for all labour market problems. They will never be a replacement for broader macroeconomic and microeconomic policies in determining the aggregate level of employment and unemployment. However, there is no doubt that they have an important role to play in social policy by improving the employment prospects of people who are most disadvantaged in the labour market and most reliant on the income support system.

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APPENDIX: LABOUR MARKET PROGRAMS ACRONYMS USED IN THE TEXT AND CHART 1

Acronym	Full Title	Start - Finish (month/year)	Subsumed into
ATP:	Adult Training Program	1/86 - 1/88	terminated
AWSS:	Adult Wage Subsidy Scheme	3/83 - 12/85	JOBST
ATS:	Australian Traineeship System	8/85 = = ⇒	
CIREA:	Christmas Island Retraining and Employment Assistance	8/86 = = ⇒	
CMTS:	Community Management Training Scheme	8/86 = = ⇒	
COWEP:	Commonwealth Work Experience Program	12/85 - 7/87	terminated
CRAFT:	Commonwealth Rebate for Apprentice Fulltime Training	1/77 = = ⇒	(in SAT umbrella)
CDEP:	Community Development Employment Program	4/77 = = ⇒	
CEP:	Community Employment Program	8/83 - 5/87	terminated
CTP:	Community Training Program	1/86 - 1/89	SKSHR
CVP:	Community Volunteer Program	3/87 - 1/89	SKSHR
CYSP:	Community Youth Special Projects	11/77 - 1/86	CTP
CYSS:	Community Youth Support Scheme	11/76 - 1/89	SKSHR
DAP:	Disabled Apprentices Program	8/83 = = ⇒	(in SAT umbrella)
EEA:	Enterprise Employment Assistance	8/86 = = ⇒	
EPUY:	Education Program for Unemployed Youth	2/77 - 10/80	STWTP and TA
ETP:	Experimental Training Projects	8/82 - 1/88	JOBTR
FAS:	Fares Assistance Scheme	7/72 - 8/87	MA
FRSVTS:	Former Regular Servicemen's Vocation Training Scheme	2/78 - 4/81	terminated
FTA:	Formal Training Allowance	1/86 - 1/88	JOBTR
FTAY:	Formal Training Assistance for Youth	1/86 - 1/88	JOBTR
GTA: - form	General Training Assistance (formal institutions component)	10/74 - 1/86	ATP and FTA
GTA: - on job	General Training Assistance (on the job component)	10/74 - 1/86	ATP and FTA
GASP:	Group Apprenticeship Support Program (initially Group Apprenticeship Scheme)	8/81 = = ⇒	(in SAT umbrella)
GOYAS:	Group One Year Apprentice Scheme	8/75 = = ⇒	(in SAT umbrella)
HEADP:	Heavy Engineering Adjustment and Development Program	7/86 = = ⇒	
JET:	Jobs, Education and Training Program	3/89 = = ⇒	
JOBST:	JOBSTART	12/85 = = ⇒	

Acronym	Full Title	Start - Finish (month/year)	Subsumed into
JOBTR:	JOBTRAIN	1/88 = = ⇒	
LATA:	Labour Adjustment Training Arrangement	12/82 - 1/86	JOBTR
NAAS:	National Apprenticeship Assistance Scheme	1/73 - 1/77	CRAFT
NEAT:	National Employment and Training Scheme	10/74 - 8/81	various
NEIS:	New Enterprise Incentive Scheme	7/85 = = ⇒	
NEWST:	NEW-START	2/89 = = ⇒	
MA:	Mobility Allowance	8/87 = = ⇒	
PAA:	Pre-Apprenticeship Allowance	8/74 - 12/86	terminated
PEP:	Participation and Equity Program	1/84 - 1/88	JOBTR
RAS:	Relocation Assistance Scheme	10/76 - 8/87	MA
REDS:	Regional Employment Development Scheme	9/74 - 8/75	terminated
SAA:	Structural Adjustment Assistance Program	8/73 - 4/76	terminated
SAP:	Special Assistance Program	10/74 = = ⇒	(in SAT umbrella)
SAT:	Special Apprenticeship Training	8/87 = = ⇒	
SKID:	Skills in Demand	9/80 - 1/86	ATP
SKSHR:	SKILLSHARE	1/89 = = ⇒	
SNJSS:	Special Needs Job Seeker Subsidy	12/80 - 12/85	JOBST
STTP:	Special Trade Training Program	6/80 = = ⇒	(in SAT umbrella)
STWTP:	School to Work Transition Program	11/79 - 1/84	PEP
SYETP:	Special Youth Employment Training Program	10/76 - 12/85	COWEP/JOBST
TA:	Training Allowance	10/80 - 1/86	FTA
TAP:	Training for Aboriginals Program	8/80 = = ⇒	
TPD: - form	Training Program for the Disabled (formal institutions component)	12/80 - 1/86	ATP
TPD: - on job	Training Program for the Disabled (on the job component)	12/80 - 12/85	JOBST
VYP:	Volunteer Youth Program	7/79 - 1/86	CTP, then CVP
WPP:	Wage Pause Program	12/82 - 7/84	terminated
YA/CSV:	Young Australia: Community Service Volunteers	8/86 = = ⇒	

Note: = = ⇒ still current

CHART 1: COMMONWEALTH EXPENDITURE ON INDIVIDUAL LABOUR MARKET PROGRAMS,
($m Per Annum, Current Prices)

	73/74	74/75	75/76	76/77	77/78	78/79	79/80	80/81	81/82	82/83	83/84	84/85	85/86	86/87	87/88	88/89
Jobmatching:																
FAS	0.02	0.02	0.02	0.03	0.1	0.1	0.2	0.3	0.3	0.4	0.4	0.5	0.5	0.7	0.7	0.8
GOYAS	-	0.0	5.6	9.3	9.6	7.3	2.3	1.5	1.7	1.8	1.6	1.8	1.4	-	-	-
GTA-FORM	-	26.9	34.6	11.4	12.9	10.0	3.3	2.7	2.8	3.3	3.7	4.5	3.7	-	-	-
NEAT	-	15.0	19.6	11.9	15.7	15.8	11.8	5.75	-	-	-	-	-	-	-	-
SAA	-	51.0	8.3	0.1	-	-	-	-	-	-	-	-	-	-	-	-
CYSS	-	-	-	0.6	5.7	10.7	11.6	13.8	14.2	17.9	21.3	26.1	31.5	35.1	36.9	-
RAS	-	-	-	0.3	0.7	1.2	1.1	1.3	1.6	2.2	3.5	3.0	2.6	3.3	3.2	3.4
CDEP	-	-	-	-	2.0	2.9	3.8	6.9	7.0	7.4	14.2	23.4	27.2	39.3	65.5	98.4
EPUY	-	-	-	-	1.2	2.3	3.0	3.5	-	-	-	-	-	-	-	-
FRSVTS	-	-	-	-	0.007	0.1	0.2	0.3	0.2	0.1	0.03	0.01	0.01	-	-	-
PAA	-	-	-	-	-	1.2	1.1	1.6	1.2	2.0	3.3	3.5	-	-	-	-
CTP	-	-	-	-	-	-	0.1	0.2	0.2	0.2	0.4	0.5	4.6	15.1	19.0	-
TAP	-	-	-	-	-	-	11.0	13.9	19.0	24.6	41.0	53.4	58.5	70.9	79.7	84.7
VYP	-	-	-	-	-	-	0.1	0.2	0.2	0.2	0.4	0.5	0.8	-	-	-
CYSP	-	-	-	-	-	-	-	0.2	0.6	1.5	2.8	3.3	4.6	-	-	-
SKID	-	-	-	-	-	-	-	0.5	2.5	2.0	2.1	3.1	3.4	-	-	-
SNJSS	-	-	-	-	-	-	-	0.7	1.0	0.8	1.9	2.3	1.8	-	-	-
STTP	-	-	-	-	-	-	-	0.8	0.7	4.9	9.7	-	-	-	-	-
TA	-	-	-	-	-	-	-	4.7	8.4	11.4	14.6	16.1	14.9	-	-	-
TPO-FORM	-	-	-	-	-	-	-	0.9	1.7	2.2	2.6	3.1	3.0	-	-	-
GASP	-	-	-	-	-	-	-	-	0.2	0.5	0.6	0.7	1.0	-	-	-
ETP	-	-	-	-	-	-	-	-	-	0.9	1.0	1.8	0.7	1.7	-	-
LATA	-	-	-	-	-	-	-	-	-	1.6	11.2	9.7	4.6	-	-	-
DAP	-	-	-	-	-	-	-	-	-	-	0.2	1.1	1.6	-	-	-
PEP	-	-	-	-	-	-	-	-	-	-	-	90.5	65.1	44.4	-	-
ATP	-	-	-	-	-	-	-	-	-	-	-	-	18.9	27.9	-	-
FTA	-	-	-	-	-	-	-	-	-	-	-	-	4.5	4.3	9.9	25.6
CVP	-	-	-	-	-	-	-	-	-	-	-	-	-	1.8	3.7	-
FTAY	-	-	-	-	-	-	-	-	-	-	-	-	-	13.6	-	-
SAT	-	-	-	-	-	-	-	-	-	-	-	-	-	18.9	16.8	14.3
JOBTRAIN	-	-	-	-	-	-	-	-	-	-	-	-	-	-	56.8	90.8
SKILLSHAR	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	69.7
Jobcreation:																
NAAS	5.9	15.0	31.7	34.3	7.2	0.3	-	-	-	-	-	-	-	-	-	-
GTA-JOB	-	3.1	5.5	13.6	23.7	22.8	6.4	8.0	5.5	2.7	1.8	0.8	0.7	-	-	-
NEAT	-	15.0	19.6	11.9	15.7	15.8	11.8	5.75	-	-	-	-	-	-	-	-
REDS	-	60.4	123.4	0.5	-	-	-	-	-	-	-	-	-	-	-	-
SAP	-	-	1.1	1.3	1.7	1.5	1.4	1.3	0.8	3.3	8.2	5.4	3.2	-	-	-
SYETP	-	-	-	6.6	47.1	82.6	24.2	41.3	53.7	63.6	120.2	97.7	61.7	-	-	-
CRAFT	-	-	-	-	15.8	28.4	42.7	64.5	78.7	84.9	86.6	99.4	88.1	96.3	102.6	125.4
SWTP	-	-	-	-	-	-	-	6.3	9.6	13.0	17.4	-	-	-	-	-
TPD-JOB	-	-	-	-	-	-	-	1.9	4.8	4.1	7.2	9.2	7.1	-	-	-
AWSS	-	-	-	-	-	-	-	-	-	0.4	23.4	35.1	25.4	-	-	-
WPP	-	-	-	-	-	-	-	-	-	98.9	101.1	-	-	-	-	-
CEP	-	-	-	-	-	-	-	-	-	-	285.4	405.5	289.9	199.0	100.0	1.3
ATS	-	-	-	-	-	-	-	-	-	-	-	-	2.1	13.6	28.8	45.9
COWEP	-	-	-	-	-	-	-	-	-	-	-	-	96.1	14.6	-	-
JOBSTART	-	-	-	-	-	-	-	-	-	-	-	-	18.7	100.5	108.5	97.0
NEIS	-	-	-	-	-	-	-	-	-	-	-	-	0.7	2.7	3.5	6.7
TOTAL	12.0	186.3	249.3	101.7	159.1	203.0	136.0	188.6	216.5	356.7	788.0	902.0	848.7	703.7	635.6	664.0

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INCOME SUPPORT FOR FAMILIES WITH CHILDREN: RECENT DEVELOPMENTS IN AUSTRALIA AND NEW ZEALAND

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1. INTRODUCTION

> *Children's well-being has important life-cycle consequences. The productivity and attainment of adults rest on their well-being as children and on the investments that their parents - and society generally - have made in them during their formative years. This productivity and economic success, of course, determine the rate of economic progress and, in turn, the resources available for both the retirement years of the current generation and for the well-being of the next generation of children.* (Haveman et al., 1988, p. 149)

> *A nation's compassion may be shown in its care for the disabled and those past work, but for the evidence of its concern for its future (which also includes its capacity to exercise this compassion) we can only look at its care for its children.* (Walley, quoted in Parker, 1978, p. 5)

In all welfare states there are a range of government programs to assist families with children. These measures include those in the education, child care, and health areas as well as income support programs. The area of income support for families with children has been the subject of review in a range of countries in recent years. In Australia, the first Issues Paper released by the Social Security Review dealt with **Income Support for Families with Children** (Cass, 1986), while the Royal Commission on Social Policy in New Zealand released its working papers on income maintenance and taxation, including on assistance for families with children, in March 1988. Child income support programs have also been recently reviewed and reformed in the United Kingdom.

These various reviews have identified a number of common objectives for family income support programs. Most often these goals have been expressed in terms of promoting equity - either 'vertical equity' (tackling family or child poverty), 'horizontal equity' (supporting families with children in general), or 'intra-family equity' (providing an income for mothers) (Henwood and Wicks, 1986, p. 17). In addition to these three objectives, Cass (1986, pp. 3-5) refers to the importance of reducing work disincentives, so that family assistance does not discourage parents' workforce participation and income earning. One of the most comprehensive analyses of the basis of family income support is provided by the New Zealand Department of Social Welfare Paper on **State Financial Support for Children**, prepared for the Royal Commission on Social Policy, which canvasses all of the above objectives and others.

Nevertheless, the fundamental objective of these income support programs is perhaps best captured by the above quotations: that is, assistance to families with children is a form of social investment. Children represent the future and their well-being has a significant bearing on society's social and economic prospects. This should not be construed as implying a purely economistic perspective on support for families, as if public policy towards children should be evaluated or justified on the basis of a cost-benefit analysis. Most importantly, children are individuals, whose welfare is as much of concern to public policy as that of any other individual. Indeed, because of their vulnerability, it can be argued that they are entitled to special consideration (Royal Commission on Social Policy, 1988).

This paper concentrates on public income support programs for families with children, provided both through the taxation and social security systems. The aim of the paper is to describe some recent trends in these programs in Australia and in New Zealand with the hope that the experience of each country in this area may throw some light on specific concerns expressed about the future direction of family income support.

As in other areas of their taxation and social security systems, there are important similarities between family programs in Australia and New Zealand. In both countries, one of the most significant programs has been the 'universal'

payment in respect of all children: Family Benefit in New Zealand and Family Allowances in Australia[1], both of which are paid in the form of cash benefits, usually to mothers. The most important 'selective' program is the assistance provided to single parent families, through Domestic Purposes Benefit in New Zealand and Supporting Parents Benefit/Widows Pension in Australia.

While the support provided to sole parents is quantitatively the most important form of income-tested benefit for persons with children, such payments also perform other functions. It is not only the presence of children that entitles sole parents to this assistance, but the combination of a child's presence with the absence of a spouse and the limited income of the custodial parent. This suggests that even though support of children is a major objective of sole parent benefits, it is not its only purpose. A full consideration of the role of sole parent benefits would therefore lead to issues outside the scope of this paper. The paper consequently limits its discussion to the income-tested supplements for low income families with children, either pensioners and beneficiaries also receiving basic social security payments or low-income working families with children.

As well as these social security transfers, each country has a mix of tax/benefit measures that are directed primarily through the taxation system where the recipient has sufficient income tax liability, or paid out in cash in other cases. It is in these measures that the differences between the two countries appear most marked, although in certain ways, important similarities remain. In Australia, the income tax system is primarily based on the individual unit, with the provision of a 'threshold' that ensures that the first $A5,100 of each individual's income is taxed at a zero rate. Two income families are entitled to a second threshold, while single income families may be entitled to a dependent spouse rebate which increases their effective tax threshold. Single income families with children are entitled to a higher level of rebate than are those without children, while sole parents may receive a somewhat lower level of rebate. These rebates in combination with the basic threshold mean that families of two or more persons will pay less income tax than single individuals at the same total level of taxable income.

Further recognition of family responsibilities is achieved in Australia through the payment of Family Allowances, as outlined above. In addition, low income families may receive higher levels of assistance: those families in the social security system receive additional pension/benefit payments in respect of their children, while low income families outside the social security system may be entitled to the Family Allowance Supplement (FAS) which is set at the same dollar levels as the additional pension/benefit for children. These payments are income-tested - the additional pension/benefit being reduced once the 'basic' social security payment is exhausted, with the income test taper that applies to the basic payment (50 cents in the dollar for pensions, dollar for dollar for benefits), while FAS is reduced by 50 cents in the dollar on the basis of joint family income in excess of $A300 per week.[2] Family Allowances, additional pension/benefit and FAS are all paid as cash benefits by the Department of Social Security and thus further modify the financial circumstances of families with children so that the disposable income of families with the same total taxable income increase according to the numbers of children. In their effects, therefore, these cash benefits may be considered analogous to refundable tax credits or negative taxes (see Whiteford, 1989, for further discussion).

The New Zealand income tax system is structured in a different way. In contrast with Australia there is no zero rate step formally embedded in the tax rate scale, and New Zealand taxpayers therefore are liable for tax from the first dollar of taxable income. Very low income taxpayers without children, however, are protected by an income-tested Transitional Tax Allowance, which introduces an effective zero rate step into the scale. Families with children are also protected by an income-tested refundable tax credit (Family Support) which provides for assistance of up to $NZ36 per week for families with one child, plus $NZ16 per week for each additional child. This tax credit/payment is reduced by 18 cents in the dollar for joint family income over set levels. The practical effect of Family Support is to produce an effective tax threshold for low and middle income families with children, with the tax liabilities of those with children being lower than those of taxpayers without children and with the same total income. Because Family Support is a

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1. Since November 1987, Family Allowance payments in Australia have been income-tested on the basis of joint parental income, being reduced at the rate of 25 cents in the dollar on joint family income in excess of approximately twice male average weekly earnings. The number of children for whom family allowance payments are now made is around 92 per cent of the number before the imposition of the income test.

2. Both Family Allowance and FAS are now income-tested on the basis of annual joint family income in the financial year prior to the calendar year for which the payments are made.

refundable tax credit, those low income families, with insufficient tax liabilities can receive the full value of the payment in cash (just as FAS recipients in Australia receive their assistance). In addition Family Support is payable at the same level to social security beneficiaries in the way parallelled in Australia by FAS and additional pension/benefit. In these senses, while the specific details and structure of the Australian and New Zealand tax systems differ, they have the important similarity that the basic individual structure of the income tax system is modified to reflect family responsibilities.

A New Zealand program for which there is no Australian parallel is the Guaranteed Minimum Family Income (GMFI) payable to full-time earners with dependent children. In January 1988, this was set at $NZ270 per week (inclusive of Family Benefit and Family Support) for a family with one child, increasing by $16 per week (Family Support) and $6 per week (Family Benefit) for each additional child. The GMFI is a 'top-up' scheme, so that family income is simply added to until the levels of income specified above are achieved. This implies a 100 per cent marginal tax rate in the program, as any additional earned income is simply a substitute for GMFI payments.

The brief overview of family assistance provisions has been kept at a general level, not only because the specific details of level of payments and income test arrangements and the like change from time to time, but also in order to indicate that underlying the more apparent differences between the systems are some fundamental similarities. It is therefore not surprising that New Zealand and Australia share common concerns about the structure and effectiveness of their current family income support programs as well as concerns with appropriate future reforms.

The issues to be canvassed in this paper include concerns with the appropriate mix of universal and selective forms of income support, which in turn are derived from questions about the adequacy of social security arrangements for very low income families with children on the one hand and concern with perceptions that the tax system is 'unfair' to families with children on the other. Given recent budgetary constraints and governments' desire to reduce public expenditure or budget deficits, these concerns have sometimes appeared to be in conflict. That is, governments in Australia and New Zealand (and other OECD countries) have sought to redirect assistance away from universal programs more towards those with the lowest incomes. This issue of targeting of benefits has been particularly salient in the area of family income support, where non income-tested payments have traditionally played a significant role.

Governments have also recognised, however, that targeting of benefits is not without its costs, in particular, the production of high effective marginal tax rates (EMTRs). Given that part of the concern sometimes expressed with social security systems include their impact on the work behaviour of recipients, the creation of high EMTRs with their possible implications for poverty traps may appear counterproductive. This conflict may be heightened because of the redirection of assistance away from non-poor families with children may exacerbate the impression that the tax-transfer system is unfair to families generally.

A further set of issues relevant to the topic of this paper (but not dealt with in detail) is the impact of broader demographic and economic changes affecting families with children. The most important of these are the changing family and household composition of the population, in particular, the increasing numbers and incidence of single parent households, increasing unemployment as it affects families with children, and the rise in female labour force participation rates.[3] These broader social trends have had major implications for the issues mentioned above, because the increasing numbers of sole parents and increasing unemployment among families with children have been associated, in Australia at least, with a significantly higher incidence of poverty among families with children (Whiteford, 1987; Saunders and Whiteford, 1987). This also has heightened concerns about the adequacy of the social security system for these families and the appropriate mix between income-tested and general family assistance.

In order to discuss questions of the adequacy of income support arrangements and the fairness of the tax-transfer system as it affects different types of families, it is necessary to choose indicators that are relevant across countries. International comparisons are notoriously difficult to make, and it will be one of the themes of this paper that, despite the similarity of their tax-transfer systems, such comparisons between Australia and New Zealand must be made cautiously if they are not to be misleading.

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3. For a discussion of aspects of these trends in New Zealand and Australia, see Stephens (1987a).

Nevertheless, a range of measures to assess the relative adequacy, generosity or equity of family assistance in New Zealand and Australia are discussed. These include the share of total social security transfers going directly to assist families and trends in that share, the real level and trends in the real level of assistance per child, direct comparisons of the average tax liability of different types of families, trends in the relative position of families with children compared to those without, and trends in the real level of various payments, either universal or income-tested. The paper then concentrates on Australia's recent experience of targeting of family assistance as it reflects on these issues of adequacy and equity, and also makes reference to relevant proposals for change in New Zealand.

2. TRENDS IN FAMILY INCOME SUPPORT

Table 1 shows trends in family transfers as a proportion of total social security outlays in Australia and New Zealand and the OECD generally over the period 1960 to 1984. These trends are also illustrated in Figure 1. The definition of family transfers is that used in the OECD study, **The Government Household Transfer Data Base** (Varley, 1986), which include family benefit and domestic purposes benefit in New Zealand and family allowances and supporting parents benefit in Australia (as well as the then less significant family income supplement program and handicapped childs allowance).

The trend clearly apparent in these figures is the long term decline in the proportion of social security transfers going to families both in Australia and New Zealand and in the OECD generally. The rate of decline has been faster in New Zealand than in Australia, but not as fast as the OECD average; the annual average percentage decline over this 24 year period being 1.34 per cent in Australia, 1.70 per cent in New Zealand, and 2.26 per cent for the OECD generally. As well as this general decline, the other obvious feature is that family transfers are nevertheless more important in New Zealand and Australia than on average for the OECD. This primarily reflects the age structure of the Australian and New Zealand populations, which are younger than in many other OECD countries. In 1983, 24.4 per cent of the Australian population and nearly 26 per cent of the New Zealand population were aged less than 15 years compared, for example, to around 22 per cent in the United States, Canada and France, around 20 per cent in the United Kingdom, 18.5 per cent in Sweden and just over 16 per cent in the Federal Republic of Germany (United Nations, 1984).

There are a number of important points to note about the figures in Table 1. Such standardised international comparisons are perforce limited by the timing of studies and by the definitions and categories adopted, in this case by the OECD. One limitation is that the definition of family transfers used in this study is not comprehensive. For example, payments to widows are defined by the OECD to be part of the category 'old-age, disability or survivors' benefits'. This is probably most significant in Australia where the population eligible for Class A widows pension is similar in parts to that eligible for supporting parents benefit (e.g. divorced women) and where the increase in numbers of supporting parent beneficiaries is not independent of the decline in the number of widow pensioners. This probably has had the effect of moderating the apparent decline in the level of family transfers in Australia, but not to a significant extent.

A more important limitation is that these figures generally do not include either taxation assistance for families with children or the income tested-payments in respect of children of social security recipients.[4] Thus the figures given above may under-estimate the total amount of government resources directed towards children, and may also give a misleading impression of specific changes. In this context, it is notable that there were very sharp increases in spending on family transfers as a proportion of total social security outlays in 1972 and 1979 in New Zealand and 1976 in Australia. This apparent increase in 1972 in New Zealand was achieved through the abolition of child tax exemptions and an increase in family benefit; similarly, the 1976 change in Australia reflects the decision to cash-out the child tax

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4. The figures for Australia do include the income-tested additional payments for children of supporting parent beneficiaries, but not those for children of widow pensioners, invalids or the unemployed. In addition, because the latest available year in the OECD data is 1984, they do not show the very considerable increase in assistance for children in low income working families, e.g. from around $40 m on FIS in 1984-85 to around $400 m on FAS in 1988-89.

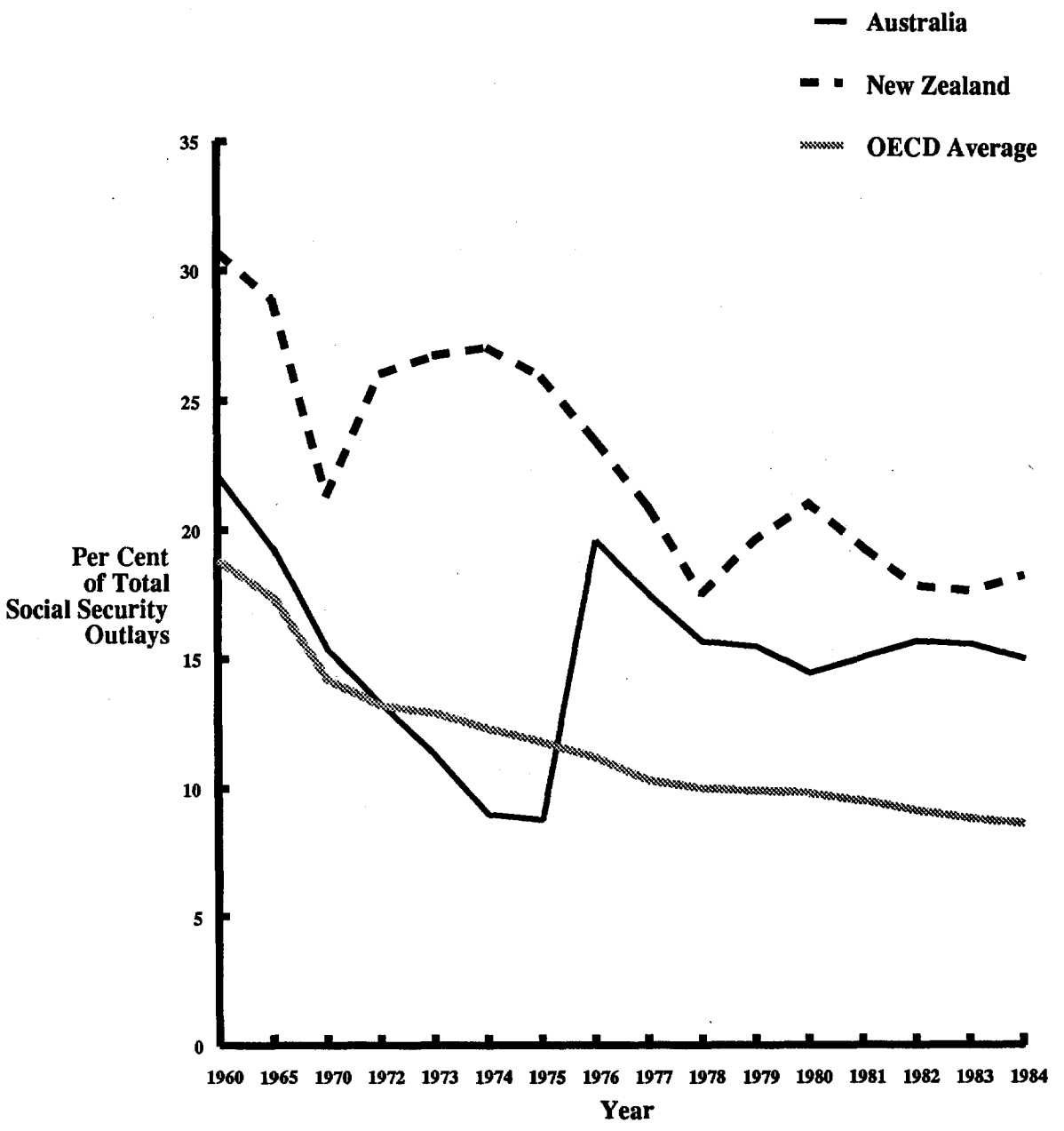
TABLE 1: FAMILY TRANSFERS[a] AS A PROPORTION OF TOTAL SOCIAL SECURITY OUTLAYS, 1960-1984
(Per Cent)

Year	Australia	New Zealand	OECD Average
1960	22.1	30.7	18.8
1965	19.3	28.9	17.4
1970	15.4	21.3	14.2
1972	13.3	26.0	13.2
1973	11.3	26.7	12.9
1974	9.0	27.0	12.3
1975	8.8	25.9	11.8
1976	19.6	23.5	11.2
1977	17.5	20.9	10.3
1978	15.7	17.5	10.0
1979	15.5	19.6	9.9
1980	14.5	21.0	9.8
1981	15.1	19.3	9.5
1982	15.7	17.8	9.1
1983	15.6	17.6	8.8
1984	15.0	18.2	8.6

Note: a) Family transfers include family benefit and domestic purposes benefit in New Zealand, and family allowances, supporting parents benefit, family income supplement and handicapped childs allowance in Australia.

Source: Varley, R. (1986), **The Government Household Transfer Data Base**, p. 15.

FIGURE 1: FAMILY TRANSFERS AS A PROPORTION OF TOTAL SOCIAL SECURITY OUTLAYS, 1960-1984
(Per Cent)



rebates and increase family allowances (previously child endowment). Thus, these are accounting changes rather than real increases in assistance to families generally. Bearing in mind also that use of an overall average for the OECD will tend to smooth out variations of these sorts, a reasonable judgement would be that the trends in Australian and New Zealand spending on family assistance might more closely parallel the general OECD trends, with the proviso that one would expect higher social security spending on children in Australia and New Zealand, because of their younger demographic structures.

The most significant limitation on the use of expenditure figures of this sort is that the proportion of social security spending given to family transfers has declined not only because of trends in the numerator (family transfers) but also because of trends in the denominator (total social transfers). Thus family transfers have become less significant because other social security spending, particularly on the aged and the unemployed has grown. For example, spending on transfers for the unemployed grew from 1.3 per cent of total social security spending in Australia in 1960 to 17.5 per cent in 1984; the corresponding figures for New Zealand are 0.1 per cent in 1960 and 6.7 per cent in 1984 (Varley, 1986, pp. 27-28).

In summary, analysis of these aggregate expenditure trends suggests that New Zealand and Australia, like other OECD countries, are now devoting a lower proportion of their total social transfers to assist families. But, because of the factors outlined above aggregate expenditure figures of this sort do not give a reliable guide to the adequacy of this family assistance. A better measure of the adequacy of assistance is given in Table 2 (and illustrated in Figure 2) which shows family transfers per person under 15 years over the period 1960 to 1984 (expressed in 1980 $US). Because family transfers are defined as in the previous table, some of the same caveats apply. The most important of these are the exclusion of tax-based assistance and much of the income-tested assistance in respect of children of social security recipients.

Once again, it is the prior omission of tax based assistance that explains the apparent very large jump in family transfers per child in New Zealand in 1972 and in Australia in 1976. It might be noted, however, that the substantial increase in family transfers per head in 1979 in New Zealand was primarily the result of the doubling of the level of family benefit in that year, and thus represents a real increase in assistance rather than a transfer of assistance previously 'disguised' in the taxation system.

An interesting feature of this comparison is that by expressing assistance by amount per child under 15 years it effectively controls for the demographic differences between Australia, New Zealand and other OECD countries. On this basis, therefore, New Zealand appears somewhat more 'generous' than the OECD average, and Australia somewhat less 'generous'. Nevertheless, there are sufficient differences remaining in these comparisons for it to be necessary to conclude that even these data are not an appropriate indication of adequacy of assistance for families with children.

This in part is because of the varying reliance in OECD countries on assistance through the taxation system on the one hand and assistance through income-tested payments on the other. For example, countries such as the United States and Canada which continue to provide nearly all or a substantial part of their support for families with children through the income taxation system will appear to be laggards when comparisons are made with other countries, which have 'cashed-out' their rebates or deductions. While the provision of assistance in those different forms may have significant distributional implications within the countries affected, it would not be appropriate to conclude that such systems are less generous **on average**. This conclusion should be tempered by the observation that in social insurance systems in other OECD countries the functions performed by the income-tested supplements in Australia have to be served to a greater extent by the universal child benefits. The definition of family income support adopted in the OECD study, which does not include all of these income-tested supplements in their comparisons, will therefore place countries like Australia and New Zealand in a poorer position than is warranted, simply because these countries rely on an income-tested approach.

A final issue is that the OECD definition of family assistance incorporates two vastly different types of programs - the 'universal' family benefit/family allowances and the income-tested domestic purposes benefit/supporting parents benefit. The objective of these programs differ markedly, with the universal payments being intended as relatively small supplements to family income, while the income-tested payments for sole parents are usually considered to have the objective of providing a basic adequate income. Over time the proportions devoted to the income-tested and the universal payments have changed significantly. In New Zealand, for example, in 1960 there was no domestic purposes benefit, and family benefit would therefore have been counted as the only form of family assistance for the OECD

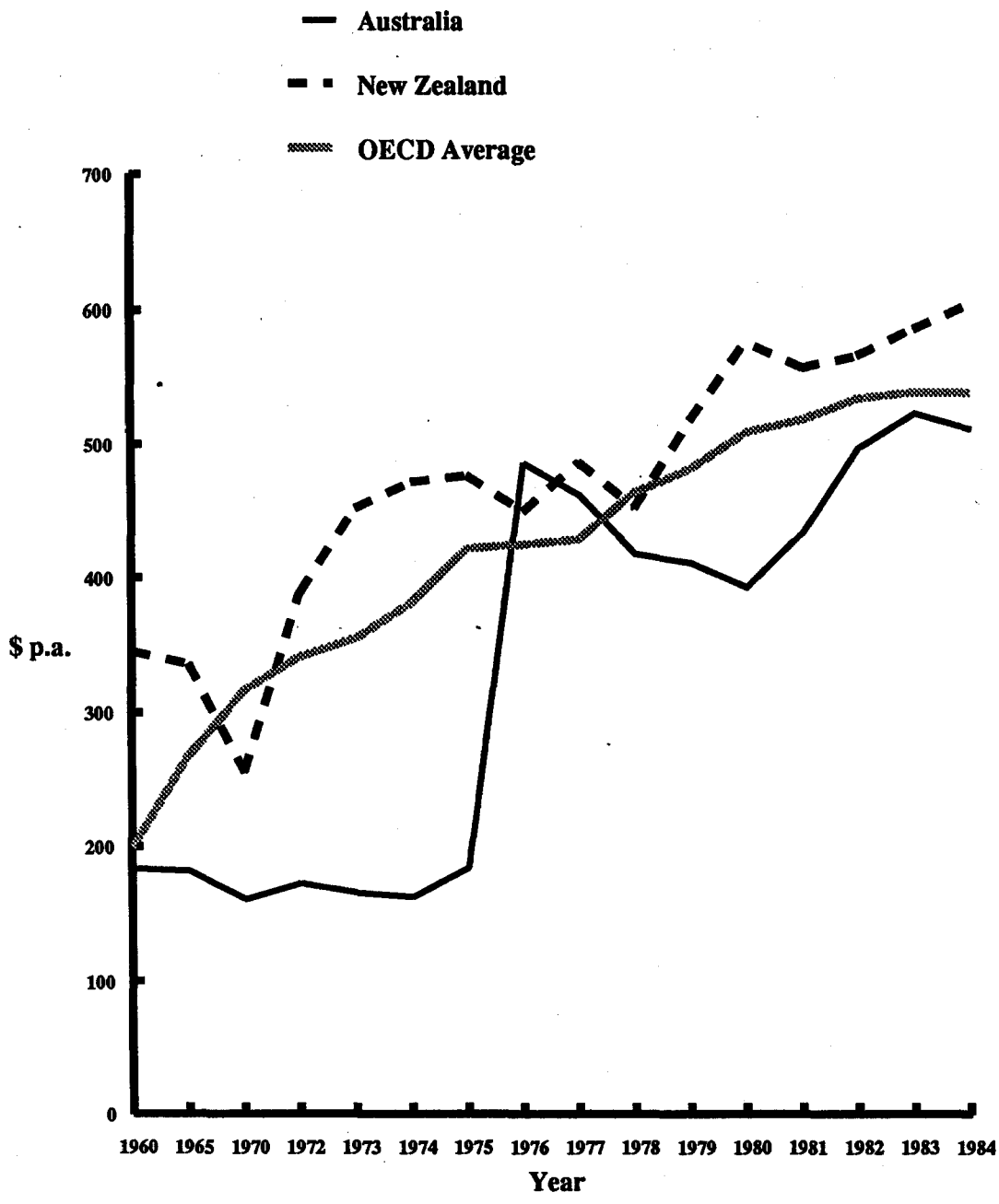
TABLE 2: FAMILY TRANSFERS PER PERSON UNDER 15, 1960-1984
(1980 $US and PPPS*)

Year	Australia	New Zealand	OECD Average
1960	184	345	199
1965	182	336	267
1970	161	255	316
1972	173	388	341
1973	166	452	355
1974	163	471	381
1975	185	476	421
1976	486	449	424
1977	462	486	428
1978	418	452	463
1979	411	517	481
1980	393	575	508
1981	434	556	517
1982	497	565	533
1983	523	585	538
1984	511	603	538

Note: * PPPS: Purchasing Power Parities.

Source: Varley, R. (1986), **The Government Household Transfer Data Base**, p. 19.

FIGURE 2: FAMILY TRANSFERS PER PERSON UNDER 15, 1960-84 (1980 $US)



series. In 1984, in contrast, domestic purposes benefit accounted for nearly 60 per cent of total spending on these two programs, a proportion which had grown to nearly 74 per cent by 1988 (Department of Social Welfare, 1988, p. 110). A similar trend is apparent in Australia over this time. But increasing expenditure on sole parents' pensions primarily reflects the increasing number of sole parents in the population. Thus, income support per child has increased because of the increasing needs of low income families in the community, not necessarily because of higher levels of support for families generally.

3. THE TAX-BENEFIT POSITION OF FAMILIES

There are a number of ways of assessing the adequacy and fairness of general family assistance. To put these measures in context, however, comparative data on the taxation system in Australia and New Zealand is useful. In 1986, total taxation revenues were 31.4 per cent of Gross Domestic Product (GDP) in Australia, 32.9 per cent in New Zealand, and 38.1 per cent for the OECD on average (OECD, 1988, p. 83). While Australia and New Zealand took a lower proportion of total GDP in taxes, they relied more heavily on personal income taxes, which were 31.5 per cent of total tax revenue for the OECD on average, but 46.6 per cent of revenue in Australia and 62.6 per cent in New Zealand.

The main reason for the significantly higher share of personal income tax in New Zealand and Australia is the absence of social security contributions (on employees and employers), which accounted for nearly a quarter of total tax revenues for the OECD on average (OECD, 1988, p. 85). The change in the tax mix in New Zealand in 1986, however, will have significantly reduced the relative importance of personal income taxes - from around 63 per cent to around 52 per cent of total revenue (Stephens, 1987b, p. 337).

A comparison of the average and effective marginal tax rates produced by the New Zealand and Australian tax-transfer system in 1984-85 is given in Table 3 and illustrated in Figure 3. While the situation will have changed since that time, this is the most recent year for which data are available to compare the impact of taxes at set levels of the overall household income level in each country. (See the note to Table 3 for details of estimation.)

It is apparent from Table 3 and Figure 3 that average income tax rates were higher in New Zealand than in Australia in 1984-85 except for very low income couples with children. In general this reflects the higher rates of total tax revenue to GDP and the higher proportion of revenue collected from personal income taxes in New Zealand, as well as the specific effects of the presence of a tax threshold in Australia and the then lower top marginal tax rate.

As noted, the New Zealand tax-benefit system is notably more generous to very low income families than is the Australian system. This is primarily through the effects of the Guaranteed Minimum Family Income (GMFI), but this is achieved at the cost of an effective marginal tax rate of 100 per cent. It is also important to note that there are very few families in New Zealand actually benefiting from the GMFI, which is one reason why the 100 per cent withdrawal rate may not be considered a problem. Similarly, there are few Australian families with incomes equal to or below 25 per cent of average household income. Thus comparisons of this sort may overstate the **effective** generosity of the tax-transfer system.

The highest marginal tax rates produced for Australian families outside the social security system are also not fully revealed in this example, because the Family Income Supplement (FIS) did not start to be income-tested until family income exceeded 50 per cent of average household income, but was fully withdrawn before family income reached 75 per cent of average household income. This is why these examples do not directly show the effects of the 50 per cent FIS withdrawal rate, although the effects of this income test are shown indirectly by the rapid increase in average tax rates for Australian families between 50 and 75 per cent of average household income. It is notable that average tax rates for couples with children also increased rapidly in New Zealand between 75 per cent and 100 per cent of average household income compared to those for single taxpayers. For example, the average tax rate of a NZ single earner couple with two children and at 75 per cent of average household income was around 56 per cent of the average tax rate of a single person at the same gross income level; at 100 per cent of average household income, the average tax rate of a couple with children had increased to 87 per cent of that of a single person. This primarily reflects the complete withdrawal of the then family rebate/family care arrangements.

TABLE 3: COMPARISON OF AVERAGE TAX RATES (ATR) AND MARGINAL TAX RATES (MTR) IN AUSTRALIA AND NEW ZEALAND - 1984-85

A. **Single Taxpayers**

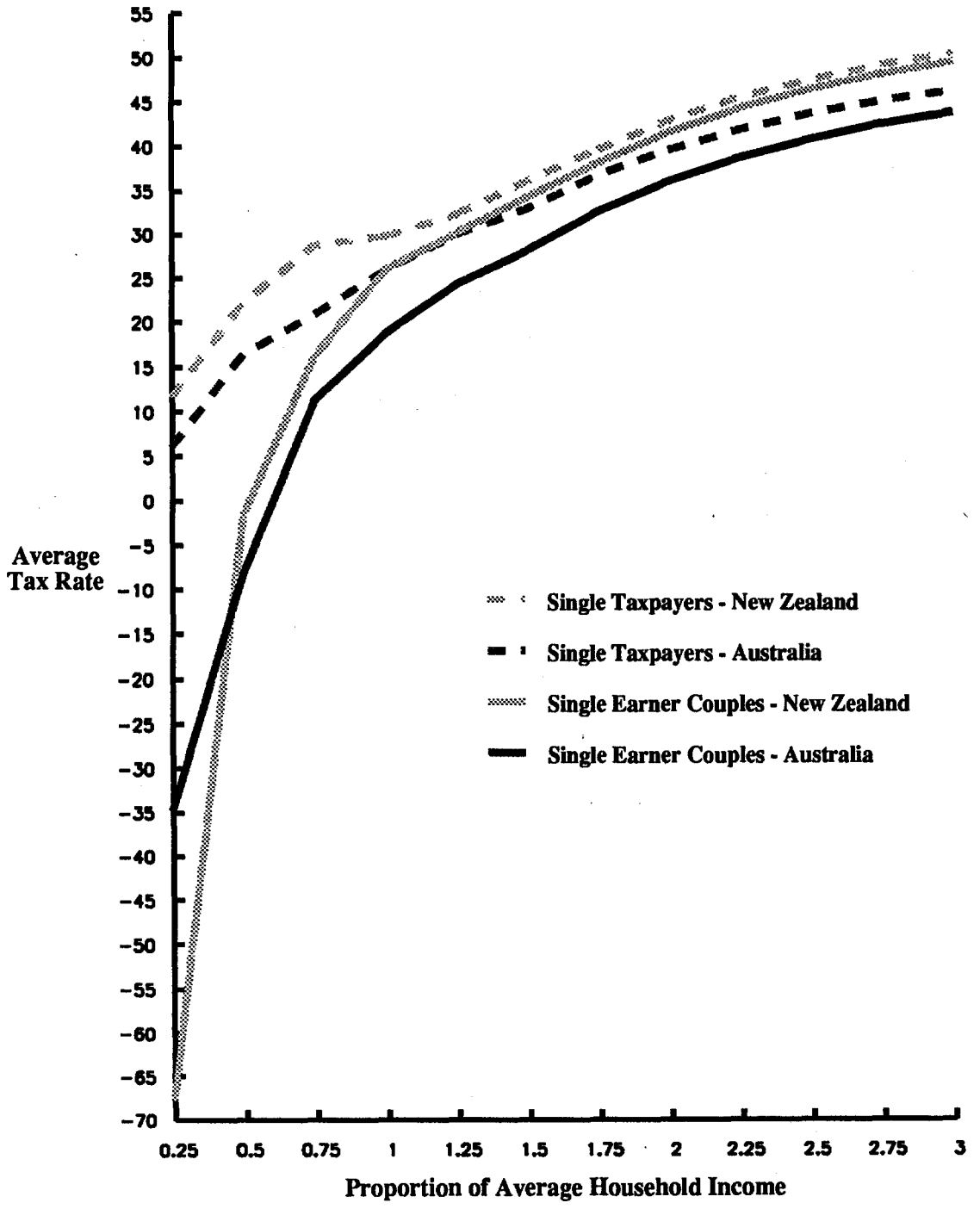
Proportion of Average Household Income	New Zealand		Australia	
	ATR	MTR	ATR	MTR
0.25	11.5	11.5	5.9	26.67
0.50	22.0	33.0	16.3	26.67
0.75	28.6	33.0	20.7	30.00
1.00	29.7	33.0	25.8	46.00
1.25	32.2	45.1	29.9	47.33
1.50	36.0	56.1	32.9	60.00
1.75	39.6	66.0	36.7	60.00
2.00	42.9	66.0	39.6	60.00
2.25	45.5	66.0	41.9	60.00
2.50	47.5	66.0	43.7	60.00
2.75	49.2	66.0	45.2	60.00
3.00	50.6	66.0	46.4	60.00

B. **Single Earner Couples, Two Children**

Proportion of Average Household Income	New Zealand		Australia	
	ATR	MTR	ATR	MTR
0.25	-67.9	100.0	-34.9	0.00
0.50	-1.6	48.0	-8.2	26.67
0.75	16.0	53.0	11.1	30.00
1.00	25.9	58.0	18.6	46.00
1.25	30.1	45.1	24.2	47.33
1.50	34.2	46.1	28.1	60.00
1.75	38.1	66.0	32.6	60.00
2.00	41.6	66.0	36.0	60.00
2.25	44.3	66.0	38.7	60.00
2.50	46.4	66.0	40.8	60.00
2.75	48.2	66.0	42.6	60.00
3.00	49.7	66.0	44.0	60.00

Note: Average weekly household income for all households was $A453.60 per week in Australia in 1984 (Household Expenditure Survey, 1984, ABS Cat. No. 6531.0, p. 11). For New Zealand, average household total income was estimated at $NZ26,600 p.a. ($NZ511.55 p.w.) for the June Quarter of 1985 (Broad and Bacica, 1985, p. 92). Average and marginal tax rates were calculated on the basis of the 1984-85 tax scales, also incorporating the effects of relevant rebates and cash transfers.

FIGURE 3: AVERAGE TAX RATES FOR SINGLE TAXPAYERS AND SINGLE EARNER COUPLES WITH TWO CHILDREN- AUSTRALIA AND NEW ZEALAND, 1984-85



Above these income levels, the 1984-85 tax-benefit system became relatively less favourable to families in New Zealand. While the universal family benefit was set at a higher level in New Zealand than in Australia, single earner families in Australia are able to benefit from the non income-tested dependent spouse rebate, which reduces average tax rates relative to single people. It is also apparent that at the levels about average household income, New Zealand families faced higher average tax rates than did single people in Australia.

A further basis for comparison is shown in Table 4 which gives trends in the real value of Family Benefits in New Zealand and Family Allowance in Australia over the period 1974-75 to 1987-88. The long term trends in the level of these universal payments are generally quite similar, revealing a substantial decline in the real value of these payments since 1976-77 - caused by the failure to index them to inflation - a trend punctuated at different times by ad hoc real increases in the rate of payment. The increase in 1979 in New Zealand was much more substantial than the 1982 increase in Australia but the real level of payment has since fallen much more sharply in New Zealand because of the higher level of inflation.

Another basis for comparison is provided by Table 5 and Figure 4 which trace trends in the relative disposable income of single earner couples with two children over the period 1974-75 to 1987-88. These figures are derived by expressing the disposable income of a single earner couple with two children as a proportion of the disposable income of a single person earning the same income. The data is taken from OECD studies of the tax/benefit position of average production workers, defined as an adult full-time production worker in the manufacturing sector whose earnings are equal to the average earnings of such workers.

As noted by the OECD itself (1988, pp. 22-28), there are significant limitations to these comparisons, such as the varying degree of representativeness of the average production worker in the countries covered. In addition, the significance of the example of the single earner couple with two dependent children is now commonly questioned, as this family type, which was once assumed to be modal is now assumed to be far less representative of families generally.[5] For these and other reasons, such comparisons should not be thought of as describing the actual situation in countries on average but simply as an indication of the structure of the tax and transfer systems as they affect these family types.

Bearing this in mind, there are a number of interesting points of comparison between Australia and New Zealand. First, contrary to the impression given by Table 3, this Table suggests that the New Zealand tax-benefit system is relatively more generous to the 'average production worker' with a family than is Australia's, with the relative disposable income ratios being higher in New Zealand in all of these years except 1976-77 and 1978-79. A second issue relates to the trends within each country. As could be expected, the relative disposable incomes of families with children reached a peak in Australia in 1976-77 following the introduction of child tax rebates and then family allowances. This was followed by a relatively slow decline due to inflation, a minor increase in the early 1980s when family allowances were increased, and followed again by a further decline over the period covered. In contrast, the New Zealand picture is one of fairly dramatic changes - a very significant improvement in the relative position of families in 1979, with subsequent rapid drops, another fairly substantial improvement in the mid 1980s, and a further large decline in the final period.

The impression given in Table 5 that New Zealand is relatively more generous than is Australia is in fact an indication of a further limitation of comparisons of the position of average production workers. This problem is that the average production earners in the two countries are situated at quite different positions in the household income distribution. In 1984-85, for example, the Australian average production worker earned $A18,829 or around 80 per cent of average Australian household income, while the New Zealand average production worker earned $NZ16,041 or around 60 per cent of average New Zealand household income. As a consequence, Australian families included in these comparisons would not have been eligible for FIS or later FAS, while New Zealand families would have been entitled to Family Care or later Family Support.

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5. While it is certainly true that single earner families now form a lower proportion of all families with children, in part because of the increasing labour force participation of married mothers and the increasing incidence of sole parenthood, it should be noted that point in time estimates of the population of all families who are single income earners may underestimate the proportion who ever fall into this group at some time in their family life cycle.

TABLE 4: VALUE OF UNIVERSAL FAMILY PAYMENTS IN AUSTRALIA AND NEW ZEALAND 1974-75 TO 1987-88

Year	Australia		New Zealand	
	Value ($A 1987-88)	Index (1976-77 = 100)	Value ($NZ 1987-88)	Index (1976-77 = 100)
1978-79	261	18	1453	118
1976-77	1138	100	1229	100
-	-	-	-	-
1978-79	925	85	958	78
1979-80	842	77	1657	135
1980-81	772	70	1418	115
1981-82	696	64	1235	100
1982-83	833	76	1070	87
1983-84	878	80	1016	83
1984-85	843	77	936	76
1985-86	777	71	813	66
1986-87	709	65	709	58
1987-88	664	61	624	51

Source: OECD, **The Tax/Benefit Position of Production Workers**, various years; and Moore and Whiteford, 1986.

TABLE 5: TRENDS IN RELATIVE DISPOSABLE INCOMES[1] OF SINGLE EARNER COUPLES WITH TWO CHILDREN

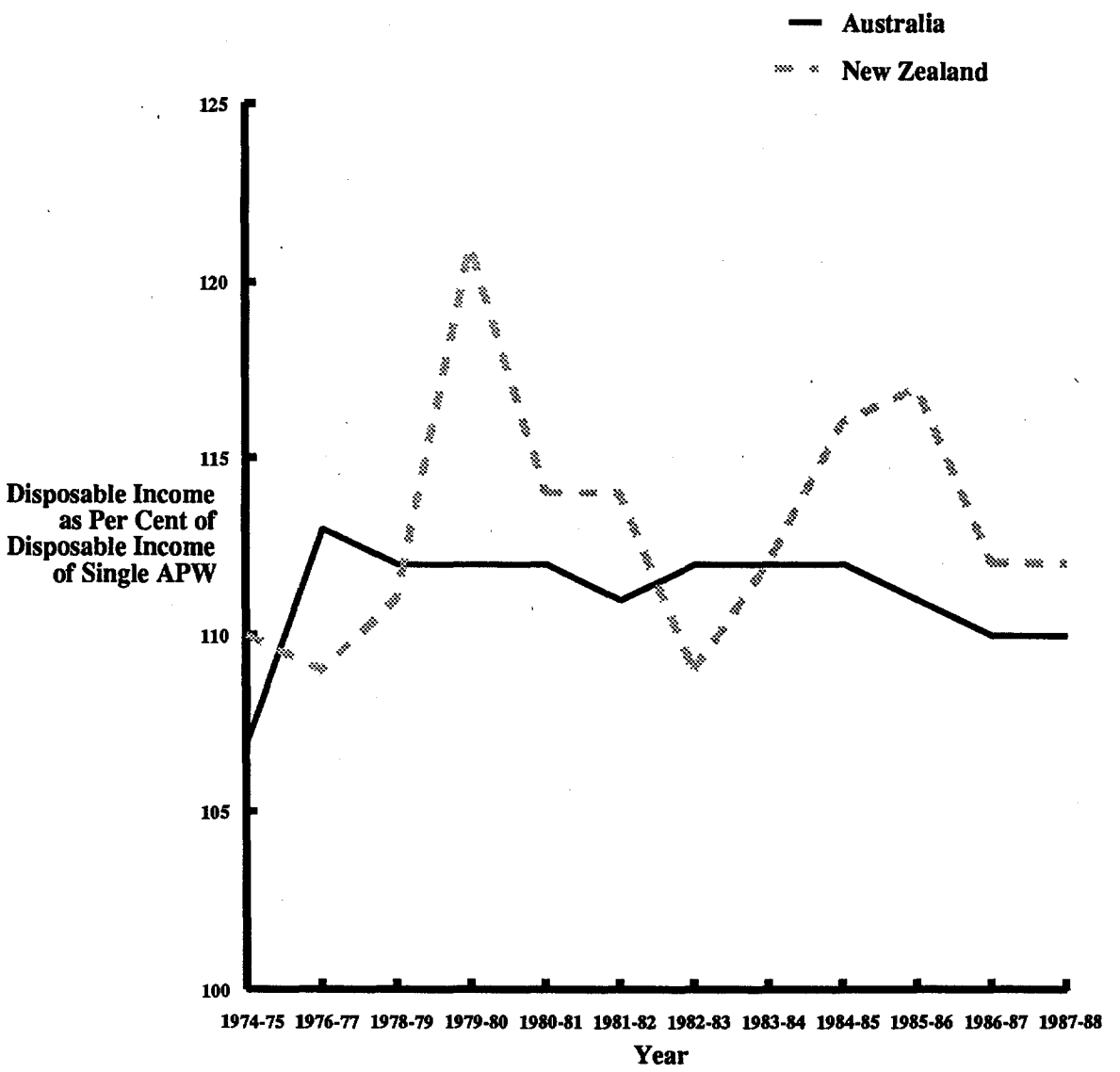
Financial Year[2]	Australia	New Zealand
1974-75	1.07	1.10
1976-77	1.13	1.09
1978-79	1.12	1.11
1979-80	1.12	1.21
1980-81	1.12	1.14
1981-82	1.11	1.14
1982-83	1.12	1.09
1983-84	1.12	1.12
1984-85	1.12	1.16
1985-86	1.11	1.17
1986-87	1.10	1.12
1987-88	1.10	1.12

Notes:
1. Expressed as a proportion of the disposable income of a single person earning the average production workers wage.
2. The financial year covers the period from 1 April to 31 March in New Zealand and from 1 July to 30 June in Australia.

Source: OECD, **The Tax/Benefit Position of Production Workers**, various years.

FIGURE 4: TRENDS IN RELATIVE DISPOSABLE INCOMES OF SINGLE EARNER COUPLES WITH TWO CHILDREN

(AS PROPORTION OF DISPOSABLE INCOME OF A SINGLE AVERAGE PRODUCTION WORKER)



A somewhat surprising feature of Table 5 is the apparent slump in relative generosity to families in New Zealand between 1985-86 and 1986-87, when the relative disposable income ratio fell from 1.17 to 1.12. This period, however, coincided with the shift from previous Family Care/Family Rebate arrangements to the Family Support program, which provided increases in the effective tax threshold for families and an easing of the income test on family assistance. The result shown in Table 5 arises because the nominal income of the average production worker increased from $NZ17,810 in 1985-86 to $NZ19,155 in 1986-87 (OECD, 1988, p. 89). Thus, despite the increases in family assistance introduced in these reforms, the increase in nominal income would have caused more of this family assistance to be lost through the operation of the income test.

The importance to be attached to this result depends on the extent to which actual family incomes moved in line with that of the 'average production worker'. Generally, one would expect that for many families incomes would have increased at a faster rate, and many at a slower rate. Clearly, this would be true even if average family income increased at exactly the same rate as the earnings of the average production worker.

Because of these sorts of factors, care has to be exercised in reaching conclusions about the generosity or adequacy of the tax-transfer system and how it actually impacts on families. But this does not mean that these sorts of comparisons are not illuminating or are not capable of pointing to issues that may be of concern. As previously discussed, comparison of average tax rates at set levels of income should not be thought of as describing the actual situation of all families or even necessarily of any one family. What is described by these figures is how much tax a family would be liable for **if** they exactly satisfied the rather narrow set of assumptions embodied in these calculations. Thus what is compared is not the **actual circumstances** of individuals and families but the **nominal impact** of the tax-transfer system. Even though this information is more limited, it is still of interest.

To take the result in Table 5, for example, suggests that the disposable income of the New Zealand average production worker with a family dropped relative to that of a single average production worker between 1985-86 and 1986-87. As noted above, this reflects the fact that nominal earnings increased by around 7.6 per cent in this year, thus exposing more of the family income to the effects of the (changed) income test arrangements. Given that the family income changed, it may be felt that these figures do not give a valid comparison of the two systems, since like is not being compared with like, i.e. the figures do not simply compare the effects of the tax-transfer changes, but the interactive effects of the tax changes with changes in real incomes. This point is valid as far as it goes: for example, if the comparison had taken a lower initial starting point and still allowed for increased incomes then it may have reached the opposite conclusion - at incomes less than 80 per cent, say, of the average production worker's, the tax-transfer assistance to families could well have become more generous.

Against this, it should be observed that the nominal increase of 7.6 per cent in the New Zealand average production worker's earnings was actually equivalent to a **real** decline in income of about 6.4 per cent (OECD, 1988, pp. 55, 89), this being the year in which the Goods and Services Tax (GST) was introduced. More generally, wage increases and inflation are more likely to have an interactive effect with tax-transfer arrangements **when the system is income-tested.** To go back to Figure 4, the relatively flat trend line in Australia reflects the fact that the 'average production worker' Australian family is outside the income-tested FIS/FAS system, so that changes are the result of changes to the tax scale, family allowances and dependent spouse rebate, none of which had income tests in effect at this income level. The variability of the New Zealand trend reflects the much greater impact of (higher) inflation in a more income-tested system. It may be that this finding is of more interest than any apparent trend in the generosity of assistance.

The conclusions to be drawn at this stage are necessarily very limited. Overall, individuals and families in New Zealand face higher tax rates, except at very low income levels, than do corresponding taxpayers in Australia. The value of universal child payments have often been significantly higher in New Zealand than in Australia, but more recently have fallen at a faster rate because of higher rates of inflation in New Zealand. At the methodological level, it should be concluded that use of the OECD 'average production worker' comparisons is of limited usefulness because this income represents significantly different points in the family income distribution in Australia and New Zealand. For what they are worth, however, such comparisons appear to support the prior conclusions that New Zealand arrangements are somewhat more generous to very low income families than Australian arrangements, but that family payments may be particularly susceptible to the adverse impact of inflation, and that this impact may be exacerbated when these payments are income-tested.

What policy recommendations then can be drawn from these tentative conclusions? An honest response would be virtually none. Perhaps the basic issue is that trends in the tax-transfer systems cannot be separated from broader trends

within the societies concerned. That is, increases in average tax rates over time, or the fact that New Zealand families face higher average tax rates than do Australian families do not **necessarily** imply that one system is more or less 'fair', or is becoming more or less fair over time. This is because taxes go to finance benefits in the areas of education, housing and health, and many of these social programs also benefit families with children more than those without children. In this context, it should particularly be noted that the New Zealand social security system is significantly more generous than the Australian system. For example, in February 1987 the married rate of age pension in Australia was $A177.10 or around 40 per cent of gross male average weekly earnings; at the same time, the married rate of national superannuation was $NZ237.00 or around 52 per cent of male average weekly earnings in New Zealand. The level of income support for sole parents is also higher in New Zealand than in Australia - assistance for a single parent with one child being 50 per cent of gross male average weekly earnings in New Zealand in February 1987 compared to 34 per cent in Australia (Guria, 1988, pp. 11-12). On the other hand it might also be remembered that most of the above comparisons looked only at direct taxes, while indirect taxes may also impact differentially on families. In particular, the Goods and Services Tax (GST) introduced in New Zealand in 1986 could be expected to have had a more adverse effect on those with children than those without, so requiring and lessening the positive effects for families of the Family Support Program.

A second fundamental issue is that there are very few guidelines as to what constitutes a 'fair' treatment of families in general. To conclude that the system is becoming more or less fair requires some defensible standard to compare with the effects of the changing arrangements. Family assistance programs in Australia and New Zealand and other OECD countries, however, only seek to modify the income distribution by providing modest supplements to family income; the alternative of seeking to directly determine the outcome in terms of family incomes would seem to require some well-established standard, but the basis of the current approaches in New Zealand and Australia rests on much more general principles. As argued in Part 1 of this paper, the fundamental objective of family income support programs is to provide a social investment in children. It is very difficult to argue from such a general objective to defend or criticise the specific features of a set of programs.

Nevertheless, it is possible to draw limited conclusions from developments in general family income support arrangements. If the social investment objective is accepted, then it is possible to argue that more investment is better than less (although it would be clearly desirable to have some measures of the effectiveness of the spending). In addition, in circumstances where public expenditures on families are cut, and the savings are used to finance cuts in the tax rate scale, it is possible to identify whether the redistribution is away from families. To criticise such a change as being unfair is to adopt the implicit value position that higher real family benefit levels are more equitable than lower real family benefit levels. But to make such a change is also to adopt an implicit value position - either that the previous system was in some sense 'over-generous' to families, or that other considerations (e.g. efficiency effects) are judged to support the change. In such circumstances, it seems reasonable to argue that the system has become less fair, so long as it is recognised that this is a relative and not an absolute judgement.

In this context, it should also be recognised that there may be more than one means of resolving the problems identified. It was noted above that the relative generosity of general family assistance measures declined over different periods, but at a fairly slow and steady rate in Australia and on a somewhat faster and more erratic basis in New Zealand. The response of the Australian government to this problem has been to introduce indexation of all child related payments in the April 1989 Economic Statement. In contrast, the real levels of Family Support and Family Benefit in New Zealand have not been maintained, although the income test threshold for Family Support and the level of the GMFI have been adjusted. But the New Zealand government has been notably successful at reducing the rate of inflation, a strategy which also helps to maintain the real level of payment. In fact, it may be considered preferable to address the problem of inflation directly in this way rather than trying to live with it, as is implicit in indexation. On the other hand, indexation may be a more sustainable policy as governments cannot guarantee they will be able to keep rates of inflation very low in the longer run.

4. TARGETING OF FAMILY BENEFITS

In Australia and New Zealand, as in other OECD countries in recent years, social security policies have been framed in an environment of budgetary restraint. At the same time, in many OECD countries there have been concerns with increasing levels and changing patterns of poverty. These two concerns have intersected in the area of assistance for

families, where the universal payments have come to be seen as very expensive, but at the same time, there has been increasing concern about the level of poverty and need among families with children.

As a consequence of these factors, arguments in favour of greater targeting of family benefits have appeared attractive. In the words of the Centre of Policy Studies:

> *Both family allowances and the dependent spouse rebate are examples of middle class welfare which pushes up marginal tax rates on average.* ***To the extent that one wishes to redistribute incomes to poor families having dependent children, family allowances are an inefficient policy since 80% of children do not live in poor families.***
>
> *Furthermore, it is questionable whether family allowances plus [the payment] to very low income families for each dependent child, via the family income supplement is sufficient assistance to them. ...*
>
> *There is a strong argument for more targeted family assistance to low income families ...* (Freebairn, Porter and Walsh, 1987, p. 143, emphasis in original)

Arguments in favour of directing more of the available assistance to low income families have also been advanced in the United Kingdom, notably in the 1985 Green Paper on **Reform of Social Security**, which stated, inter alia:

> *Although, arguably, the unemployment and poverty traps could be largely eliminated for families with children by for instance doubling child benefit, the cost of doing so ... would be insupportable and completely inconsistent with the objective of targeting help on the areas of greatest need. The great bulk of the extra spending would in fact be directed to those well able to meet the costs of bringing up their children.* (1985, p. 29)

Indeed, Wicks (1987, p. 98) noted that the UK review process was heavy with the rumour that child benefits would be means-tested, although in the event this was not carried through.

Similarly, the Royal Commission on Social Policy (1988, p. 539) indicated that in its discussions and submissions there had been calls for income-testing of family benefits in New Zealand, although the Royal Commission supported the continuation of the universal payment. Much greater targeting of family benefits was also proposed in the Economic Statement released by the New Zealand Government in December 1987. These proposals involved the introduction of a nominal flat rate of income tax, although the effective rate scale would have been multi-step as there would have been some form of rebate to protect low income earners. Apparently both Family Benefit and Family Support would have been abolished, and the Guaranteed Minimum Family Income would have been substantially increased and extended (New Zealand, Royal Commission on Social Policy, 1988, pp. 543-548). While this proposal was not in fact proceeded with, as it was orginally envisaged it would probably have involved the most tightly targeted system of income support for families of any OECD country.

In practice, Australia has apparently gone further down this path than has New Zealand or the United Kingdom. In the May 1987 Economic Statement, the Australian Government announced the imposition of an income test on family allowances, which came into effect from November 1987. In the July 1987 election campaign, the Prime Minister subsequently announced the introduction of the 'family package' from December 1987, which included increases in rates of assistance for pensioner/beneficiary families with children and the liberalisation of the income tested Family Income Supplement (FIS) to low income, working families, which was also renamed the Family Allowance Supplement (FAS). These changes in particular have been identified by some commentators (Carson and Kerr, 1988, pp. 75-76) as indicative of the 'striking resemblances' between the policies of the Australian Labor Government and the British Conservative Government. This judgement appears to be based on the assumption that the income-tested payments eventually will completely replace family allowances.

Despite the fact that the 1987 changes may appear on the surface to move in the direction advocated by the Centre of Policy Studies, they also continue to be criticised from that source. Freebairn, Porter and Walsh (1988, pp. 106-111) argue that FAS imposes over-high effective marginal tax rates which may induce many to work less hard or some to

actually give up work. Their proposals to address this issue involve a slight increase in the level of FAS, but a very substantial cut in the income level at which it starts to be reduced (from over $15,000 p.a. to just $10,000 p.a.)[6].

The objective of targeting has, however, been criticised on a number of other grounds. Referring specifically to the area of assistance for families, Bryson (1988, pp. 33-34) notes that selectivity may increase stigma and be socially divisive, that means-tested systems increase complexity and may exacerbate poverty traps, and that such payments, as wage supplements, may effectively serve to reduce real wages, particularly for low income groups. In addition, Bryson notes that benefits restricted to narrow groups will be less protected from inflation, for example, and that targeting 'diverts attention from the universal principles underlying payments for children, and encourage the conviction that these are necessarily only for the poor' (1988, p. 34).

Analysis of targeting as a policy strategy is usually based on the apparently obvious distinction between universal and selective payments. An initial point, therefore, as noted by Cass and McClelland (1989, p. 2), is that this dichotomy may be argued to be outmoded. For example, when the New Zealand Government introduced additional child related payments for children of social welfare beneficiaries in 1968, it was argued by Sutch that this 'breached the principle of the universality of family benefit' (quoted in Royal Commission on Social Policy, 1988, p. 508). If this criterion is accepted, than Australia abandoned the purely universalistic approach in 1943, with the introduction of widows pensions, which included an income-tested supplement for the widow's first child, not covered by the then child endowment scheme.

Similarly, targeting can be achieved without income-testing, and the fact that a specific payment is not subject to an income-test does not necessarily imply that it should still be thought of as 'universal'. For example, it is possible to envisage successive reductions in eligibility for family benefits by reducing the qualifying age of children. A family allowance system restricted to those with children under the age of five years, say, need not contain any income test but would clearly be more selective and less universal that the current income-tested payment. Alternatively, choose between two systems of family assistance - one of which provides a continuously falling real level of assistance to all families, or the other which provides the same real level of benefits to 90 per cent of families with children - which is to be considered more comprehensive? This point has also been made by the New Zealand Minister for Finance in the July 1989 Statement on **Economic Strategy**, in which it was pointed out that expenditure on family benefit had remained static, while the other tax-based forms of family assistance had been expanded, producing the overall effect of greater targeting of family assistance to low income families (Caygill, 1989, p. 76).

As previously noted, interest in targeting of family payments has risen in the content of concern with expenditure restraint and also with concerns about poverty alleviation. In Part Two of the paper it was shown, that expenditures on family assistance in OECD countries have generally fallen as a proportion of total social transfers (although total transfers have risen significantly). The real increases in family payments have arisen from increases in the income-tested payments, particularly to sole parents, rather than from increases in universal payments. The interest in reducing these general family assistance payments therefore reflects a fundamental reappraisal of the purposes of universal assistance. On the one hand, this reappraisal may be judged to be motivated by a wish to achieve greater redistribution more effectively, and on the other the objective of directing assistance to those '**most in need**' may be felt to be a mask, camouflaging the objective of reducing the size of the welfare state. The central question about targeting is therefore whether it is actually a means of effective redistribution toward the poor, or whether it is simply a pious label for a redistribution to the rich. The Australian experience should be instructive in this context.

The Australian Government's initiatives since 1987 have been overtly framed with the objective of 'ending child poverty'. Concern with child poverty had already started to be identified in the early 1980s (Saunders, 1980; Cass, 1983), but the extent of the problem appeared to increase significantly around the beginning of the decade. Estimates of the proportion of children in families with incomes below the detailed Henderson poverty line (before housing costs) showed an increase from 6.2 per cent in 1966 to 7.9 per cent in 1972-73, 17.0 per cent in 1981-82 and 20.7 per cent in 1985-86 (Saunders and Whiteford, 1987, p. 3). International comparisons of the extent of child poverty in Australia and eight other similar countries around the period 1979 to 1982 also suggested that child poverty was more severe in

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6. This proposal would be counter-productive, since it means that some FAS recipients would start to lose their child payments at income levels below the married rate of unemployment benefits, i.e. it would be financially advantageous for such families to give up work and receive benefits.

Australia than in any other of these industrialised countries, except the United States (Smeeding, Torrey and Rein, 1987).

The main cause of poverty among families with children is lack of parents' access to the labour market, caused primarily by the experience of sole parenthood or by unemployment. This condition of vulnerability is perhaps measured by the number of children in families dependent upon the social security system as their principal source of income.[7]

In Australia (as in New Zealand) the numbers of single parent pensioner/beneficiary families has increased significantly since the mid-1970s, with the number of children in such families dependent upon the social security system increasing from 176.2 thousand in 1974 to 398.6 thousand in 1983 (Saunders and Whiteford, 1987, p. 5). In addition, there was a marked deterioration in employment in the period 1981 to 1983, just prior to the election of the Labor Government. In those two years, the number of children in families where the chief wage earner was unemployed increased from 107.3 thousand to 270.6 thousand, or from 2.5 to 6.3 per cent of all children (Whiteford, 1987, p. 347).

It is these two factors of increased sole parenthood and increased unemployment among families with children that lie behind the problem of child poverty in Australia, but in addition the circumstances of these vulnerable groups had been adversely affected by trends in family income support policies. Table 6 provides detail of changes in the real level of payments for children in families dependent upon the social security system over the period since 1972-73. These changes are expressed as index numbers with the level of each individual payment set as 100 in 1976-77. The final two columns give the index series for the combined values of the payments relevant to a sole parent pensioner with one dependent child and to a beneficiary couple with one child (who do not receive the mothers/guardians allowance, a payment directed to sole parents).

It is apparent from the table that the various components have moved in significantly different ways at different periods. In particular, there was a very large decline in the level of child related payments for sole parents in the period 1972-73 to 1975-76 caused primarily by the fall in the real level of mothers/guardians allowance. Between the beginning and the end of this period (the Whitlam Government) payments for a beneficiary couple maintained their real value, but overall there was a shift from universal to selective means of support, as the real value of child endowment (family allowances) fell and the real level of the income-tested payment rose.

The cashing-out of the child tax rebates and the introduction of family allowances in 1976-77 involved a significant increase in assistance to low income families with children, although the progressive effect of this change was offset to some extent by the decline in the real level of the income-tested payments, caused by the high level of inflation at that time. While total child-related payments were therefore higher in 1976-77 than since 1973-74 for sole parents, they thereafter started to decline, as they were only subject to ad hoc increases and not indexed to inflation. Thus, by 1982-83 the real value of these payments (singly and combined) had fallen by around 24 per cent.

It should be noted that while the child-related payments for sole parents fell in real terms in the period prior to 1976-77, this was a period both of substantial real increases in the basic rates of pensions and benefits for adults and also of the extension for eligibility for payments though the introduction of supporting parents benefit. The combined effect of the increase in adult payments and the fall in child payments was to increase the real disposable income of all pensioners and beneficiaries but by a smaller amount for those with children than for those without: for example, the real level of total pension for a single person without dependents increased by around 25 per cent between 1972-73 and 1975-76, but by 11 per cent for a sole parent with one child. Correspondingly, the real level of unemployment benefit for a couple without children increased by 48 per cent over this period, while total real payments for a couple with two children increased by 36 per cent (Moore and Whiteford, 1986, pp. 90, 92). In either case, these are very substantial real improvements in payment levels, but indicate a potential equity problem which arises when only some components of transfer incomes are increased.

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7. It should be emphasised that programs like FIS or FAS which involve the extension of assistance as **supplements** to family income do not therefore necessarily imply an increase in economic vulnerability in the same way that increasing unemployment does. Increasing numbers of sole parent families due to extensions of eligibility for payments can also be regarded as an ambivalent indicator of increased need, although most analyses suggest that sole parents are among the most impoverished groups in the community.

TABLE 6: TRENDS IN THE REAL VALUE OF SOCIAL SECURITY PAYMENTS FOR CHILDREN - AUSTRALIA, 1972-73 TO 1986-87
(1976-77 = 100)

Year	Payment Type			Total:	Total:
	Additional pension/ benefit for children	Mother's/ guardian's allowance	Family allowance (first child)	Sole Parent one child	Beneficiary Couple, one child
1972-73	101.8	169.7	24.2	109.8	80.2
1973-74	97.8	150.8	21.4	100.5	73.4
1974-75	96.3	128.6	18.4	91.7	71.5
1975-76	111.4	114.0	16.3	92.7	81.0
1976-77	100.0	100.0	100.0	100.0	100.0
1977-78	91.4	91.4	91.4	91.4	91.4
1978-79	84.5	84.5	84.5	84.5	84.5
1979-80	76.7	76.7	76.7	76.7	76.7
1980-81	85.4	85.4	70.2	82.3	80.4
1981-82	84.7	84.7	63.6	80.3	77.9
1982-83	75.9	75.9	76.1	76.0	76.0
1983-84	80.9	71.0	80.1	77.2	80.6
1984-85	91.2	79.9	76.8	84.2	86.5
1985-86	96.2	81.6	70.9	85.8	88.1
1986-87	95.9	86.3	64.9	86.1	85.8
1987-88	106.4 - 124.5	80.6	60.6	87.9 - 96.7	91.1 - 102.9
1988-89 ✦	116.8 - 149.8	76.0	57.1	90.1 - 104.7	97.8 - 120.3
1989-90 ✧	113.5 - 166.0	72.8	94.0	94.3 - 118.6	106.8 - 144.2

Notes: ✦ Uses average of September and December quarter 1988 CPI for year as whole.
✧ Assumes 6.5 per cent increase in CPI over 1988-89.

Source: Moore and Whiteford, 1986, Tables 6.3.3 and 6.3.4 and personal calculations.

This problem became more obvious and more pressing in the period between 1976-77 and 1982-83. Indexation of most basic pension/benefit payments was formally introduced in 1976, but was not extended to the additional payments in respect of children. The effects of this non-indexation can be seen in Table 6, which reveals a general pattern of declines in real value, with the occasional real increase in benefits. The consequence of this was a fall in the real value of total transfer payments for many categories of social security recipients with children. For example, between 1976-77 and 1982-83, the real value of the single pension increased by 1.5 per cent, but the real value of the total pension for a sole parent with one child fell by 5.7 per cent; similarly, over the same period, the real value of unemployment benefit for a couple without children rose by 1.7 per cent, but total payments for a similar couple with two children had fallen by 5.1 per cent in real terms (Moore and Whiteford, 1986, pp. 90, 92). In general, these falls in real payment levels were greater for those with greater numbers of children and greater for sole parents than for couples. In circumstances where increasing numbers of families with children came to be reliant on social security payments which themselves were falling in real value, it is not surprising that the problem of child poverty became more severe.

The period since 1982-83 shows markedly different trends. These are illustrated in Figure 5, which shows the number of children in families reliant on a social security payment[8] over the period since 1972-73 and the real level of child-related payments for a sole parent pensioner with one child (i.e. additional pension for children, mothers/guardians allowance and family allowances). It can be seen that since 1982-83 there has been a flattening out and a slight decline in the number of children in families reliant on social security payments and accompanied by very large real increases in payments.

The decline in the number of children in pensioner/beneficiary families has been caused by a slowing down in the rate of growth of sole parent pensioner families and a drop in the number of unemployed families with children. The slow down in the rate of growth of children in sole parent pensioner families - from 14 per cent per annum on average between 1974 and 1983 to 1.6 per cent per annum on average between 1983 and 1988 - reflects a number of factors. In particular, the earlier period from 1973 to 1983 was one where eligibility for supporting parents benefit was successively extended to the sole parent population, so that the rate of growth of numbers could simply not be sustained indefinitely. In addition, the period since 1983 has seen some restrictions on eligibility with the lowering of the age of qualifying student children to 16 years, as well as somewhat increased labour force participation of sole parents due to improved economic circumstances. Moreover, the number of children in families where the chief wage earner is unemployed fell by around 20 per cent between 1983 and 1988, also due to employment growth.

The increases in real payment levels since 1982-83 reflect fairly consistent improvements in the value of additional pension/benefit for children. As can be seen from Table 6, these payments increased in real value by more than 26 per cent even before the introduction of the family package in December 1987. One feature of the family package was the introduction of higher rates of payment for children 13 to 15 years. Since the introduction of the family package, the real level of additional pension/benefit for children (and FAS) has been increased by a further 18 per cent for children under 13 years and by 73 per cent for children 13 to 15 years.

In the April 1989 Economic Statement, increases in family allowances were announced, amounting to a 65 per cent increase in real value for families with one child, but less for larger families. These increases in family allowances do not quite take their value back to their real 1976-77 level, but they are higher than in any other year shown in Table 6. It can also be seen from Table 6 that the real **total** level of these child payments for couples are now higher than at any time in this 18 year period. For sole parents with an older child, the same conclusion can be drawn, but for the majority of sole parents with children under 13 years the total payments are not as high as in the early 1970s, although higher than at any time since 1976-77. This primarily reflects the fall in the value of mothers/guardians allowances.

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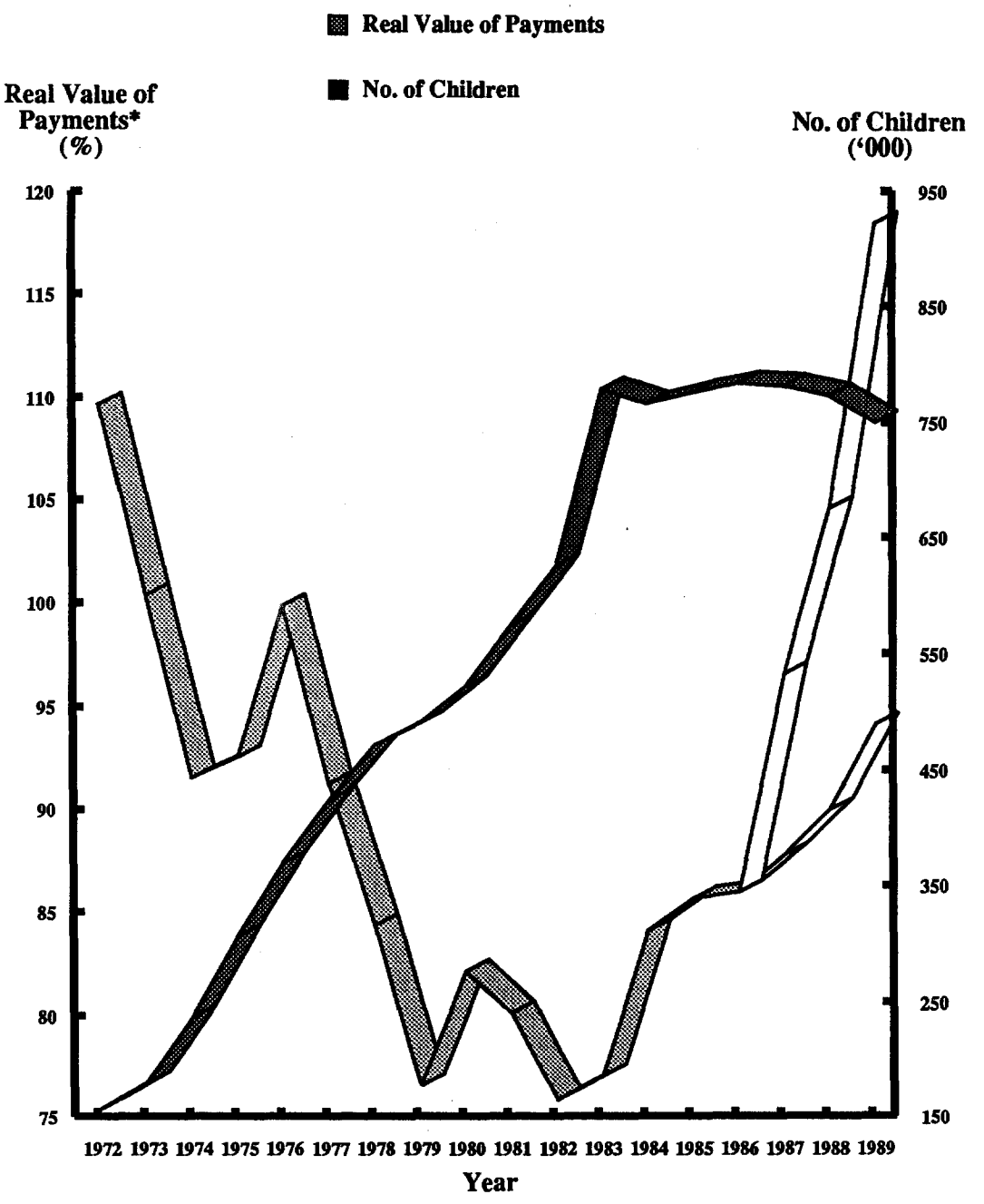
8. Children in families receiving FIS or FAS are not included in this series, for the reasons given in Footnote 7.

FIGURE 5: CHILDREN AND SOCIAL SECURITY PAYMENTS: 1972-73 TO 1989-90



* Expressed as a proportion of real value in 1976-77. Figures represent the combined payments for a sole parent with one child.

A very important feature of the reforms since 1987 is that the combined value of the child related payments of additional pension/benefit (and FAS) and family allowances have been set at 15 per cent and 20 per cent of the combined married rate of pension (15 % for younger children and 20% for children 13 to 15 years, respectively).[9] Because the married rate of pension is automatically indexed in line with inflation, this means that these payments will also maintain their real value. In the April 1989 Economic Statement, it was also announced that all child-related payments, including family allowances and mothers/guardians allowance will be indexed on an annual basis from 1990. These initiatives will ensure in the future that child poverty is not exacerbated by falling real benefit levels in the way that occurred prior to 1982-83.

Given these very large real increases in child payments and the more modest decline in the number of children in families dependent upon the social security system, Gruen's recent arguments appear correct:

> *... one would expect the current incidence of poverty to be substantially less than the levels recorded in 1985/86. If Australia had reasonably reliable* ***annual*** *poverty estimates, the incidence of poverty would probably have shown a large jump in 1982/83/84 (coinciding with the increase in unemployment) coupled with sustained (and probably substantial) reductions in poverty since that time.* (Gruen, 1989, p. i)[10]

The Australian experience of targeting in the area of family income support has also involved real increases in expenditure, rather than the cuts in public spending alternatively envisaged or proposed by its critics. For example, nominal expenditures on additional pension/benefit for children increased from around $370 million in 1982-83 to around $890 million in 1988-89, or by 56 per cent in real terms, at the same time as the number of children in pensioner/beneficiary families fell by 3.7 per cent. In addition, just over $400 million will be spent on FAS in 1988-89, compared to $36 milion in 1983-84, the first full year of the FIS program. Despite the recent increases in the rates of family allowances, spending on this program will have fallen in real terms between 1982-83 and 1989-90 by an estimated $360 million in 1989-90 dollars. Overall, therefore, combined spending on family allowances, additional pension/benefit and FAS will have increased by around $300 million in real (1989-90) terms over the past seven years.

As one of the most prominent examples of the implementation of policies designed 'to direct assistance to those most in need', Australia's experience of changes to income support arrangements for low income families with children therefore appears to contradict many of the criticisms made of the strategy of targeting. Overall spending in this area is higher, all of the child-related payments are now indexed, and income poverty has probably been substantially alleviated by the changes outlined above; to the extent that the underlying vulnerability producing poverty has only been slightly reduced, it should be noted that the solutions to these fundamental causes of child poverty (unemployment and sole parenthood), do not lie within the scope simply of social security changes but require continued improvements in employment and broader policies to enhance the economic circumstances of sole parents.

It does not of course follow that targeting of benefits in other areas of social security expenditure or other social programs will necessarily follow this pattern. Similarly, calls for targeting of family benefits in New Zealand or other OECD countries may still have the objective of reducing spending in this area. What the Australian example suggests, however, is that an evaluation of targeting as a policy strategy should not be based on preconceptions, but that each specific set of changes should be assessed on its own merits.

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9. The Australian government appears to have interpreted its commitment to 'end child poverty' as being substantially achieved by setting these benchmark levels of child payments. Without debating the arguments for and against this judgement, it should be noted that this implicitly suggests that the basic level of payment for couples without children are adequate to remove them from poverty. Strictly speaking, such a conclusion cannot be drawn from equivalence scale research, which can only be used as indicators of **relative** not **absolute** needs. The same caveat applies to any suggestions that the New Zealand system is 'over-generous' to sole parent families (see, for example, Royal Commission of Social Policy, 1988, p. 468); that is, equivalence scales cannot in themselves be used to conclude that one type of payment is more than adequate, when it may actually be that the other payments are less than adequate.

10. It should consequently be noted that the assertion by Carson and Kerr (1988, p. 71) that the number of the poor has doubled under the Labor Government has no basis in fact.

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SOME EFFECTS OF INDIRECT AND DIRECT TAX CHANGES IN NEW ZEALAND IN THE 1980s*

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Through its normal spending and taxing policies (its budget policies), the government is involved in a major way in the delivery of social policy. SEBIRD (Study of the Effect of the Budget on Income Redistribution and Distribution) analyses the impact of government's budget policies on households.

The analysis focuses on two main questions. First, who gets what out of the government budget and who is liable for payments to the government? Second, when we put together all that we know to answer the first question, is the net effect of the spending and tax measures of government redistributive, and if so, who gains? The analysis is done in terms of household income group and household type.

There are a variety of ways to analyse the above questions. SEBIRD is based on a 'quantitative approach' where households' money (annual cash) income is the measure against which the value of government budget activities is assessed. The approach is based on developments in economic theory but the effects that are measured are generally first-round effects only. This means that some possibly significant economic-behavioural responses to budget measures are excluded. Because of this, some economists have called 'quantitative studies' of the government budget dangerous. Their fear is that readers will not have a clear understanding of the economic effects of government budget transactions, and that the quantitative results will be misinterpreted. The problem is, while economists have provided valuable insights about what the behavioural effects of government budget measures might be, their treatment to date has not been comprehensive nor have their theoretical observations been conclusively supported by empirical observation.

For most government budget activities the SEBIRD approach shows the distributional consequences of government legislation, not what the actual distribution might be. For example, in the case of taxes, the effects of the tax legislation on households is simulated based on the tax code. In actuality, households may evade or avoid taxes and this could result in a different distribution of the tax burden. Similarly with government expenditures. The analysis involves identifying who is eligible to receive cash transfers or education and health services; it does not involve identifying who actually takes up their rights to these services. An important future development would be for this information to be gathered and linked into SEBIRD.

The household is chosen as the income unit because much government policy has been defined on the basis of the household being a place where the sharing of income and wealth contributes to individual well-being (although income and wealth may not be shared equally within households). SEBIRD treats households as being ultimately responsible for all payments to the government, and also ultimately the entities which consume all government-provided goods and services.

The use of the households as the unit of analysis is also made necessary by the fact that data on expenditure is only available at this level of aggregation. As a result, indirect taxes can only be satisfactorily incorporated in the analysis if it is conducted at the level of the household.

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* The research project from which this paper derives (SEBIRD - Study of the Effects of the Budget on Income Redistribution and Distribution), was initiated by the Department of Social Welfare as a contribution to the work of the Royal Commission on Social Policy. Alan Jones was instrumental in the completion of this work.

Completion of the project to this stage would not have been possible without the help of Len Cook and Julia Crouch at the Department of Statistics for the model development, Helen Stott and Anne Howell at the Department of Statistics with tax modeling, Charles Chinnaiyah and Abdur Khan of DSW with computing requirements, David Lynch, Alison Robins, and Susan Rutherford with analytical work. The advice and assistance of colleagues at the Department of Social Welfare is also gratefully acknowledged.

Results are tabulated both by household income deciles (i.e. groups each of which includes 10 per cent of private households), and by ten household types as first set out by the **Task Force on Tax Reform** (1982). The household types distinguish national superannuitant households (those containing one or two adults with at least one occupant over 60 years of age); households with children (a child is defined as any person eligible for the family benefit); and households whose occupants include adults under sixty without children. Adults 60 years or older may be included in non-national superannuitant households.

How income deciles should be defined for the purpose of this sort of analysis is contentious, there being both practical and conceptual issues influencing the choice. The first part of this paper is done in terms of market income deciles for three reasons. First, on the practical side, only by doing this is it possible to make comparisons between 1985/86 and 1987/88 on the one hand and 1981/82 (the focus of my earlier study) on the other. Second, and again on the practical side, tabulating results by disposable income made little difference. Third, the focus of the study is in large part on identifying the transfers between groups resulting from the range of budget policies. This is most easily done if the baseline is market income rather than some measure of income which reflects the effects of current year budget policies. (This does not mean to imply that the pattern of market incomes is independent of government policy, however.)

Those arguing for the use of disposable income as the basis for defining deciles do so because they want to focus on whether less-well-off rather than better-off households are the beneficiaries of budget policies. This is a legitimate concern. However, it is best tackled by classifying households by disposable income after adjusting for differences in household size and composition. This is done in Part II.

The data used in the analysis comes from the Household Expenditure and Income Survey, but it is adjusted to make it consistent with the size and composition of the total New Zealand population as recorded by the Census. Persons living in institutions and other non-private households - about 5 per cent of the population - are not included in the analysis. Adjustments made to the data to make it consistent with the coverage of the private household population are noted in the text.

The government budget which SEBIRD analyses is the central government non-market income and outlay account in the Department of Statistics New Zealand System of National Accounts (NZSNA). There are two sides to the government and income and outlay account - the income (or payments) side and the outlay (or expenditure) side. The two balance because of the inclusion of government saving as the balancing item. In recent years, government saving as measured by the NZSNA has been negative because central government expenditure has been greater than its current receipts.

We turn first in Part I to the question of who pays taxes to the Government. Part II looks at the redistributive impact of taxes. I conclude that the personal income tax has been the most progressive payment. Indeed, it is the most progressive item of the budget in all three years, followed by social welfare benefits.

PART I: WHO PAYS TAXES?

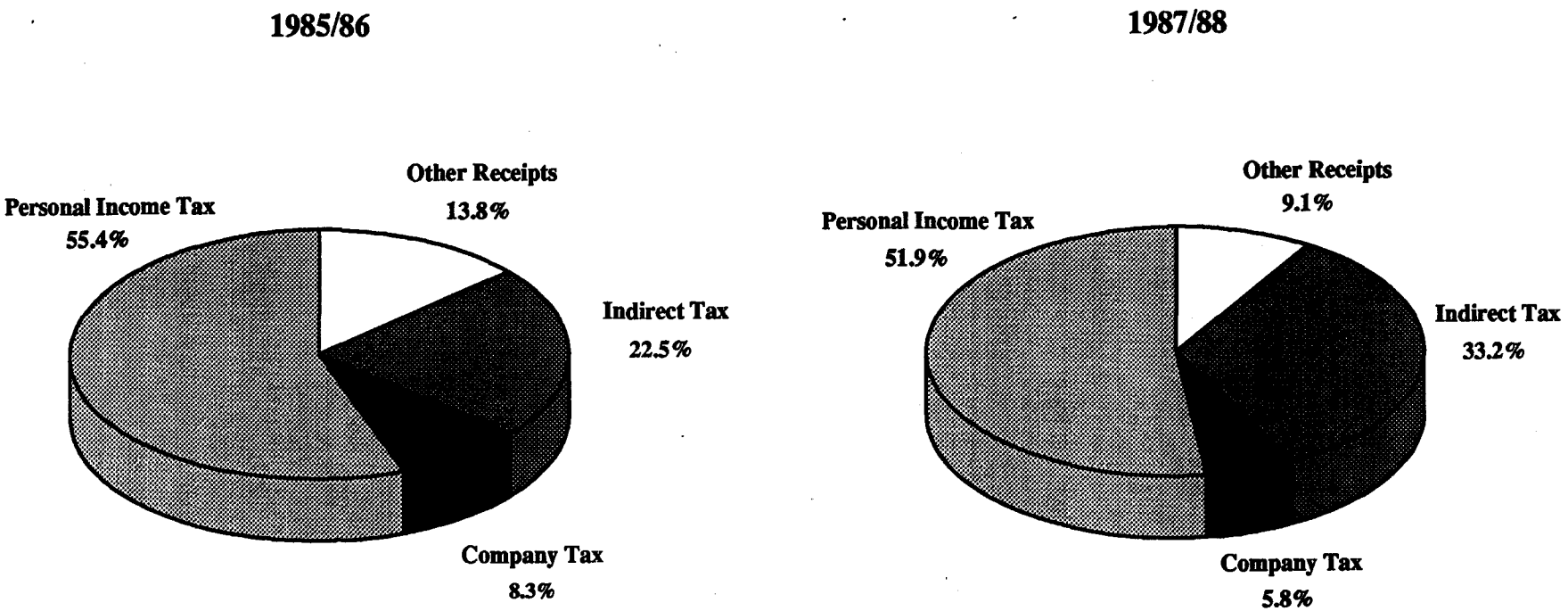
SEBIRD analyses government expenditures on social welfare benefits and pensions, health, education and interest payments in detail, thanks to the co-operation of the relevant Government departments and informed experts. On the tax side, the co-operation of Customs, Treasury and the Department of Statistics allowed us to modify ASSET (a model of the Tax System) to simulate the effects of the indirect tax system as well as those of the personal income tax system.

By far the largest government budget activity is its provision of social welfare cash benefits. This item accounted for 31.1 per cent of spending in 1985/86, 31.5 per cent in 1987/88, and 29.9 per cent in 1981/82.

Changes in the Sources of Revenue Between 1981/82, 1985/86 and 1987/88

The private sector pays for government provided goods and services in several ways. Personal income taxes are the largest source of revenue to government, accounting for 55.4 per cent of revenue in 1985/86. This compares with 51.9 per cent in 1987/88, down from 61.1 per cent in 1981/82.

Chart 1: Government Income by Main Source in 1985/86 and 1987/88



Sources: For 1985/86 Department of Statistics, NZSNA Government Income and Outlay Account; for 1987/88 a projection based on budget estimates and part year receipts provided by Julia Crouch of the Department of Statistics.

Indirect taxes are the next most important source of revenue, followed by other receipts. The company income tax was a relatively unimportant source of revenue for government during the early 1980s. Between 1985/86 and 1987/88, the most important change overall was in the proportion of receipts contributed by indirect taxes. A 10 per cent tax on goods and services (GST) was introduced on 1 October 1986.

The Incidence of Taxes and Other Government Receipts

Knowledge of tax statutes assists in identifying legal liability for taxes, i.e. whether a tax payment is initiated in the household or some other sector, and which types of households in the population are likely to have the greatest liability. However, those who are legally liable for a tax do not necessarily pay it. There are two reasons for this. First, those who are liable for tax may evade or avoid it. Second, the introduction of a tax may change household economic behaviour so that the economic incidence of the tax is different from its legal incidence. For example, legal liability for GST lies with those who add value to products. However, the economic incidence of the tax may rest at least partially with the consumers of the final (retail) products.

Theoretical economic models have focused on the economic incidence of taxes, but they tend to be restricted to simple versions of taxes, often ignoring complicated legal and institutional considerations which may affect incidence. Furthermore, even where the economics literature is able to focus on a realistic tax incidence problem, there are still a number of controversial issues to be resolved before the results can be conclusively applied to the analysis of which households bear the economic incidence of a tax.

The first step is to describe the tax system as it legally applies to households, and to then attempt to analyse the distributional implications of the legal incidence of the tax among households. It is not possible to be totally consistent with this approach because there are a number of taxes, such as wholesale sales tax or the company income tax, which apply to entities other than households. In these cases, it is necessary to make assumptions about the economic incidence of these taxes on households.

This problem could be overcome by integrating SEBIRD with a model of the economy so that a consistent set of assumptions about the economic incidence of taxes could be tested. As this was not possible in the time available, the focus is on analysing what is known statistically about the distribution of payments to government by households, and to identify future areas for research.

A. The Personal Income Tax

In all three years, the personal income tax was the most progressive of the government budget measures in the sense that the share of tax paid rose most sharply with household income. If households paid taxes as was legally intended, those on high incomes would have paid a far greater share of personal taxes in each year than those on low incomes.

A different personal income tax scale applied in each year of the analysis (see Table 1). To some extent, the scale adjustments were intended to take account of upward shifts in income over the period. Besides changes in tax scales, there were a number of other adjustments to personal income taxes including changes in tax rebates and the introduction of the surcharge on national superannuitants. By applying ASSET, we are able to assess the extent to which changes in the personal income tax system resulted in a different distribution of its legal liability in 1981/82, 1985/86 and 1987/88.

The ASSET calculation of liability for tax is based on information about the characteristics of households in HEIS, rather than on actual tax payments to the Inland Revenue Department (IRD). However, tests using tax returns in 1981/82 indicate a fairly close correspondence between the distribution of tax liability as derived from ASSET and actual IRD tax receipts.

The results (see Table 2) suggest that the personal income tax system was less progressive in 1985/86 and 1987/88 than in 1981/82. The share of tax paid by the households in the two lowest market income deciles was higher in both 1985/86 and 1987/88 than in 1981/82, and those in the upper five market income deciles were liable for a smaller share of tax in the later years.

TABLE 1: PERSONAL INCOME TAX SCALES APPLICABLE DURING THE 1980s

Applicable 1 April 1981 to 1 October 1982		Applicable 1 December 1984 to 1 October 1986		Applicable 1 October 1986 to 1 October 1988	
Income Range $	Rate per Dollar ¢	Income Range $	Rate per Dollar ¢	Income Range $	Rate per Dollar ¢
Up to 5,500	14.5	Up to 6,000	20.0	Up to 9,500	15.0
5,500 to 12,600	35.0	6,000 to 25,000	33.0	9,500 to 30,000	30.0
12,601 to 17,600	48.0	25,001 to 30,000	45.1	30,000 and above	48.0
17,601 to 22,000	55.0	30,001 to 28,000	56.1		
Over 22,000	60.0	Over 38,000	66.0		

Sources: **1980 Budget, 1984 Budget, Statement of Taxation and Benefit Reform 1985.**

TABLE 2: PERSONAL INCOME TAX PAID BY HOUSEHOLD MARKET INCOME DECILE IN 1981/82, 1985/86 AND 1987/88

Household Market Income Decile	Personal Income Tax 1981/82			1985/86			1987/88		
	Amount $M	Distribution %		Amount $M	Distribution %		Amount $M	Distribution %	
1	50	0.9	1.5	174	2.0	4.8	230	2.0	4.7
2	89	1.6		243	2.8		306	2.7	
3	156	2.8		269	3.1		310	2.7	
4	255	4.6		398	4.6		464	4.0	
5	366	6.6		571	6.6		709	6.2	
6	483	8.7		719	8.3		949	8.2	
7	594	10.7		883	10.2		1179	10.2	
8	777	14.0	83.5	1116	12.9	80.8	1537	13.3	82.3
9	994	17.9		1463	16.9		2018	17.5	
10	1788	32.2		2812	32.5		3818	33.1	
Total	5552	100.0		8650	100.0		11520	100.0	

Sources: Estimated using ASSET with observations and weighted using data from the 1981 and 1986 Census of Population and Dwellings to represent the total population of private households. Personal income tax collections are adjusted to 95 per cent of reported totals to reflect the proportion of the population living in private households.

Another approach to measuring progressivity is to compare liability for income tax with the level of household income to derive an 'effective rate' of tax. If effective rates rise with income, i.e. taxes take a larger share of income as household income rises, taxes are said to be progressive. This measure of progressivity suggests that the personal income tax was more progressive in 1981/82 than in either 1985/86 or 1987/88; the effective tax rates for those in the lowest five market income deciles were significantly greater in the later years.

A factor contributing to higher effective tax rates for the lower income deciles was the introduction of the surcharge on national superannuation from 1 March 1985. There was also a change in the structure of marginal tax rates including an increase in the lowest marginal tax rate applying in the 1985/86 tax year, which may have been less than fully offset by the change in the personal income tax rebate made at the same time. Turning to the 1987/88 years, the effective rates reflect the reduction in the surcharge on national superannuation to 18 per cent from 1 October 1986, and the decrease in the lowest marginal tax rate to 15 per cent to offset the introduction of GST at the same time. These changes contributed to the reduced effective tax rate on lower income deciles in 1987/88 (see Chart 2).

Curiously, despite the reductions in tax rates applying from 1 October 1986, effective rates of personal income tax by household income decile are very similar for 1985/86 and 1987/88. This can be explained by fiscal drag which caused earners to move into higher tax brackets. It is also noteable that high income deciles experienced an increase in their effective rates of personal-income tax, despite the lowering of the tax rates applying to higher incomes. This occurred because of the importance of secondary earners in high income households - the marginal tax rates for this group rose sharply between 1985/86 and 1987/88 because of fiscal drag.

The household type liable for the greatest share of the personal income tax in all three years was the two-adult household without children. In 1985/86, this household type accounted for 17.2 per cent of households and 11.9 per cent of the occupants of private households. Their share of the personal income tax was around 20 per cent in both 1985/86 and 1987/88.

Because of tax changes specifically aimed at households with children, the share of personal income tax liability for households with children was lower in 1985/86 and 1987/88 than in 1981/82. (There was also a decline over the period in the proportion of households with children, which also reduced these household types' share of the total tax liability.)

B. Indirect Taxes

After personal income taxes, the largest source of central government revenue is indirect taxes. Total receipts from indirect taxes fell as a proportion of central government revenue from 23.0 per cent in 1981/82 to 22.5 per cent in 1985/86, but rose to 33.2 per cent of total receipts in 1987/88.

Taxes classified as indirect taxes are taxes that are initially assessed on producers' costs, in contrast to direct taxes which are initially assessed on household or company income.

Indirect taxes are commonly distinguished from direct taxes because of the apparent policy intention for the taxes. The enterprise legally liable for an indirect tax is not seen as the entity 'directly' paying the economic cost of the tax, while the entity legally liable for a direct tax is the same entity seen to 'directly' bear the economic cost of the tax.

If the classification or taxes as direct or indirect was ever based on a theoretical understanding of the economic effects of taxes, it was a partial equilibrium view. More comprehensive economic models (such as general equilibrium models) explain how both 'direct' taxes on incomes and 'indirect' taxes on expenditures can result in economic costs that are borne by entities other than those legally liable to pay the tax.

Table 3 lists indirect taxes classified by the NZSNA, and the amount of revenue collected from them. (We have included market and local authority indirect taxes for the reader's interest but only indirect taxes paid to central government are analysed by SEBIRD). Between 1981/82 and 1985/86, the importance of customs, excise and import duties as sources of indirect tax revenue generally declined; only the excise duty on alcohol and beer grew at an above-average rate. There was also rapid growth over the period in revenue from the energy resources levy, motor vehicle fees and road user charges. The fringe benefits tax was collected for the first time in 1985/86.

Chart 2: Effective Rates of Income Tax By Market Income Decile in 1985/86 and 1987/88

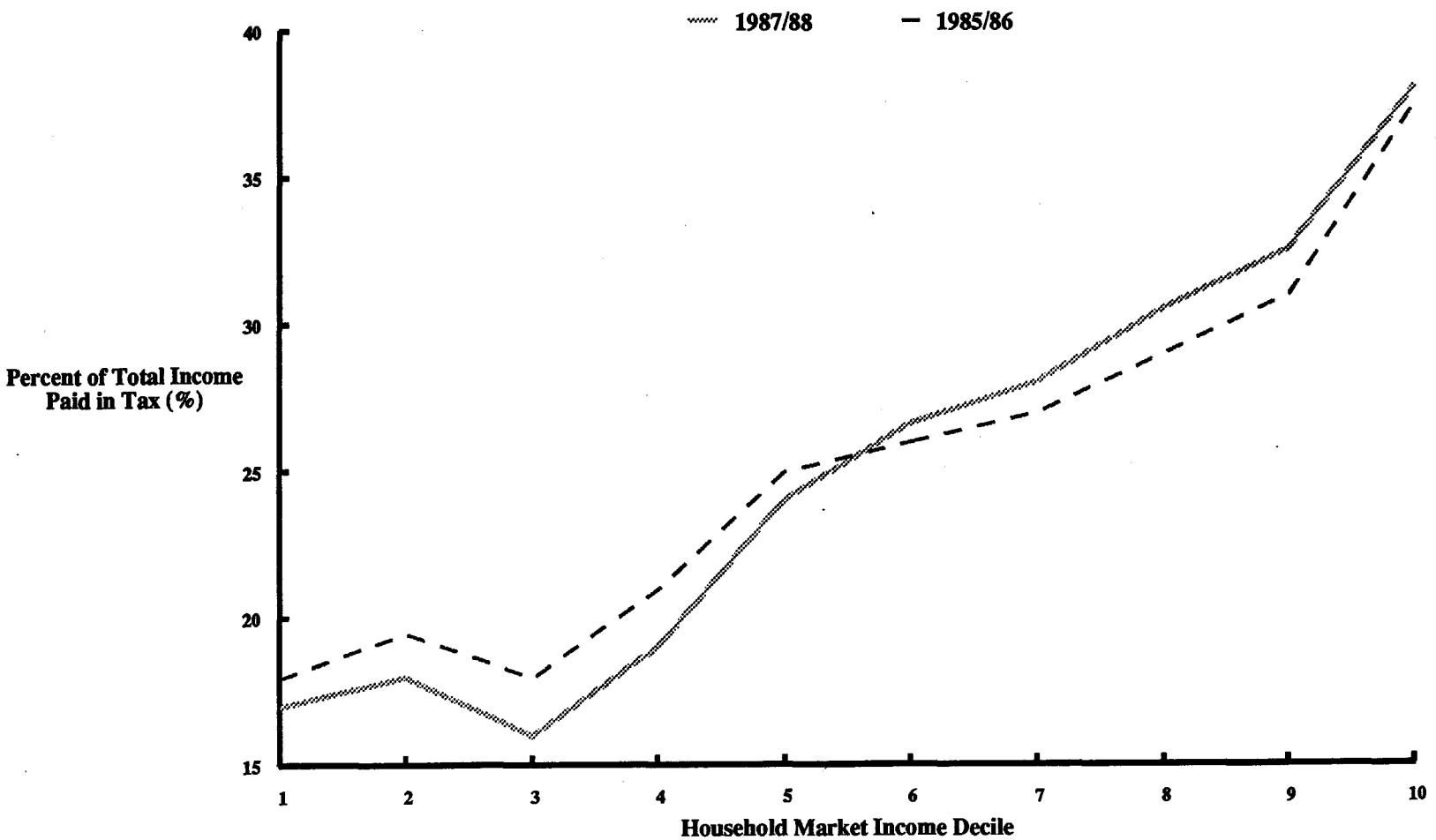


TABLE 3: INDIRECT TAXES BY NZSNA CATEGORY: 1981/82, 1985/86 AND 1987/88
(Market and Non-Market Government Activity)

	1981/82 $M Actual	% Change	1985/86 $M Actual	% Change	1987/88 $M Estimated
Indirect Taxes Received by Central Government					
Earthquake and War Damage Commission Premiums	48.20	68.0	81.00	23.5	100.00
Energy Resources Levy	24.19	198.1	72.12	10.9	80.00
Excise Duty on:					
- Alcohol and Beer	99.45	164.8	263.37	51.9	400.00
- Tobacco products	112.74	49.5	168.51	175.9	456.00
Fire Services Council (Commission) Levy	48.40	72.0	83.26	80.2	150.00
Fringe Benefit Tax	-	-	104.16	92.0	200.00
Goods and Services Tax	-	-	-	-	3700.00
Import Duty	337.20	58.7	534.99	49.6	800.00
Land Tax	33.77	65.4	55.85	34.3	75.00
Motor Spirit Duty	276.20	44.1	397.90	-37.2	250.00
Motor Vehicle Fees [a]	20.39	155.2	52.04	-7.7	48.00
Motor Vehicles Sales Tax	-	-	-	-	230.00
Petroleum Fuels	-	-	-	-	855.00
Racing Duty	50.99	36.8	69.77	-28.3	50.00
Road User Charges	82.56	155.0	210.52	2.1	215.00
Wholesale Sales Tax	1038.02	52.0	1577.44	-	-
Stamp Duty	59.28	86.2	110.35	93.9	214.00
Other [b]	81.56	72.7	140.87	42.0	200.00
Total Central Government	2312.95	69.6	3922.15	104.8	8032.00
Indirect Taxes Received by Local Government					
Rates	560.69	52.3	853.80	34.4	1148.00
Petrol Tax	17.92	-0.7	17.80	1.1	18.00
Other	22.85	110.9	48.19	24.5	60.00
Total Local Government	601.47	52.9	919.87	33.3	1226.00
Total Indirect Taxes	**2914.28**	**66.1**	**4842.02**	**91.2**	**9258.00**

Notes:
a) Comprises Motor Vehicle Registration, Licence and Change of Ownership fees paid by producers.
b) Includes International Departure Tax, Domestic Air Travel Tax, Lottery Tax, but in different combinations for each year. For example, the Domestic Air Travel tax was abolished when GST was introduced.

Sources: For 1981/82 and 1985/86, Department of Statistics NZSNA. For 1987/88, Julia Crouch of the Department of Statistics provided a projection based on 1987 Budget estimates and part-year revenues.

SEBIRD assumes that all indirect taxes are shifted to households through increased prices, i.e. that households pay these taxes when goods and services are purchased. The household's consumption of all goods is taken into account in doing the analysis, so that indirect taxes levied on business inputs as well as indirect taxes levied at the retail point of sale are attributed to households.

Analysis of who pays indirect taxes is facilitated by dividing the various indirect taxes into three groups: wholesale sales taxes in 1981/82 and 1985/86 and GST for 1987/88; taxes on specific goods, excise duties and other taxes; and import duties.

In 1981/82 and 1985/86 the wholesale sales tax provided the single most important revenue source. It accounted for over 40 per cent of indirect taxes and 9.5 per cent of total central government revenue in 1985/86. By 1987/88, the most important indirect tax was GST which provided 46 per cent of indirect tax revenue, and nearly 16 per cent of total government revenue.

Table 4 summarises the distribution of liability for indirect taxes by income decile. With the introduction of GST, some taxes previously classified as wholesale sales taxes were reclassified as specific taxes. Comparisons between years are therefore difficult. In particular, no comparison can be made between the pattern of incidence of wholesale sales taxes in 1985/86 and GST in 1987/88. However, within year comparisons are possible, and it is clear that specific taxes (including duties on alcohol, tobacco, motor vehicles and petroleum fuels) are more regressive than GST.

TABLE 4: INDIRECT TAXES[a] BY HOUSEHOLD INCOME DECILE, 1981/82, 1985/86 AND 1987/88

Household Market Income Decile	Wholesale Sales Taxes	GST	Specific Taxes		Import Duty & Other		Total Indirect Taxes			
	1985/86 %	1987/88 %	1985/86 %	1987/88 %	1985/86 %	1987/88 %	1981/82 %	1985/86 %	1987/88 %	
1	4.1	4.4	4.0	5.5	4.2	4.2	3.1	4.1	4.8	
2	4.4	4.7	4.4	5.8	4.4	4.6	4.3	4.4	5.1	
3	6.9	6.8	6.2	7.6	6.8	6.7	6.5	6.6	7.1	
4	8.1	8.3	8.4	9.0	8.1	8.3	7.7	8.2	8.6	
5	9.0	9.3	9.2	10.7	9.0	9.1	8.9	9.1	9.8	
6	9.9	10.1	10.0	9.9	10.3	10.2	10.8	10.0	10.0	
7	11.4	11.5	11.8	12.1	11.3	11.5	11.0	11.6	11.8	
8	12.8	12.6	12.6	12.4	12.8	12.7	12.7	69.5 12.7	67.7 12.5	64.3
9	14.3	14.0	14.6	12.8	14.5	14.3	15.4	14.5	13.5	
10	19.2	18.2	18.7	14.0	18.5	18.4	19.6	18.9	16.5	
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	

Notes: a) See text of SEBIRD Discussion Paper, Section Two, February 1988 for methods of imputing indirect tax to households.

b) The amount of indirect tax payments distributed is 95 per cent of actual collections reflecting the proportion of the population residing in private households.

Source: Snively (1986), SEBIRD.

Table 4 shows that in all three years, higher income households paid a significantly larger share of total indirect taxes than low income households. However, the distribution became significantly flatter between 1981/82 and 1987/88; the ratio between the shares of the top and bottom deciles declines from about 6:1 to about 3:1. This flattening is evident in Chart 3 which plots the last three columns of Table 4.

As with income taxes, we can also look at the incidence of indirect taxes in terms of effective tax rates defined as indirect tax liability as a proportion of total income. Chart 4 (see page 90) plots effective indirect tax rates for 1985/86 and 1987/88. The Chart shows that indirect taxes are regressive in that the effective indirect tax rate declines with income. It also shows that effective indirect tax rates increased between 1985/86 and 1987/88, and that the degree of regressivity (as calculated by SEBIRD) increased between the two years.

The low effective indirect tax rate for the second income decile is due in large part to the fact that national superannuitant households make up a large proportion of this group. National superannuitants spend significantly less than other sorts of household at any given income level. As a result their liability for indirect tax relative to their income is lower than it is for others, i.e. the effective indirect tax rate is lower.

A second factor contributing to the low effective indirect tax rate for the second decile is the way we have analysed the effect of the tax surcharge. We have treated the surcharge as an income tax rather than as a benefit abatement. If the second approach had been followed total income (market income plus social welfare benefits) would have been lower and the effective indirect tax rate higher than we show in Chart 4.

The overall impression of regressivity of indirect taxes shown in Chart 4 is quite marked. Four comments are appropriate. First, the regressivity is due in part to the pattern of consumption expenditure by low income and high income households, with low income households spending relatively more on goods and services subject to specific taxes. This is evident from Chart 5 which plots for 1987/88 the liability for indirect tax on each dollar expended on goods and services. The bottom income decile pays 27.2 cents of indirect tax for each dollar spent, whereas the top income decile pays 21.3 cents.

Second, the regressivity of indirect taxes as shown in Chart 4 is due in part to the fact that, as measured by HEIS, expenditure exceeds total income for most income deciles, with the discrepancy greater at low income levels. This feature of the HEIS data (which is also found in overseas surveys of similar types) means that we must be cautious when interpreting effective indirect tax rates. However, while the HEIS data may overstate expenditure relative to income in a way which exaggerates the impression of regressivity, there seems no reason to doubt that indirect taxes are regressive overall.

Third, and related to the second point above, the apparent greater regressivity in 1987/88 is possibly attributable in part to the procedures used to project the 1985/86 data forward to 1987/88, e.g. because they generally understate growth in income relative to expenditure, or because they distort the level of expenditure relative to income at low incomes. We are satisfied that the procedures and assumptions used to project the data to 1987/88 have not exaggerated the level or the pattern of effective indirect tax rates.

Finally, it must be re-emphasised that SEBIRD proceeds by distributing a known (for 1985/86) or reliably projected (for 1987/88) amount of indirect taxes. The overall level of effective indirect tax rates shown in Chart 4 is in no way attributable to the level of indirect tax revenue being inflated above actual levels.

In considering the level and pattern of effective indirect tax rates, it is important to note that SEBIRD is an impact model; it does not attempt to measure behavioural changes to the taxes. An important behavioural change could be towards purchases that are untaxed. But as the calculations in SEBIRD are based on actual amounts (projected to be) collected in tax, this sort of shift would affect the pattern of tax rates not the overall level of tax liability.

In 1985/86, households with three-or-more-adults are estimated to have paid the biggest share of indirect taxes, with one-adult-with-children households and one-adult-national-superannuitant households paying the smallest shares. In 1987/88, two-adult households paid the largest share of indirect taxes, and single-adult households with children paid the lowest share.

Chart 3: Shares of Indirect Tax Payments By Household Income Decile in 1981/82, 1985/86 and 1987/88

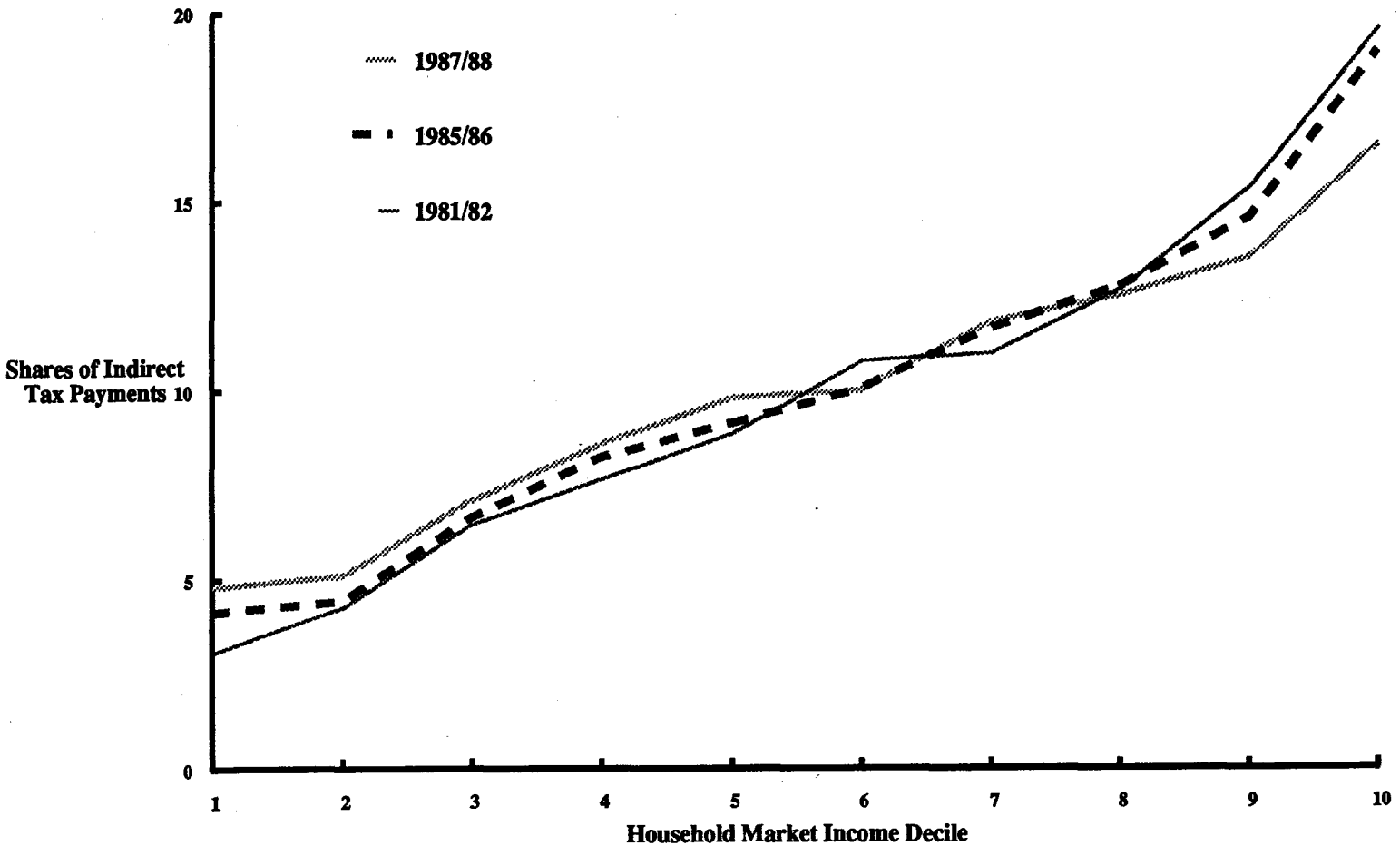


Chart 4: Effective Rates of Indirect Tax By Market Income Decile in 1985/86 and 1987/88

(Indirect Tax as a Proportion of Total Income)

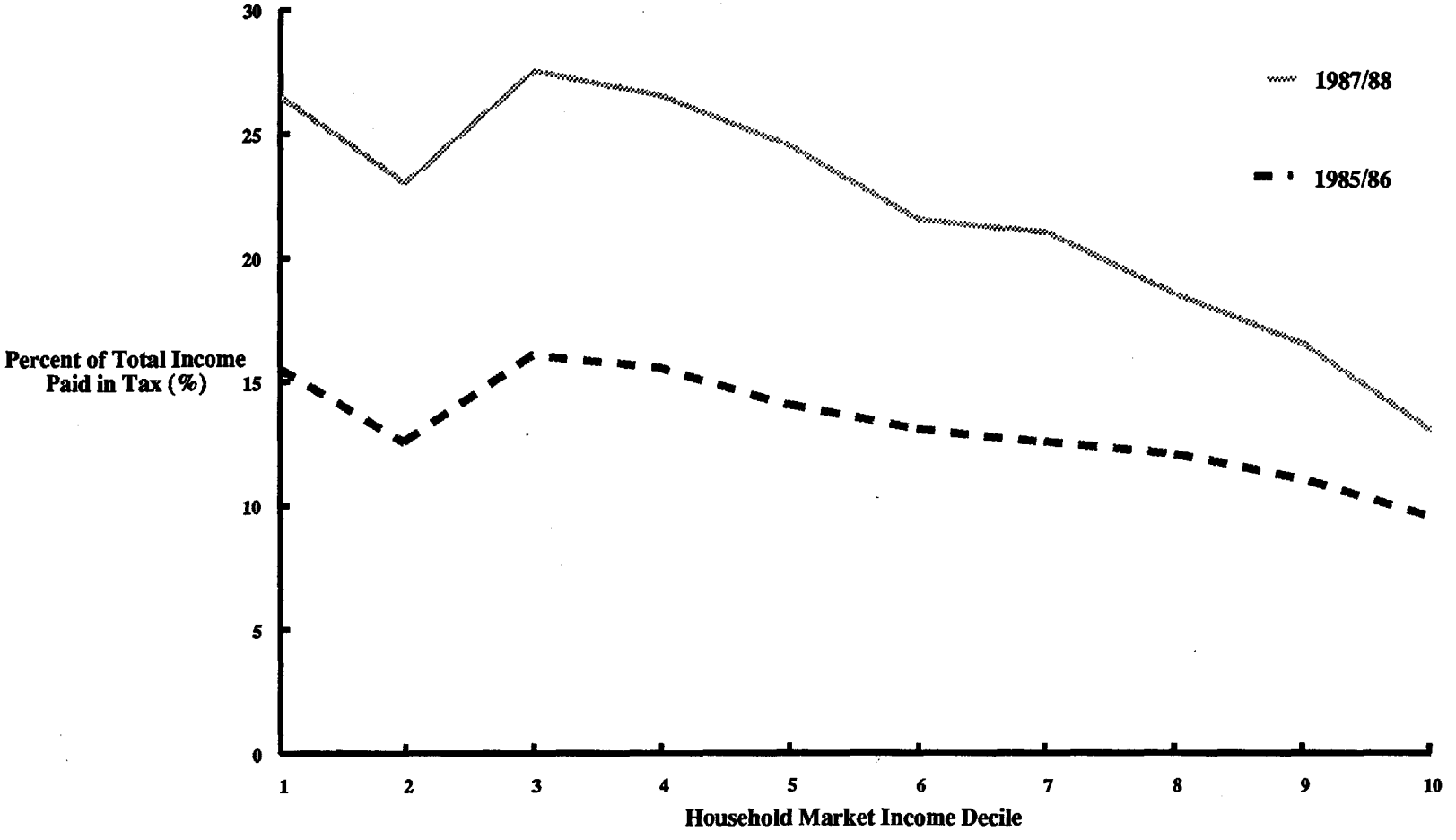
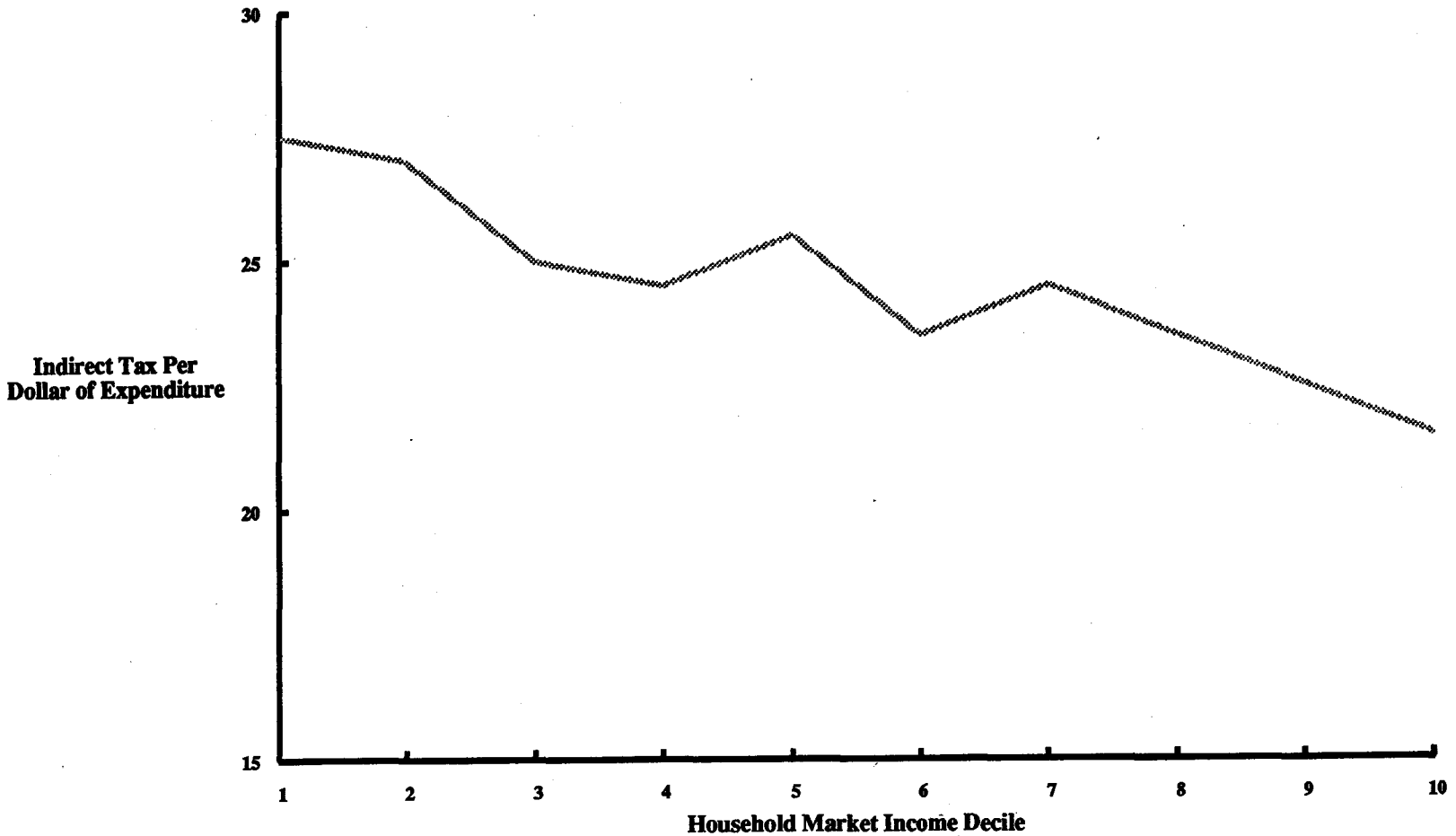


Chart 5: Indirect Taxes Per Dollar Expended by Market Income Decile in 1987/88



The household types paying the most indirect tax per person (on average) are one-adult (no children) households followed by two-adult (no children) households. The former paid an average of $1,955 of indirect taxes in 1985/86, and an average of $5,121 in 1987/88.

C. Some Observations from the Analysis so Far

To summarise the results so far, the personal income tax was the most progressive government budget measure in all three years analysed if households paid the taxes for which they were liable. This is true in two senses:

1. the share of income tax paid rises with income; and

2. income tax liability is an increasing proportion of household income as income rises.

However, as measured by the effective tax rate, income tax appears to be less progressive in the later years.

Households' indirect tax payments were a much greater proportion of their income and expenditure in 1987/88 than in 1981/82. Indirect taxes are regressive in all three years.

With the widening of the indirect tax base between 1981/82 and 1985/86, there was a 'flattening' in the pattern of indirect tax shares. In 1981/82, the top 50 per cent of households (by market income) paid 69.5 per cent of all indirect taxes. In 1985/86, the top 50 per cent paid 67.7 per cent. When the taxes are measured in relation to total income, indirect taxes are more regressive in 1985/86 than in 1981/82. They are most regressive in 1987/88, not just because GST may be more regressive than the wholesale sales tax it replaces, but also because some of the remaining specific taxes (such as taxes on cigarettes) are regressive.

PART II: ASSESSING THE REDISTRIBUTIVE IMPACT OF DIRECT AND INDIRECT TAXES

In Part I above we have summarised what SEBIRD tells us about who pays for government goods and services.

Part II discusses the nature of the redistribution, if any, that appears to be taking place.

Since SEBIRD is founded on the presumption that government budget measures may change relative income positions, the definition of income is fundamental to it. The choice of income definition depends on the focus of the analysis. The focus of this Part is on identifying the transfers between groups resulting from the range of government budget policies. This is most easily addressed if the baseline is market income rather than some other measure of income which already reflects the effects of government polices. Accordingly, the money-income measure used in SEBIRD to define income deciles is market income.

Other definitions of income are required to assess the effectiveness of redistribution policies. For example, if we are interested in determining whether less well off households are the beneficiaries of government policies, it may be appropriate to use disposable income to define income deciles. Beginning with the same focus, Saunders (1988) proposes that disposable income adjusted for housing costs be used on the grounds that this better reflects household's relative economic positions.

A. Distribution by Income Deciles

For the purpose of tabulating results, income groups are derived which each include 10 per cent of private households. In other words, the income groups are household income deciles.

TABLE 5: PAYMENTS TO GOVERNMENT, CONSUMPTION OF GOVERNMENT EXPENDITURES AND MARKET INCOME ADJUSTED FOR THE BUDGET BY HOUSEHOLD INCOME DECILE IN 1981/82, 1985/86 AND 1987/88

Household Market Income Decile	Payments to Government			Consumption of Government Expenditures			Market Income Adjusted for the Government Budget (MIAB)		
	1981/82 %	1985/86 %	1987/88 %	1981/82 %	1985/86 %	1987/88 %	1981/82 %	1985/86 %	1987/88 %
1	1.8	2.7	3.2	11.0	10.2	10.3	4.2	4.3	4.5
2	2.8	3.5	3.7	10.6	11.8	11.2	4.5	5.6	5.5
3	4.4	4.9	4.8	10.1	11.7	11.1	6.5	7.0	7.0
4	5.7	6.2	6.1	7.8	9.0	8.4	7.3	7.5	7.2
5	7.4	7.6	7.7	8.7	8.9	8.8	8.7	8.6	8.5
6	9.3	9.0	9.1	8.9	8.5	8.8	9.8	9.4	9.4
7	10.7	10.7	10.7	8.9	9.0	8.6	11.1	10.9	10.3
8	13.3	12.7	12.9	9.9	9.1	9.0	12.8	12.3	12.0
9	16.7	15.7	15.7	10.6	9.0	9.9	14.7	14.2	14.5
10	27.9	27.1	26.0	13.5	12.8	13.7	20.4	20.1	21.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Notes: 1985/86 and 1987/88 are standard case distributions from SEBIRD. 1981/82 is the distribution from Snively (1986) with market income grossed up to NZSNA figure. The income levels which define the income deciles differ in 1981/82, 1985/86 and 1987/88.

Table 5 shows the distribution of all payments to government (includes personal taxes, indirect taxes, corporate taxes and other payments to the government). It also shows the consumption of government expenditures and market income adjusted for the government budget (MIAB) as estimated for 1985/86 and 1987/88 using the SEBIRD approach. Snively's results for 1981/82 are also tabulated.

The top 50 per cent of households are estimated to have consumed about 50 per cent of government expenditure in all three years. On the other hand, the top 50 per cent of households are estimated to have been liable for nearly three-quarters of the payments to the government in all three years. Thus, the net overall effect of government expenditure is not very redistributive, while that of payments (taxes) is.

There seems to have been a significant switch in the way that the impact on the income distribution was achieved between 1981/82 and 1985/86. In particular, those in the upper income deciles paid a larger share of taxes in 1981/82 than in 1985/86, but received a smaller share of government expenditures in 1985/86 than in 1981/82, reflecting government policy initiatives to target more spending to low-income groups. This pattern was continued into 1987/88, although the net charge between 1985/86 and 1987/88 was less dramatic than between 1981/82 and 1985/86.

There is a tendency for households with low market-income to have fewer occupants than higher-income households and this needs to be kept in mind when evaluating the results.

B. Distribution by Household Types

The unadjusted distributing of market income, government payments and expenditure and MIAB are shown by Table 6.

A comparison of the final two columns of Table 6 (market income adjusted for the budget - MIAB) with the first two columns (market income) suggests that the net impact effect of the budget was redistributive. Non-national superannuitant households with 2 adults but no children (type 4) accounted for 21.7 per cent of market income in 1985/86 and 21.7 per cent in 1987/88, as did similar households with 3 adults (type 8). When account is taken of the budget, their shares decline markedly. Two-adult childfree households end up with 16.4 per cent of MIAB in 1985/86 and 15.7 per cent in 1987/88, whereas three-adult childfree households end up with 18.4 per cent of MIAB in 1985/86 and 18.6 in 1987/88.

The households with the most significant net gain from government budget activities are two-adult national superannuitant households (type 3). In 1985/86, they received 4.8 per cent of market income and 10.4 per cent of MIAB, while in 1987/88 they account for 5.4 per cent of market income and 10.7 per cent of MIAB. Their share of MIAB is greater than their share of the population living in private households (8.6%). It is less than their share of private households (12.4%).

TABLE 6: MARKET INCOME, TOTAL PAYMENTS TO GOVERNMENT, CONSUMPTION OF GOVERNMENT EXPENDITURES AND MARKET INCOME ADJUSTED FOR THE BUDGET BY HOUSEHOLD TYPE IN 1985/86 AND 1987/88

Household Type	Market Income		Total Payments to Government		Consumption of Government Expenditure		Market Income Adjusted for the Budget (MIAB)		
	1985/86 %	1987/88 %	1985/86 %	1987/88 %	1985/86 %	1987/88 %	1981/82 %	1985/86 %	1987/88 %
1 1 Adult - National Super.	1.3	1.5	3.8	4.0	11.1	9.0	4.4	5.7	4.7
2 1 Adult - Other	5.4	5.5	5.0	5.8	4.2	3.5	4.7	4.9	4.0
3 2 Adults - National Super.	4.8	5.4	9.9	10.1	19.7	18.5	9.6	10.7	10.7
4 2 Adults - Other	21.7	21.6	19.4	20.0	10.5	10.8	15.1	16.3	15.7
5 2 Adults - 1 Child	7.4	7.3	6.8	7.1	5.7	6.1	7.5	6.8	6.6
6 2 Adults - 2 Children	12.6	12.4	11.4	11.4	9.4	9.8	13.9	11.4	11.4
7 2 Adults - 3 or more Children	8.3	8.0	7.9	7.4	8.6	8.9	12.7	8.7	9.0
8 3 or more Adults - no Children	21.7	21.6	20.3	19.4	13.6	14.7	12.3	17.6	18.6
9 3 or more Adults - with Children	16.0	15.7	14.2	13.2	12.8	14.1	17.4	15.2	16.4
10 Single Parent households	0.9	0.9	1.2	1.5	4.3	4.6	2.4	2.7	2.9
All Households	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: SEBIRD and Snively (1986).

From the final three columns of Table 6, we see that the share of MIAB received by households with children (types 5-7, 9 and 10) has declined over the years analysed, except in the case of single-parent households with children (type 10).

In 1985/86, three out of five types of household with children end up with a share of MIAB which is less than the share of market income they started with. The exceptions are two-adults households with three or more children (type 7) and single-parent households (type 10). In the latter case, even the provision of a large share of government expenditure was not enough to bring their share of MIAB into line with their share of the population. In 1987/88, only two out of the five types of households with children (types 5 and 6) have a smaller share of MIAB than of market income.

The general conclusion is that existing budget policies imply a significant redistribution in favour of national-superannuitant households. This is achieved both through the tax system and through the government provision of goods and services which are largely consumed by those over 60. The goods and services which have a significant influence on the over-60's share of MIAB include national superannuation, health and interest payments.

C. Adjusting for Household Size and Composition: Equivalence Scales

The average number of occupants is uneven across the income deciles used in the SEBIRD analysis; households with low market income have fewer occupants than high income households. Consequently, the results are difficult to interpret because households differ. One solution often proposed, and occasionally used earlier in this paper, is to present the results on a per occupant basis. Although this is tantamount to using an equivalence scale, it is a crude procedure in that it give an equal weight to all individuals regardless of age.

C.1 Equivalent Households

Equivalence scales are estimates of the different incomes that households of different compositions require to attain the same level of material well-being (everything else affecting well-being being assumed not to vary). Analysis of the results in terms of equivalent income allows comparisons between different household types to be made. Equivalent income is obtained by dividing household income by a scale value which reflects the number of adults and children supported by that income.

A large number of equivalence scales exist. As yet there is no consensus on whether any one equivalence scale can be regarded as the definitive one. There has not been a scale developed using New Zealand data, nor a scale which has general acceptance as being most applicable to the New Zealand situation. The preliminary results of some recent research which applied a selection of different equivalence scales to the 1985/86 HEIS data, illustrate the sensitivity of the resulting equivalent income distributions to the equivalence scale applied (Department of Social Welfare, 1988).

It was decided to use two equivalence scales in the SEBIRD analysis. The two scales chosen are the OECD scale, a scale developed for countries without their own established scales (OECD, 1982), and the revised Jensen scale (1988). Of the two, the Jensen scale is preferred, but the OECD scale is also used to demonstrate how the results are sensitive to the scale chosen.

C.2 Ranking by Equivalent Income

The second application of equivalence scales involves using them to rank households by equivalent disposable income rather than by market income. Doing this means that, subject to the limitations of the scales, the lowest decile includes those households with the lowest material standard of living as measured by their disposable income relative to their 'needs'. Using this approach we can then assess whether budget policies are assisting the least well-off in the community.

Tables 1 through 6 in Appendix One tabulate data for each of 1985/86 and 1987/88. For each year there is a tabulation based on market income deciles (summarising the data discussed in Section I), and two tabulations based on equivalent

disposable income deciles derived using the revised Jensen and OECD equivalence scales. Attention is first given to some of the differences between Tables 1 and 2 and Tables 4 and 5 (to highlight the effect of using equivalence scales rather than unadjusted income data). Some comments are then offered below on differences between Tables 2 and 3 and between Tables 5 and 6 (to point out the effects of choosing one equivalence scale rather than another).

The first point to note from comparing Tables 1 and 2 (4 and 5) is that the distribution of market income by deciles is considerably flatter when income deciles are defined in terms of equivalent disposable incomes (as in Tables 2 and 5). This occurs in part because the concentration of negative or low income households in the bottom two deciles is avoided when an equivalence scale is applied to the data.

The distribution of payments to government is also flatter when households are classified by equivalent disposable income, although there is clearly still a strong impression of progressivity (higher equivalent income households pay a significantly greater share of all payments to government). The flattening is due in large part to changes at the extremes; the shares of deciles three through to nine are little different between the two approaches.

A comparison of Tables 1 and 2 (4 and 5) also suggest that the distribution of market income adjusted for the budget (MIAB) is flatter when the data is tabulated using equivalent disposable income deciles. As with payments to government, there is little difference for the third to ninth deciles, i.e. most of the change is at the extremes.

D. Summary and Conclusions: The Budget's Redistributive Impact

Since SEBIRD is an accounting-type model only, it has been used to discuss only the impact effects of the 1981/82, 1985/86 and 1987/88 budgets. Perhaps the most interesting results are the extraordinary stability in the distribution of MIAB over the three years despite major changes in the Government's budget policy, and the redistribution towards national superannuitant households and away from households with 2 or more adults (with or without children).

Some other conclusions which emerged from the analysis prior to adjustment for equivalence scales are:

- When analysed by household market-income deciles, the net impact effect of the government budgets in all three years is redistributive in the sense that those in the upper-income groups end up with a substantially smaller share of money-income-adjusted for the budget (MIAB) than their share of market income.

- There appears to have been a shift in the way that the impact of budget measures is distributed; the structure of household liability for government payments is less progressive in 1985/86 and 1987/88 than in 1981/82 while expenditures appear to be slightly more targeted towards middle and low income households in the later years. The impact effect of taxation is less progressive for two main reasons:

    - The marginal tax rates of personal tax have been reduced relatively more at the top end of the scale than the bottom end;

    - The rise in significance of 'selective' indirect taxes has added to the regressivity of indirect taxes.

The next step, of course, would be to discover what the economic behavioural response has been to these changes to the tax system.

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APPENDIX:

SUMMARY TABLES FOR 1985/86 AND 1987/88

TABLE 1: THE DISTRIBUTION OF HOUSEHOLD MONEY INCOME ADJUSTED FOR TOTAL CENTRAL GOVERNMENT NON-MARKET BUDGET ACTIVITIES IN 1985/86
(By Household Income Decile: Each Decile Includes 10% of Private Households)

Household Market Income Decile ($ p.a.)	Income	Payments to Government					Money Income Value of Government Expenditure							Adjustment for All Govt. Non-Market Activites	Market Income Adjusted for Govt. Budget
	Market Income	Personal Income Tax	Indirect Taxes	Company Income Tax	Other Receipts	Total Payments	Social Welfare Benefits (excludes SMPS)	General Govt. Goods (Case 1)	Health	Education	Subsidies and Other	Interest	Total Govt. Expenditure		
	A	B1	B2	B3	B4	(B1-B4) B	C1	C2	C3	C4	C5	C6	C1-C6 C	(C-B) D	(A+D) E
							$ Million								
Less than $282	-49	150	146	30	91	417	1121	105	196	64	22	53	1561	1144	1096
$282 - ($3198)	148	234	158	60	96	548	1212	111	214	49	24	203	1813	1265	1412
$3198 - ($10959)	744	272	234	111	147	764	872	170	178	138	68	367	1793	1029	1773
$10959 - ($16247)	1489	402	292	100	176	971	457	203	167	176	118	265	1386	415	1904
$16247 - ($20742)	2003	572	323	107	194	1196	343	224	164	209	150	269	1360	164	2167
$20742 - ($25452)	2486	721	3571	107	224	1409	237	259	165	213	188	238	1301	-109	2378
$25452 - ($30830)	3039	891	412	132	246	1681	233	284	163	214	189	303	1385	-295	2743
$30830 - ($38160)	3707	1123	452	145	277	1997	156	319	161	228	235	296	1396	-601	3106
$38160 - ($48731)	4656	1467	513	163	314	2458	112	363	154	211	223	318	1380	-1077	3579
$48731 and over	7350	2817	670	360	402	4249	111	464	175	260	236	714	1961	-2288	5061
Total	25573	8649	3557	1315	2167	15690	4854	2502	1737	1762	1453	3026	15336	-353	25219
	A	B1	B2	B3	B4	B	C1	C2	C3	C4	C5	C6	C	D	E
							Proportion of Total (%)								
Less than $282	-0.2	1.7	4.1	2.3	4.2	2.7	23.1	4.2	11.3	3.6	1.5	1.8	10.2		4.3
$282 - ($3198)	0.6	2.7	4.4	4.6	4.4	3.5	25.0	4.4	12.3	2.8	1.7	6.7	11.8		5.6
$3198 - ($10959)	2.9	3.1	6.6	8.4	6.8	4.9	18.0	6.8	10.2	7.8	4.7	12.1	11.7		7.0
$10959 - ($16247)	5.8	4.6	8.2	7.6	8.1	6.2	9.4	8.1	9.6	10.0	8.1	8.8	9.0	Not	7.5
$16247 - ($20742)	7.8	6.6	9.1	8.1	9.0	7.6	7.1	9.0	9.4	11.9	10.3	8.9	8.9	Relvenat	8.6
$20742 - ($25452)	9.7	8.3	10.0	8.1	10.3	9.0	4.9	10.4	9.5	12.1	12.9	7.9	8.5		9.4
$25452 - ($30830)	11.9	10.3	11.6	10.0	11.4	10.7	4.8	11.4	9.4	12.1	13.0	10.0	9.0		10.9
$30830 - ($38160)	14.5	13.0	12.7	11.0	12.8	12.7	3.2	12.7	9.3	12.9	16.2	9.8	9.1		12.3
$38160 - ($48731)	18.2	17.0	14.4	12.4	14.5	15.7	2.3	14.5	8.9	12.0	15.3	10.5	9.0		14.2
$48731 and over	28.7	32.6	18.8	27.4	18.6	27.1	2.3	18.5	10.1	14.8	16.2	23.6	12.8		20.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		100.0

Source: Derived with SEBIRD using assumptions which are similar to those used for both 1981/82 and 1985/86. Numbers may not add due to rounding.

TABLE 2: THE 1985/86 DISTRIBUTION OF HOUSEHOLD MONEY INCOME BY HOUSEHOLD DISPOSABLE INCOME DECILE USING OECD EQUIVALENCE SCALE

Equivalent Household Disposable Income Decile ($ p.a.)	Income	Payments to Government					Money Income Value of Government Expenditure							Adjustment for All Govt. Non-Market Activites	Market Income Adjusted for Govt. Budget
	Market Income	Personal Income Tax	Indirect Taxes	Company Income Tax	Other Receipts	Total Payments (B1-B4)	Social Welfare Benefits (excludes SMPS)	General Govt. Goods (Case 1)	Health	Education	Subsidies and Other	Interest	Total Govt. Expenditure C1-C6		
	A	B1	B2	B3	B4	B	C1	C2	C3	C4	C5	C6	C	(C-B) D	(A+D) E
								$ Million							
Less than $8895	814	159	269	71	173	672	456	199	181	280	108	135	1359	686	1500
$8895 - ($10277)	825	305	221	50	139	715	828	160	199	169	95	86	1537	821	1647
$10277 - ($11267)	849	346	208	53	129	736	848	149	207	130	65	116	1516	780	1629
$11267 - ($12722)	1382	460	273	81	169	983	714	195	197	163	129	199	1596	613	1994
$12722 - ($14679)	2140	649	348	110	204	1311	524	235	187	194	136	257	1533	223	2363
$14679 - ($16930)	2512	769	369	110	232	1479	435	268	189	253	167	235	1546	67	2579
$16930 - ($19395)	2863	932	380	146	231	1689	394	267	157	184	149	363	1513	-176	2687
$19395 - ($23096)	3474	1153	440	173	263	2030	336	304	155	178	168	390	1529	-501	2973
$23096 - ($28687)	4294	1414	489	183	287	2373	198	332	134	111	177	466	1418	-955	3339
$28687 and over	6420	2463	560	338	340	3700	120	392	133	102	260	780	1788	-1913	4507
Total	25573	8650	3557	1315	2167	15688	4853	2501	1739	1764	1454	3027	15335	-355	25218
	A	B1	B2	B3	B4	B	C1	C2	C3	C4	C5	C6	C	D	E
								Proportion of Total (%)							
Less than $8895	3.2	1.8	7.6	5.4	8.0	4.3	9.4	8.0	10.4	15.9	7.4	4.5	8.9		5.9
$8895 - ($10277)	3.2	3.5	6.2	3.8	6.4	4.6	17.1	6.4	11.4	9.6	6.5	2.8	10.0		6.5
$10277 - ($11267)	3.3	4.0	5.8	4.0	6.0	4.7	17.5	6.0	11.9	7.4	4.5	3.8	9.9		6.5
$11267 - ($12722)	5.4	5.3	7.7	6.2	7.8	6.3	14.7	7.8	11.3	9.2	8.9	6.6	10.4	Not	7.9
$12722 - ($14679)	8.4	7.5	9.8	8.4	9.4	8.4	10.8	9.4	10.8	11.0	9.4	8.5	10.0	Relvenat	9.4
$14679 - ($16930)	9.8	8.9	10.4	8.4	10.7	9.4	9.0	10.7	10.9	14.3	11.5	7.8	10.1		10.2
$16930 - ($19395)	11.2	10.8	10.7	11.1	10.7	10.8	8.1	10.7	9.0	10.4	10.2	12.0	9.9		10.7
$19395 - ($23096)	13.6	13.3	12.4	13.2	12.1	12.9	6.9	12.2	8.9	10.1	11.6	12.9	10.0		11.8
$23096 - ($28687)	16.8	16.3	13.7	13.9	13.2	15.1	4.1	13.3	7.7	6.3	12.2	14.5	9.2		13.2
$28687 and over	25.1	28.5	15.7	25.7	15.7	23.6	2.5	15.7	7.6	5.8	17.9	25.8	11.7		17.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		100.0

Source: SEBIRD.

TABLE 3: THE 1985/86 DISTRIBUTION OF HOUSEHOLD MONEY INCOME BY HOUSEHOLD DISPOSABLE INCOME DECILE USING JENSEN EQUIVALENCE SCALE

Equivalent Household Disposable Income Decile ($ p.a.)	Income	Payments to Government					Money Income Value of Government Expenditure							Adjustment for All Govt. Non-Market Activites	Market Income Adjusted for Govt. Budget
	Market Income	Personal Income Tax	Indirect Taxes	Company Income Tax	Other Receipts	Total Payments (B1-B4)	Social Welfare Benefits (excludes SMPS)	General Govt. Goods (Case 1)	Health	Education	Subsidies and Other	Interest	Total Govt. Expenditure C1-C6	(C-B)	(A+D)
	A	B1	B2	B3	B4	B	C1	C2	C3	C4	C5	C6	C	D	E
								$ Million							
Less than $9237	465	119	224	61	143	547	533	165	163	184	82	118	1245	698	1162
$9237 - ($10357)	505	234	184	45	115	579	922	133	200	117	55	98	1526	947	1452
$10357 - ($11851)	853	340	220	63	141	764	904	162	216	139	88	162	1672	907	1760
$11851 - ($13521)	1522	469	285	86	173	1013	612	200	194	208	121	217	1551	538	2060
$13521 - ($15757)	2050	610	331	103	202	1247	426	234	185	178	149	227	1399	153	2202
$15757 - ($17815)	2369	720	351	111	216	1398	466	249	169	205	144	287	1520	122	2491
$17815 - ($20297)	2985	937	405	130	245	1717	351	283	165	252	180	273	1503	-214	2772
$20297 - ($24041)	3561	1172	441	184	267	2064	305	308	151	174	182	475	1596	-469	3092
$24041 - ($29743)	4414	1426	514	172	300	2412	212	346	147	156	202	386	1449	-963	3450
$29743 and over	6849	2622	603	358	365	3948	123	421	147	150	250	784	1875	-2073	4776
Total	25573	8649	3558	1313	2167	15689	4854	2501	1737	1763	1453	3027	15336	-354	25217
	A	B1	B2	B3	B4	B	C1	C2	C3	C4	C5	C6	C	D	E
								Proportion of Total (%)							
Less than $9237	1.8	1.4	6.3	4.6	6.6	3.5	11.0	6.6	9.4	10.4	5.6	3.9	8.1		4.6
$9237 - ($10357)	2.0	2.7	5.2	3.4	5.3	3.7	19.0	5.3	11.5	6.6	3.8	3.2	10.0		5.8
$10357 - ($11851)	3.3	3.9	6.2	4.8	6.5	4.9	18.6	6.5	12.4	7.9	6.1	5.4	10.9		7.0
$11851 - ($13251)	6.0	5.4	8.0	6.5	8.0	6.5	12.6	8.0	11.2	11.8	8.3	7.2	10.1	Not	8.2
$13251 - ($15757)	8.0	7.1	9.3	7.8	9.3	7.9	8.8	9.4	10.7	10.1	10.3	7.5	9.1	Relvenat	8.7
$15757 - ($17815)	9.3	8.3	9.9	8.5	10.0	8.9	9.6	10.0	9.7	11.6	9.9	9.5	9.9		9.9
$17815 - ($20297)	11.7	10.8	11.4	9.9	11.3	10.9	7.2	11.3	9.5	14.3	12.4	9.0	9.8		11.0
$20297 - ($24041)	13.9	13.6	12.4	14.0	12.3	13.2	6.3	12.3	8.7	9.9	12.5	15.7	10.4		12.3
$24041 - ($29743)	17.3	16.5	14.4	13.1	13.8	15.4	4.4	13.8	8.5	8.8	13.9	12.8	9.4		13.7
$29743 and over	26.8	30.3	16.9	27.3	16.8	25.2	2.5	16.8	8.5	8.5	17.2	25.9	12.2		18.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		100.0

Source: SEBIRD.

TABLE 4: THE DISTRIBUTION OF HOUSEHOLD MONEY INCOME ADJUSTED FOR TOTAL CENTRAL GOVERNMENT NON-MARKET BUDGET ACTIVITIES IN 1987/88
(By Household Income Decile: Each Decile Includes 10% of Private Households)

Household Market Income Decile ($ p.a.)	Income	Payments to Government					Money Income Value of Government Expenditure							Adjustment for All Govt. Non-Market Activites	Market Income Adjusted for Govt. Budget
	Market Income	Personal Income Tax	Indirect Taxes	Company Income Tax	Other Receipts	Total Payments (B1-B4)	Social Welfare Benefits (excludes SMPS)	General Govt. Goods (Case 1)	Health	Education	Subsidies and Other	Interest	Total Govt. Expenditure C1-C6	(C-B)	(A+D)
	A	B1	B2	B3	B4	B	C1	C2	C3	C4	C5	C6	C	D	E
								$ Million							
Less than $491	-40	230	356	30	86	702	1528	165	308	101	23	74	2199	1498	1458
$491 - ($5031)	237	306	377	57	92	833	1561	179	339	83	27	203	2391	1558	1795
$5031 - ($14240)	1006	310	524	103	136	1074	1106	263	276	225	116	382	2369	1295	2301
$14240 - ($21147)	1928	464	633	89	168	1354	528	325	251	266	146	278	1795	441	2369
$21147 - ($26924)	2609	709	722	101	185	1717	435	357	257	347	170	313	1879	162	2771
$26924 - ($33129)	3231	949	738	120	206	2013	317	399	253	312	219	371	1871	-142	3089
$33129 - ($40471)	3940	1179	865	113	232	2388	294	448	250	315	188	326	1822	-566	3374
$40471 - ($50094)	4861	1537	922	153	257	2869	182	496	236	356	152	497	1919	-950	3911
$50094 - ($64580)	6119	2018	996	179	290	3483	173	560	247	315	230	590	2115	-1367	4752
$64580 and over	9764	3818	1216	376	372	5782	152	720	274	390	173	1216	2924	-2859	6905
Total	33655	11520	7349	1321	2024	22215	6276	3912	2691	2710	1444	4250	21284	-930	32725
	A	B1	B2	B3	B4	B	C1	C2	C3	C4	C5	C6	C	D	E
								Proportion of Total (%)							
Less than $491	-0.1	2.0	4.8	2.3	4.2	3.2	24.3	4.2	11.4	3.7	1.6	1.7	10.3		4.5
$491 - ($5031)	0.7	2.7	5.1	4.3	4.5	3.7	24.9	4.6	12.6	3.1	1.9	4.8	11.2		5.5
$5031 - ($14240)	3.0	2.7	7.1	7.8	6.7	4.8	17.6	6.7	10.3	8.3	8.0	9.0	11.1		7.0
$14240 - ($21147)	5.7	4.0	8.6	6.7	8.3	6.1	8.4	8.3	9.3	9.0	10.1	6.5	8.5	Not	7.2
$21147 - ($26924)	7.8	6.2	9.8	7.6	9.1	7.7	6.9	9.1	9.6	12.8	11.8	7.4	8.8	Relvenat	8.5
$26924 - ($33129)	9.6	8.2	10.0	9.1	10.2	9.1	5.1	10.2	9.4	11.5	15.2	8.7	8.8		9.5
$33129 - ($40471)	11.7	10.2	11.8	8.6	11.5	10.7	4.7	11.5	9.3	11.6	13.0	7.7	8.6		10.3
$40471 - ($50094)	14.4	13.3	12.5	11.6	12.7	12.9	2.9	12.7	8.8	13.1	10.5	11.7	9.0		12.0
$50094 - ($64580)	18.2	17.5	13.6	13.6	14.3	15.7	2.8	14.3	9.2	11.6	15.9	13.9	9.9		14.5
$64580 and over	29.0	33.1	16.5	28.5	18.4	26.0	2.4	18.4	10.2	14.4	12.0	28.6	13.7		21.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		100.0

Source: Derived with SEBIRD using assumptions which are similar to those used for both 1981/82 and 1985/86. Numbers may not add due to rounding.

TABLE 5: THE 1987/88 DISTRIBUTION OF HOUSEHOLD MONEY INCOME BY EQUIVALENT HOUSEHOLD DISPOSABLE INCOME DECILE USING OECD EQUIVALENCE SCALE

Equivalent Household Disposable Income Decile ($ p.a.)	Income	Payments to Government					Money Income Value of Government Expenditure							Adjustment for All Govt. Non-Market Activites	Market Income Adjusted for Govt. Budget
	Market Income	Personal Income Tax	Indirect Taxes	Company Income Tax	Other Receipts	Total Payments (B1-B4)	Social Welfare Benefits (excludes SMPS)	General Govt. Goods (Case 1)	Health	Education	Subsidies and Other	Interest	Total Govt. Expenditure C1-C6	(C-B)	(A+D)
	A	B1	B2	B3	B4	B	C1	C2	C3	C4	C5	C6	C	D	E
								$ Million							
Less than $11969	1150	75	602	72	167	917	513	323	269	425	177	189	1896	979	2129
$11969 - ($14122)	1407	417	542	57	146	1163	944	282	290	330	164	154	2166	1003	2410
$14122 - ($15314)	1061	425	448	48	118	1040	1041	228	314	180	84	137	1985	945	2006
$15314 - ($17355)	1664	570	581	73	154	1378	1028	298	307	278	122	225	2258	880	2544
$17355 - ($19956)	2619	851	714	98	195	1859	745	378	300	294	136	304	2156	297	2916
$19956 - ($23167)	3204	1016	724	107	205	2051	563	395	288	385	126	344	2102	51	3255
$23167 - ($26886)	3818	1246	794	133	222	2395	503	430	242	290	164	427	2056	-340	3478
$26886 - ($32418)	4447	1519	873	169	235	2795	450	454	242	214	153	578	2091	-704	3743
$32418 - ($39998)	5689	1928	967	191	271	3358	296	525	223	165	146	656	2011	-1347	4342
$39998 and over	8596	3473	1104	372	311	5259	192	600	216	150	172	1235	2565	-2695	5901
Total	33655	11520	7349	1320	2024	22215	6275	3913	2691	2711	1444	4249	21286	-931	32724
	A	B1	B2	B3	B4	B	C1	C2	C3	C4	C5	C6	C	D	E
								Proportion of Total (%)							
Less than $11969	3.4	0.7	8.2	5.5	8.3	4.1	8.2	8.3	10.0	15.7	12.3	4.4	8.9		6.5
$11969 - ($14122)	4.2	3.6	7.4	4.3	7.2	5.2	15.0	7.2	10.8	12.2	11.4	3.6	10.2		7.4
$14122 - ($15314)	3.2	3.7	6.1	3.6	5.8	4.7	16.6	5.8	11.7	6.6	5.8	3.2	9.3		6.1
$15314 - ($17355)	4.9	4.9	7.9	5.5	7.6	6.2	16.4	7.6	11.4	10.3	8.4	5.3	10.6	Not	7.8
$17355 - ($19956)	7.8	7.4	9.7	7.4	9.6	8.4	11.9	9.7	11.1	10.8	9.4	7.2	10.1	Relvenat	8.9
$19956 - ($23167)	9.5	8.8	9.9	8.1	10.1	9.2	9.0	10.1	10.7	14.2	8.7	8.1	9.9		9.9
$23167 - ($26886)	11.3	10.8	10.8	10.1	11.0	10.8	8.0	11.0	9.0	10.7	11.4	10.0	9.7		10.6
$26886 - ($32418)	13.2	13.2	11.9	12.8	11.6	12.6	7.2	11.6	9.0	7.9	10.6	13.6	9.8		11.4
$32418 - ($39998)	16.9	16.7	13.2	14.5	13.4	15.1	4.7	13.4	8.3	6.1	10.1	15.4	9.4		13.3
$39998 and over	25.5	30.1	15.0	28.2	15.4	23.7	3.1	15.3	8.0	5.5	11.9	29.1	12.1		18.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		100.0

Source: SEBIRD.

TABLE 6: THE 1987/88 DISTRIBUTION OF HOUSEHOLD MONEY INCOME BY HOUSEHOLD DISPOSABLE INCOME DECILE USING JENSEN EQUIVALENCE SCALE

Equivalent Household Disposable Income Decile ($ p.a.)	Income	Payments to Government					Money Income Value of Government Expenditure							Adjustment for All Govt. Non-Market Activites	Market Income Adjusted for Govt. Budget
	Market Income	Personal Income Tax	Indirect Taxes	Company Income Tax	Other Receipts	Total Payments (B1-B4)	Social Welfare Benefits (excludes SMPS)	General Govt. Goods (Case 1)	Health	Education	Subsidies and Other	Interest	Total Govt. Expenditure C1-C6		
	A	B1	B2	B3	B4	B	C1	C2	C3	C4	C5	C6	C	(C-B) D	(A+D) E
								$ Million							
Less than $12814	845	53	549	65	145	812	493	280	240	321	165	178	1677	865	1710
$12814 - ($14149)	573	267	401	42	106	816	1167	205	315	153	47	113	2001	1186	1759
$14149 - ($16114)	1215	418	497	62	134	1112	1137	259	308	248	143	190	2286	1174	2389
$16114 - ($18368)	1968	620	635	80	166	1501	813	320	311	312	144	238	2138	637	2605
$18368 - ($21199)	2442	758	868	94	188	1726	721	363	298	306	157	294	2139	413	2855
$21199 - ($24345)	3227	1006	734	107	200	2047	546	387	259	347	133	324	1997	-51	3177
$24345 - ($28054)	3810	1219	806	132	227	2384	469	438	246	333	156	442	2084	-300	3510
$28054 - ($33506)	4737	1596	927	159	253	2934	437	488	245	280	151	518	2120	-814	3923
$33506 - ($41354)	5627	1921	966	204	267	3358	286	517	214	184	144	718	2070	-1288	4339
$41354 and over	9210	3660	1151	376	339	5526	206	654	248	227	204	1235	2773	-2753	6457
Total	33654	11518	7352	1321	2025	22216	6275	3911	2691	2711	1444	4250	21285	-931	32724
	A	B1	B2	B3	B4	B	C1	C2	C3	C4	C5	C6	C	D	E
								Proportion of Total (%)							
Less than $12814	2.5	0.5	7.5	4.9	7.2	3.7	7.9	7.2	8.9	11.8	11.4	4.2	7.9		5.2
$12814 - ($14149)	1.7	2.3	5.5	3.2	5.2	3.7	18.6	5.2	11.7	5.6	3.3	2.7	9.4		5.4
$14149 - ($16114)	3.6	3.6	6.8	4.7	6.6	5.0	18.1	6.6	11.4	9.1	9.9	4.5	10.7		7.3
$16114 - ($18368)	5.8	5.4	8.6	6.1	8.2	6.8	13.0	8.2	11.6	11.5	10.0	5.6	10.0	Not	8.0
$18368 - ($21199)	7.3	6.6	9.3	7.1	9.3	7.8	11.5	9.3	11.1	11.3	10.9	6.9	10.0	Relvenat	8.7
$21199 - ($24345)	9.6	8.7	10.0	8.1	9.9	9.2	8.7	9.9	9.6	12.8	9.2	7.6	9.4		9.7
$24345 - ($28054)	11.3	10.6	11.0	10.0	11.2	10.7	9.5	11.2	9.1	12.3	10.8	10.4	9.8		10.7
$28054 - ($33506)	14.1	13.9	12.6	12.0	12.5	13.2	7.0	12.5	9.1	10.3	10.5	12.2	10.0		12.0
$33506 - ($41354)	16.7	16.7	13.1	15.4	13.2	15.1	4.6	13.2	8.2	6.8	10.0	16.9	9.7		13.3
$41354 and over	27.4	31.8	15.7	28.5	16.7	24.9	3.3	16.7	9.2	8.4	14.1	29.1	13.0		19.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		100.0

Source: SEBIRD.

MAORI WEALTH AND ITS CONTRIBUTION TO MAORI WELLBEING

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INTRODUCTION

Teena koutou. Perhaps my paper should have been entitled '*Pakeha* Wealth' and its contribution to Maori wellbeing. After all, the *Pakeha* has the material wealth and political power to make things happen in this country. The process by which wealth was transferred from one group to another is one of the fundamental issues surrounding the current Treaty debate. At the end of the day, the basic question will still remain, namely, 'To what extent is the *Pakeha* (Government) prepared to share its resources to ensure that Maori people reach their place in the sun?'.

Let me turn to my topic Maori wealth and its contribution to Maori wellbeing. I start from the assertion that prior to 1840, Maori owned all of the resources of *Aotearoa*. This included land, forests, fisheries, waterways, minerals and all other features essential to their occupation, survival and wellbeing at the time.

Today, the situation has changed dramatically. The Maori is now a minority, they own just a fraction of their original resources and current attempts to regain control over these resources has wreaked havoc on the tribal economies and imperiled the psychological state of the people.

I want to approach the topic by providing a brief historical background, some factual information, the present situation, highlighting issues of social policy and inequality and then suggesting some options towards a better future. In doing so, I will deliberately adopt a pro-Maori/tribal interpretation of my data.

SOME HISTORICAL BACKGROUND

Let me begin by stating that historically, Maoridom has contributed to the economic development of *Aotearoa* through:

- Providing protection, food and shelter for early settlers;
- Land for settlement and development through sale and confiscation;
- Land endowments for education and religious purposes;
- Tribal lands for national parks;
- Manpower contributions to all major wars involving New Zealand 'if blood was the price of nationhood, then Maori blood has flowed freely in every major conflict this country has been involved in from the Boer War to Vietnam';
- Labour force participation 'if by the sweat of thy brow shalt thou eat bread, then the Maori has sweated profusely without necessarily getting his share of the bread';
- Cultural and sporting input - the Te Maori Exhibition, cultural performances at Expo, and the performance of the Maori Rugby and League teams are recent examples;
- A high proportion of personnel within the Armed Forces are Maori;
- Within some of the major sporting codes such as Rugby League, Rugby Union, Softball and Netball, there is a significant percentage of Maori participants.

These contributions have never been acknowledged nor their value assessed. They have been buried under the weight of colonial legislation and policy.

In his paper on National Policy and Minority Culture, Butterworth describes the origins and evolutions of national minority policies insofar as -

> *Policy formulation with regard to the Maori people of New Zealand, have always been seen as a superior to inferior relationship and reflects in the long run a historical attitude.*

He goes on to describe the implementation of these policies and minority responses which in brief, traces the power relationships between Maori and *Pakeha*. Awatere, Spoonley, Orange, Walker and others have all written on different facets of this relationship. In the main, their writings describe the social, political and economic processes whereby Maori have been deprived of their inherited wealth and been sustained in a position of dependency viz a viz - the majority culture.

In their discussion on Maori Women in the Economy, Horsfield and Evans discuss the place of the Treaty of Waitangi within the current debate over Maori traditional rights. They argue that:

> *The treaty covers all aspects of the general of the general wellbeing of the Maori people and must therefore influence economic and social policy as well as policy relating to land grievances and fishing rights. This would mean, for example, that the treaty should be referred to in the development of employment policy, tax and income maintenance policy and education policy ...* (1988:13)

In recent years, Maori people have moved more towards a unity of purpose and a high level of commitment to pursue those objectives outlined during the 1984 *Hui Taumata* (ref. *He Kawenata*). New strategies for tribal development have emerged in order to maintain Maori lifestyle and values in a contemporary urban situation. More importantly, greater attention is now being given to economic development as a necessary aspect of what has been described as the 'Maori Renaissance'.

In some quarters however, and particularly media commentary on this new Maori assertiveness, tends to focus more on the negative rather than positive aspects of development. The expectation is that Maori development must be 'mistake-free', 'non-separatist' and 'western-style'. The recent sacking of Charlie Perkins as Secretary of the Department of Aboriginal Affairs in Australia, carries similar overtones to the Maori Loans Affair.

THE PRESENT SCENARIO

In terms of Maori tribal development, an encouraging trend has been the seeming willingness of Government to channel communications and resources through tribal/*Iwi* organisations. Maori Trust Boards and Tribal *Ruunanga* have a key role to play in the implementation of various Government programs. At the present time there is no clear criteria as to what constitutes an *Iwi* Authority or how many there should be.

Advocates argue that tribal structures are ideally placed to represent the whole range of Maori opinion because:

- they operate in a Maori framework;
- they can harness the enthusiasm and commitment of *Iwi* more effectively;
- they can improve liaison between Government and the Maori community.

Despite some hiccups, the current devolution exercise attempts to capitalise on the above strengths. It remains to be seen as to how genuine government is in its commitment of resources to the process.

The 'Hauora Report on Maori Standards of Health' provides some statistical highlights which we should be aware of:

- At the 1986 census, 12.4 per cent (404,778) of the total population identified themselves as being of Maori descent;

- 71 per cent (287,697) of the Maori population were aged under 30 years;

- 2 per cent (9,414) of the Maori population were aged 65 years of over;

- 89 per cent (360,180) of the Maori population live in the North Island.

The Maori population is becoming increasingly an urban one. At the 1986 census 32,646 (80.7%) were living in urban areas with the largest concentration in the northern local government regions of Northland, Auckland, Waikato, Bay of Plenty. The proportion of the Maori population in the North Island is 89 per cent (360,180). Over 50 per cent of Maori people reside in roughly the Auckland, Hamilton, Whakatane triangle.

MAORI WEALTH

Given the way in which Maoridom has been used as a punching bag by politicians in recent months, one might be excused for adopting a tone of cynicism in this paper. However, someone once said, 'To everything there is a season', and now is as good a time to talk about the positive contribution that Maori people can make to the health of our society.

As described by Horsfield and Evans (1988:77), **wealth** consists of holdings of assets, both financial and tangible. The economist usually views wealth holdings as benefiting individuals and households to the extent that they generate a quantifiable flow of benefits to their owners. This is a specific and culturally determined definition of wealth. Assets such as land or housing may in fact have much more significance to individuals or groups of people.

Dyall, in his paper to the Income Distribution Conference, noted that at the 1981 Census, only 45.3 per cent of Maori dwellings were owner-occupied compared to 72.9 per cent of non-Maori dwellings. He estimated that about 5 per cent of the total land area of New Zealand is dealt with by the Maori Land Court. Maori wealth generally focuses on their remaining land holdings.

At the present time, the equity base of Maori Incorporations and Trusts, most of whom are basically involved in the agricultural sector, is about $600 million. The rates of return on these economic enterprises however, tend to be abysmally low. Another problem is that the major proportion of assets is held in the rural areas whilst 80 per cent of the population lives in urban areas.

As we can see, the present socio-economic position of the Maori has and continues to evolve from an under-capitalised base. As far as the present situation is concerned:

- Maoridom is seen as only a marginal contributor to the health of the national economy;

- the educational, economic and social achievement gap between Maori and *Pakeha* is widening;

- unemployment is affecting Maori people far greater than any other group;

- Maori people are disadvantaged in virtually every area of economic development.

Yet, there are other indices of Maori wealth which need to be considered. These include the potential benefits and income streams to be obtained communally, by tribal groups, from the settlement of Maori claims in respect of fisheries, land confiscations, return of public, university and Church endowments, the determination of mineral rights and the reversal of current negative funding policies. Resolution of these claims could result in a quadrupling of current assets.

The distinction between individual and community wealth is important. For example, Maori incorporations are primarily geared towards returning an annual dividend for their individual shareholders. On the other hand, Maori Trust Boards are geared towards obtaining social benefits for its beneficiaries.

We need also to bear in mind that one cannot talk about wealth without considering its corollary, debt. Many of the Part 24 development schemes carry an unsustainable level of debt. Owners regard this as negative debt in that they were not involved in the development or the decision-making. They argue that as it was government who incurred the debt, then it is government's responsibility to repay it.

Whilst much is made of the failure of Maori people to adapt to the western style *Pakeha* economy, little account is taken of the fact that over $1 billion per year is being expended by Government on Maori unemployment, imprisonment, education under-achievement and social support systems which keep the Maori as a permanent, dependent under-class. To some of us, it really does not matter who is the government, the hidden agenda is to keep the Maori from being an economic competitor.

MAORI SOCIO-ECONOMIC STATUS

A recent account on Maori socio-economic status says that:

> *Maori people are grossly disadvantaged socially, economically and culturally. This is highlighted in their high levels of unemployment, low earning capacity, poorer educational attainment, low home-ownership, over-representation in penal institutions and high rates of physical and mental ill-health.*
>
> *Unemployment in the Maori labour force is 2.5 times that of the non-Maori and will increase significantly in coming years. This level of Maori unemployment is high by world standards, appalling for New Zealand and detrimental to health. In areas with a high proportion of Maori people such as Northland and Gisborne, very high levels of unemployment are seen. The brunt of this unemployment is borne by young Maori people under 25 years. There is a great deal of evidence from overseas that links unemployment with ill-health, both in the short and long-term. Lack of economic security is stressful and as a result, social and family structures break down, children's behaviour is disturbed, and habits that are harmful to health (e.g. smoking and alcohol) are adopted. Acute problems such as depression, suicide, violent behaviour and homicide are observed more frequently and in the longer term, chronic conditions such as ischaemic heart disease appear more often. The Maori experience is entirely compatible with these observations and as Maori unemployment escalates, so are those problems likely to deepen.* (Pomare and de Boer, 1988:47)

On a comparative level, these conditions could just as well be applied to native Alaskans, Canadians, Americans and Australian Aborigines all of who are seeking to find what Vien Deloria has described as:

> *The principle of exclusion which has barred ... groups from participation in the economic life of the nation.* (1970:115)

In his book 'We Talk, You Listen', Deloria writes on power, sovereignty and freedom and describes the struggles of the French Canadians, the Acadians in Louisiana, the Spanish Basques, the Northern Ireland troubles, Zionism in Israel, the Black Muslims and the Amish in the mid-west. What this demonstrates for Maori people is that there is more than one solution to the problems we are currently addressing.

ISSUES OF SOCIAL POLICY AND INEQUALITY

The Treaty debate and its implications for social policy have been covered in a number of recent publications. The recent discussion paper, *He Tirohanga Rangapu* and the follow-up document *Te Urupare Rangapu*, have stimulated

vigorous debate within society on how the delivery of Government programs can be improved in relation to Maori people.

> *The Royal Commission on Social Policy argues that, with the signing of the Treaty in 1840, there was the distinct promise of a partnership between the* ***tangata whenua*** *and the British Government. Instead, inequalities between the partners quickly developed and by 1860 the Maori had become a political minority in their own country. Today, the Royal Commission notes, grievances from the past relating to land, language, authority and self-determination linger on, complicated by problems of unemployment, inflation and disparities in standards of living. There is a realisation that the Treaty is an important document and that its spirit should be incorporated into social policy.* (Horsfield and Evans, 1988:12)

The RCSP has recommended that until such time as the Treaty is enshrined in the Constitution, a Commission should be established to audit present policy, law and practices from the standpoint of the Treaty in respect to present and future development. This may well be the ginger required to ensure that government departments respond more effectively to Maori needs.

TOWARDS A BETTER FUTURE

If we are to build a better future and consciously work towards this objective, then obviously there needs to be some significant changes in Government policy and Maori and *Pakeha* attitudes. Sadly, much of the stated intentions of Government to improve the Maori lot have remained at the level of rhetoric. Many of the proposed initiatives and advice tendered to Government have either been too 'sensitive' or placed in the 'too hard' basket.

Despite a wide-ranging series of consultations within the Maori community, government is perceived as being unwilling to allocate resources to Maori control. It seems to be the old game of 'listen to what the people have to say, nod in agreement, and then under-fund their initiatives so that they fail'. All of this is done in the spirit of equality and '*he iwi kotahi taatou*'.

Maori people are not blameless in this process. There is certainly the need for better planning, organisation and financial accountability amongst the tribes. On some issues, people may have to 'think Maori' rather than 'think tribe'. The lack of education and management skills is a key area which must be addressed.

Within the wider community, there is a need for greater understanding and support for Maori development. The Maori Loan Affair, allegations of nepotism, financial mis-management of Mana and Maccess programs, and the failure of some *Iwi* Authorities to provide audited accounts on time have not helped. Media treatment of the issues adds fuel to the fire.

There is a need, at the local and national level, for a public education program to show the nation the good things that are happening within our communities. A series of television documentaries, discussion booklets, public seminars and informal community *hui* would go a long way towards alleviating *Pakeha* fears and promoting Maori aspirations.

AN ACTION PLAN

In order to create that better future and improve Maori wellbeing, let me make a few suggestions. Education has always been held up as the key to Maori improvement. In the past, most of us were given a lockwood key to a yale lock. New Maori education initiatives now seek to change all that in the fields for example of:

Kohanga Reo, which is not just about Maori language but includes *whaanau* support, parental involvement, resource extraction and basic administration;

Bilingual Schools, which seek to capitalise initially on the bicultural aspects of our society as well as offering an opportunity for *Pakeha* children and parents to learn more about things Maori;

Maori Endowed Secondary Schools, which provide a residentially based school environment and staff who are culturally sensitive to the needs and aspirations of Maori pupils;

Endowed University Colleges, will provide the opportunity for an Oxbridge type approach to tertiary learning to ensure a greater supply of 'international' rather than 'cultural' Maori graduates. Such colleges, whilst predominatly Maori, will include quotas for *Pakeha*, Pacific, Asian and other students. Under one current proposal we could be producing up to 800 Maori graduates a year within 4 years of establishment.

Community

Te Urupare Rangapu proposals depend on strengthening *Iwi*/communities in helping to restore their independence. Government states that it is keen to see *Iwi* develop their own structures - with their own administrative procedures, negotiating skills and measures of performance - so that they can make their own decisions about what is important to them. Having made those decisions however, communities need to be assured that the appropriate resources will be available when they are required. This applies particularly to programs such as:

***Kookiri* Centres**: where supply cannot meet demand.

Maatua Whaangai: though fine in theory, suffers in practice because of the nature by which the program is funded from three different departments viz Maori Affairs, Social Welfare, Justice.

Rapu Mahi/Hanga Mahi: A job placement scheme intended to increase the employment of young Maori people. Lack of education, appropriate training, employer support and resources are a weakness.

Employment and Training: The current downturn in the building industry has meant that some Maori apprentices cannot find jobs. Employment on Maori and Marae development schemes could be a long term option.

Maccess: The present weakness of this scheme is that there are more training places than appropriate jobs available. Colin O'Neill, a Waikato University demographer, asserts that an average of 16,000 new jobs per year needs to be created in order to maintain the rate of labour force participation projections prepared by the Department of Statistics. In the period from 1977 to 1984, the full-time labour force grew by only 7,000 jobs per year. He concluded that:

> *The clear inference one is left with is that unless there is a sustained improvement in the capacity of the New Zealand economy to provide significantly more employment opportunities than has been our past experience, which appears unlikely, we must anticipate a significant rise in unemployment levels.* (1985:9)

Under this scenario therefore, Maori youth can look forward to unemployment as a full-time career.

Economic Development

In 1984, the Maori Economic Development Commission was established to follow up the issues raised at the *Hui Taumata* and to act as a catalyst to retarget government resources. As a result of the Commission's work, various initiatives were established which included:

Mana: aimed at broadening the economic base through the creation of Maori enterprises and expansion of existing Maori businesses so that employment opportunities could be created.

Maori Development Corporation: aims to assist Maori commercial projects whilst the ***Poutama* Trust** assists the packaging of potentially commercial projects and providing management support for projects funded by the Corporation.

Fisheries: negotiations are in train to resolve Maori fisheries claims and ensure an active position within the industry.

Land Claims: several significant claims are either before the *Waitangi* Tribunal or in the process of being negotiated directly with Government.

Mineral Rights: the question of Maori rights to minerals such as coal, gold, sand etc. has still to be determined.

Water Rights: the granting of water rights to Electricorp and other major developers will be a key issue in the negotiations over Maori freshwater fisheries.

Tribal Development

The Government is proposing that *Iwi* Authorities which include Maori Trust Boards, Tribal *Ruunanga, Maataawaka Ruunanga* and Urban 'Interest Based' Sodalities will contribute to the design of programs in partnership with Government Departments. There is also a proposal that *Iwi* Authorities enter into contracts for the implementation, delivery and accountability for programs allocated to them.

The Minister of Maori Affairs has stated his intention to return all Part 24's to owner control by 1990. Some of these land development blocks may be taken over by 438 Trustees or amalgamated into the current activities of large Marae Trusts.

PARTNERSHIP BEYOND THE TREATY

In this paper, the emphasis has primarily been on the relationship between the Crown and the tribal groups. The assumption is that the Treaty relationship needs to be qualified, quantified and then implemented. This is not to deny however, other types of relationships between Maori people and the private sector. Some tribes have already built up a coalition of friends within the general community sympathetic to their aspirations and working actively towards establishing joint ventures. The offer made by the Employers' Federation to help Maoridom address the issue of unemployment requires further exploration. Possible joint ventures in the fisheries industry and land development programs provide further opportunities for co-operation.

CONCLUSION

As in the past, Maori people are advocating for the inclusion of the tribal principle into the structure of Government. *Pakeha* commitment to this cause does not offer much hope. In historical terms, an argument can be made that the tribal system has been tried a number of times and each time, has failed to work.

The reasons for these failures need to be understood however and as Butterworth has noted, there have been four consistent elements in every attempt:

1. **The massive hidden agenda designed to benefit *Pakeha*, not Maori;**

2. **The failure to achieve a compromise between what Maori want and the *Pakeha* majority is willing to concede;**

3. **Refusal to provide adequate staffing and proper funding for the tribal initiative;**

4. **Lack of long term commitment to Maori/tribal initiatives.**

Despite the most recent Government response to Maori initiatives contained in the *Urupare Rangapu* report, if history is anything to go by, then Government promises will continue to remain illusory, Maori wealth will be contained rather

than encouraged to expand and Maori wellbeing will continue to be exemplified by feelings of frustration, chronic ill-health and despair.

The prospects need not be so gloomy however. It is accepted that education and training do provide the key to improving the economic and social wellbeing of Maori people. We have seen that there is sufficient actual and potential resources available to Maoridom to help them to help themselves. The future place of New Zealand in the world economy requires that Maori people become international drivers rather than domestic passengers. None of this can happen if there is not the reservoir of goodwill, understanding and support within the wider community. The constraints and impediments I have referred to, need to be removed if progress is to be made.

As experience has shown, people denied access to legal means for redress of grievances may, when they find those grievances intolerable, resort to illegal means of (influencing the actions of the aggrieving institutions) dealing with institutional tyranny.

NOTES

1. *'To the extent that a person or group - consciously or unconsciously - creates or reinforces barriers to the public airing of policy conflicts, that person or group has power.'* (Lukes, 1976:16)

2. *'All forms of political organisation have a bias in favour of the exploitation of some kinds of conflict and the suppression of others, because organisation is the mobilisation of bias. Some issues are organised into politics while others are organised out.'* (ibid: 13)

3. *'A rough test of a person's overt or covert influence is the frequency with which he successfully initiates an important policy over the opposition of others, or vetoes policies initiated by others, or initiates a policy where no opposition occurs.'* (ibid: 13)

4. *'Power is a set of predominant values, beliefs, rituals and institutional procedures (rules of the game) that operates systematically and consistently to the benefit of certain persons and groups at the expense of others. Those who benefit are placed in a preferred position to defend and promote their vested interests. More often than not, the status quo defenders are a minority or elite group within the population in question.'* (ibid: 17)

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APPENDIX ONE

THE SOCIAL POSITION OF MAORI PEOPLE TODAY

No discussion of the principles of the Treaty of Waitangi could be complete without reference to the current social standing of Maori people. The statistics paint an alarming picture, suggesting inequity and injustice. They are summarised in this extract from the Maori Tourism Task Force Report (1987):

1. **Labour Force**

Maori comprise a disproportionately large percentage of the unemployed. Whereas in 1986 Maori were some 7 per cent of the total New Zealand labour force, they made up 20 per cent of all unemployed people.

In the March 1986 Household Labour Force Survey around 30 per cent of Maoris aged 15-19 in the labour force were unemployed and seeking work, more than double the proportion for non-Maori.

Maori are more likely than non-Maori to be unemployed as a result of the temporary or seasonal nature of their work. In March 1986, 34 per cent of unemployed Maori gave 'temporary or seasonal job' as the main reason for leaving their last job, 26 per cent of unemployed non-Maori cited this reason.

In the March 1986 Survey 33 per cent of Maori of working age were not seeking work because they believed that they lacked the necessary skills or that no suitable work was available; non-Maori was 21 per cent.

Compared with non-Maori, fewer Maori are self-employed. In 1986 some 4 per cent of Maori men in the labour force were self-employed as against 21 per cent of non-Maori men. Analysis of the 1981 Census suggests that a high proportion of the self-employed are in the agriculture, forestry and fishing sector.

2. **Education**

Of all Maori students leaving secondary school in 1984 about 65 per cent of males and 60 per cent of females had no formal qualifications; non-Maori percentages were male 32 per cent and female 25 per cent.

This represents a significant improvement on the 1971 figures when 76 per cent of males and 75 per cent of females left without formal qualifications; non-Maori figures for 1971 were 36 per cent for males, 33 per cent for males.

In 1961 only 2.2 per cent of Maori male school leavers and 4.3 per cent of female school leavers intended to pursue a full time education; non-Maori figures were 11.9 per cent (males) and 11.8 per cent (females). The 1983 figures were 8.7 per cent for Maori males and 12.3 per cent for Maori females; non-Maori were 21.4 per cent and 29.1 per cent.

There has been a significant improvement in education but it is still painstakingly slow.

3. **Incomes**

The income of both Maori men and women are lower on average than those of their non-Maori counterparts. When Maori incomes are expressed as a percentage of non-Maori the following picture emerges.

	Male Maori Income as Percentage of Non-Maori	*Female Maori Income as Percentage of Non-Maori*
1961	*89.8*	*90.8*
1971	*79.5*	*112.2*
1981	*83.3*	*80.1*

That there was a wider gap between Maori and non-Maori in 1981 than there was in 1961 indicates how Maori people have become trapped in the declining sectors of the economy. With the high levels of unemployment in 1986 some further deterioration in the Maori position is likely.

4. **Welfare Dependency**

At the 1981 Census of Population and Dwellings, 11 per cent of Maori men and 47 per cent of Maori women were totally dependent on Social Security Benefits for their incomes. The corresponding proportions for non-Maori were 6 per cent (males) and 25 per cent (females).

The probability of receiving income from Social Security Benefits is higher for Maori than non-Maori. In the case of Maori males between 15 and 59 years the probability is two to three times as high.

It is only in the 60 years and over category that rates begin to approximate.

5. **Home Ownership**

Outright ownership of dwellings was less common among Maori households in 1981 than it was in 1961. Just one in eight households owned their home outright in 1981, compared with one in four in 1961.

Maori owning their home on mortgage increased from 26.1 per cent in 1961 to 32.4 per cent in 1981 but even this meant in 1981 only 45.3 per cent of Maori owned their home compared to 72.9 per cent of non-Maori.

[Part of the explanation lies in the move from rural areas to rental housing in large urban areas.]

6. **Maori Population Projections**

The overall growth of the Maori population is likely to be less than previous forecasts which were based on the high population growth of the 1960s. A Maori population of between 425,000 and 480,000 and a descent population ranging from 650,000 to 700,000 in 2011 is possible. The upper limit is 750,000 of Maori descent representing 19 per cent of total New Zealand population.

Coupled with this will be massive shifts in Maori age composition as the Maori birth rate approximates to non-Maori levels and the population starts to age. This will mean that the population structure will change from the wide based pyramid of the 1960s when in their 1966 Census 20 per cent of the population was under 5 years, to one with a narrow stem, wide middle section and narrow top.

Health statistics show similar wide disparities between Maori and non-Maori. These were highlighted in the New Zealand Planning Council document **'Care and Control'** (1987) which reported that *'Maori people are over-represented in almost every type of institution studied'*; a situation which they attributed to *'their generally disadvantaged social and economic position - a position which is associated with low rates of immunisation, poor infant health, greater risk of physical injury, diminished access to primary and preventive health services, high rates of alcohol intake, high rates of cigarette smoking and a greater chance of apprehension for criminal behaviour'. 'Of special concern are the alarming hospital admission rates of Maori children in comparison with non-Maori children.'*

Concern about inequalities between Maori and non-Maori is widespread, particularly as the disparities appear to be increasing (health, unemployment, housing). While the contributing factors are likely to be multiple and complex, an increasing Maori focus has been on the limitations of western-style bureaucracies to develop policies appropriate for Maori people or to deliver social services in a constructive way. The terms *'monocultural'* has been applied to many of New Zealand's social and political structures to contrast them with a *'bicultural'* option in which Maori values, structures and styles would be given greater recognition.

Bicultural development has been proffered as an important element of any program which has as its objective the advancement of the social and economic status of Maori people. It is an option which derives from the principles of the Treaty of Waitangi.

THE PRINCIPLES OF THE TREATY OF WAITANGI

Debate about the exact meaning of the words in the Treaty, in either English or Maori, has given way to some extent to an examination of the spirit of the Treaty and more recently to its principles. Again, there are varying view points.

The New Zealand Maori Council has identified 10 implicit principles:

(i) the duty actively to protect to the fullest extent practicable

(ii) the jurisdiction of the Waitangi Tribunal to investigate omissions

(iii) a relationship analogous to fiduciary duty

(iv) the duty to consult

(v) the honour of the Crown

(vi) the duty to make good past breaches

(vii) the duty to return land for land

(viii) that the Maori way of life would be protected

(ix) that the parties would be of equal status

(x) where the Maori interest in their *taonga* is adversely affected, that priority would be given to Maori values.

APPENDIX TWO

BACKGROUND

On 21 April 1988 the Government released *He Tirohanga Rangapu.* That paper proposed ways of improving the delivery of government programs and services to Maori communities - and the Government stated then that the objective of any of its programs should be to give people the best possible opportunity to develop according to their wishes and to realise their aspirations. The proposals for Maori people in *He Tirohanga Rangapu* were based on this general objective, as well as on the Government's seven principal objectives in the Maori affairs area.

The ideas set out in *He Tirohanga Rangapu* were to:

- establish a Ministry of Maori Policy
- establish a practical partnership with *iwi* organisations in the development and operation of policies
- improve the responsiveness of government departments to Maori issues
- transfer Maori programs to other departments
- phase out the Department of Maori Affairs and the Board of Maori Affairs.

The reaction to *He Tirohanga Rangapu* was mixed. There was wide-spread support for using traditional *iwi* structures to bring about appropriate policy development and delivery of services for Maori communities. The idea of a ministry was generally well received - though it was not necessarily seen as replacing the department. There was considerable scepticism that other government agencies would be able to respond sensitively to Maori issues given their record over many years. There was a clear call for the retention of the Department of Maori Affairs in a restructured form.

The Government has taken these concerns into consideration in producing this policy statement.

REAFFIRMING THE GOVERNMENT'S OBJECTIVES

The Government reaffirms the principal objectives set out in *He Tirohanga Rangapu.* These are to:

- honour the principles of the Treaty of Waitangi through exercising its powers of government reasonably, and in good faith, so as to actively protect the Maori interests specified in the Treaty
- eliminate the gaps which exist between the educational, personal, social, economic and cultural well-being of Maori people and that of the general population, that disadvantage Maori people, and that do not result from individual or cultural preferences
- provide opportunities for Maori people to develop economic activities as a sound base for realising their aspirations, and in order to promote self-sufficiency and eliminate attitudes of dependency
- deal fairly, justly and expeditiously with breaches of the Treaty of Waitangi and the grievances between the Crown and Maori people which arise out of them
- provide for the Maori language and culture to receive an equitable allocation of resources and a fair opportunity to develop, having regard to the contribution being made by Maori language and culture toward the development of a unique New Zealand identity
- promote decision making in the machinery of government, in areas of importance to Maori communities, which provide opportunities for Maori people to actively participate, on jointly agreed terms, in such policy formulation and service delivery

- encourage Maori participation in the political process.

SUMMARY OF PROPOSALS

This policy statement proposes:

- measures to restore and strengthen the operational base of *iwi*
- a Ministry of Maori Affairs to provide a Maori perspective in policy making
- the transfer of the Maori Land Court's servicing to the Department of Justice
- ways of improving the responsiveness of government agencies
- an *Iwi* Transition Agency (for a five year period) to help *iwi* develop their operational base
- an independent review of the Maori Trust Office
- disbanding of the Board of Maori Affairs
- options for Pacific Island communities.

The success of the Government's proposals depends on strengthening the *iwi* and helping restore their independence. The Government is keen to see *iwi* develop their own structures - with their own administrative procedures, negotiating skills and measures of performance - so that they can make their own decisions about what is important to them. That is, it wants to see the *iwi* ultimately become independent and self-sustaining.

To enable this to happen, the Department of Maori Affairs will be restructured into an '*Iwi* Transition Agency'. Its tasks will be to assist *iwi* to develop their own operation base over a five year period. The Government expects that five years should be enough time to enable most - if not all - *iwi* to have their respective authorities fully operational and capable of entering into contracts with government agencies to take on any government program. The need for the *Iwi* Transition Agency would cease at the end of these five years, and the agency would be disbanded. For those few *iwi* authorities which still need assistance to become fully operational, a limited amount of government funds will be available through the Ministry of Maori Affairs. The principal function of the ministry however, will be to provide advice on all matters of government policy making that affect Maori affairs.

These proposals are in line with a number of other changes which the Government has taken in reforming the state sector. In the education area, for example, the development of policy will be the task of a new and compact ministry, and responsibility for administration will be largely transferred to the community. The new Ministry of Maori Affairs and the restructured Department of Maori Affairs reflect this move towards separating 'operations' from 'policy advice'.

There are a number of benefits for Maori people in the new arrangements outline in this policy statement:

- *Iwi* will be able to work towards self-reliance on their own terms.
- The future relationship between the *iwi* and government agencies will encourage *iwi* to determine their affairs in a way that accepts Maori perspectives and aspirations.
- The moves towards greater efficiency and effectiveness are aimed at improving the way Maori people are served by government agencies.
- The new Ministry of Maori Affairs will have a similar role and status to that of Treasury and the State Services Commission. It will review and comment on all government proposals where it believes a Maori perspective is essential. The Ministry will also ensure that all government agencies are aware that policy proposals should be

consistent with the Treaty of Waitangi and with the Government's seven principal objectives in the area of Maori affairs.

- The proposals in *Te Urupare Rangapu* provide an opportunity for Maori people to use their traditional institutions and structures for designing and delivering their own programs and services.

APPENDIX THREE

MAORI ECONOMIC AUTHORITIES WITH ASSETS EXCEEDING $2 MILLION

DMA DISTRICT	NAME OF AUTHORITY	TYPE	ACTIVITY	ASSET ($M)
TAI TOKERAU	Oomaapere	Part 24	S, C	2.4
	Pouto	Part 24	S, C	3.5
	Te Horo	Part 24	S, C	3.3
	Te Rangi/Otaua	Part 24	S, C	8.8
	Ngaati Hine	438 Trust	F	2.7
				20.7
WAIKATO-MANIAPOTO	Mangataura Papamoa	Incorporation		2.8
	Ngamanawa	Incorporation	F	2.4
	Ngai Tukairangi	Part 24	H	3.0
	Poripori Kumikumi	Part 24	S, C	3.8
	Mataora Nos 1 & 2	Incorporation	H, S, C	2.0
	Taharoa C	Incorporation	S, Commercial Property	4.0
	Te Hape	438 Trust	S, C	2.8
	Aotearoa	438 Trust	S, C	5.6
	Tiroa E Block	438 Trust	S, C, D	7.8
				34.2
WAIARIKI-TE ARAWA	Tumunui	438 Trust	S, C, D, T	12.3
	Tuaropaki	438 Trust	S, C	3.9
	Rotoiti 15	438 Trust	F	9.7
	Mangaroa Kaharoa Te	438 Trust	F	3.9
	Onuku	438 Trust	S, C	5.0
	Paehinahina-Mourea	438 Trust	F	2.2
	Pouakani 2	438 Trust	S, C	12.8
	Pukeroa-Oruawhata	438 Trust	P	2.3
	Putauaki	438 Trust		2.3
	Matawharua	Part 24	S, C	3.4
	Ruatahuna	Part 24	S, C	2.7
	Tawaroa	Part 24	S, C	2.3
	Te Kohatu	Part 24	S, C, G, F	2.0
	Tutukau	Part 24	S, C	2.7
	Waipapa	Part 24	S, C	7.9
	Kapenga M	438 Trust	F, S, C	3.1
	Mangakino Township	Incorporation		7.1
	Ngati Whakaue	Incorporation	S, C	11.8
	Rotoma No. 1	Incorporation	S, C, D	5.0
	Taheke BC	Incorporation	S, C	2.2
	Waerenga East & West	Incorporation	S, C	3.2
	MTB		S, C, F	4.8
	Kapenga M	438 Trust	S, C	4.3
	Ngahuinga Motumako	438 Trust	F	2.0
	Okawa Bay Lake Resort	438 Trust	Time Share resort/hotel	5.1
				124.0
TAI RAWHITI	Anaura	Incorporation	S, C	2.4
	Arai Matawai	Incorporation	S, C	3.7
	Hauiti	Incorporation	S, C	5.0
	Mangaheia 2D	Incorporation	S, C	4.4
	Mangatu	Incorporation	S, C	40.0
	Maraetaha 2 (sec. 3 & 6)	Incorporation	S, C	2.5
	Ohuia	Incorporation	S, C	2.4
	Tahora 2C1 sec 3	Incorporation	S, C	10.1
	Tahora 2F2	Incorporation		3.8
	Tapuwae Whitiwhiti	Incorporation	S, C	2.1
	Tauwharetoi 3B1	Incorporation	S, C	2.1
	Te Whakaari	Incorporation	S, C	9.4
	Pohaturoa	Part 24	S, C	2.1
	Wi Pere	438 Trust	S, C, F	13.6
	Otakanini Topu	Incorporation	S, C	2.6
	Te Hapua 42	Incorporation	S, C	2.5
				108.7

MAORI ECONOMIC AUTHORITIES WITH ASSETS EXCEEDING $2 MILLION (CONT'D)

DMA DISTRICT	NAME OF AUTHORITY	TYPE	ACTIVITY	ASSET ($M)
AOTEA	Hauhungaroa IC	Incorporation	S, C	3.8
	Haungaroa 1D38	Incorporation	S, C	2.6
	Puketapu 3A	Incorporation	S, C	3.5
	Whareroa	Incorporation	S, C	2.7
	Waituhi Kuratau	Part 24	S, C	4.0
	Lake Rotoaira forest	438 Trust	F	12.0
	Lake Taupo Forest	438 Trust	F	14.0
	Waihi Pukawa	438 Trust	S, C	5.1
	Hurakia	Part 24	S, C, F	3.6
	Te Kohatu	Part 24	S, C, G, F	2.0
	Tutukau	Part 24	S, C, F	2.6
	Waipapa	Part 24	S, C, F	7.9
	Opepe	438 Trust	S, C, D	7.6
	Rangatira E	438 Trust	S, C	2.2
	Atihau-Whanganui	Incorporation	S, C	15.6
	Morikaunui	Incorporation	S, C	4.0
	Parinihinihi ki Waitotara	Incorporation	L, Commercial Property	7.4
	Te Uranga B2	Incorporation	S, C	3.4
	Palmerston North Reserves	438 Trust	L, Commercial	4.3
				108.3
TAKITIMU	Owhanga	Incorporation	SCD	4.3
				4.3
TE WAIPOUNAMU	Maawhera	Incorporation	L, Commercial Property	5.0
	Wakatu	Incorporation	L, F, H Commercial Property	36.4
				41.4
TOTAL ($M)				441.60

Key:

S - Sheep
C - Cattle
F - Forestry
T - Tourism Activities
D - Deer
H - Horticulture
P - Perpetual Leases
G - Goats
L - Lease Income
MTB - Maori Trust Board

WHAIA TE ITI KAHURANGI

MAORI WOMEN RECLAIMING AUTONOMY*

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INTRODUCTION

The terms of reference recommended by the New Zealand Planning Council when we were first approached to prepare this paper, was: to examine the impact of the system of income distribution in Aotearoa on Maori women, and the potential for change. To achieve these goals we proceeded by research Maori women's herstory and development, that is, where Maori women had come from, where they are presently, and where they might be heading in the future, and therefore where the responsibilities of institutions and policy-makers lie, in order to assist their progress. In examining these issues, it became apparent that the data had to be reassessed to reflect appropriate Maori cultural perspectives. Thus the paper attempts to reflect this process.

Because we are aware that Dr Robert Mahuta is presenting an overview of the Maori economic situation in Aotearoa, the history of ***Pakeha*** (white settler) contact will be brief. *Tena koe* Robert! We have endeavoured to focus on Maori women's herstory.

MAORI WOMEN'S REALITY: AUTONOMY REVISITED:

'He putiputi kei i a ia ano tona kakara'

'A flower that exudes her own fragrance'

It is our thesis that Maori women fared well in the traditional economy. Together with their men, they shared responsibilities for the well being of the ***whanau, hapu and iwi*** (extended family). The autonomy of Maori women has been established as far back as the Maori creation stories. ***Papatuanuku***, the Great Earth Mother, gifted the power of birth and rebirth. Her existence and significance is of great importance to ***iwi*** (tribe). After the birth of a child, the ***whenua*** (placenta) is returned to the *whenua* (land - *Papa-tua-nuku*), earthing her/his ***mana tangata*** (personal dignity/ integrity/authority/prestige) to *Papatuanuku*, where it is sustained throughout life, until death, when she/he is returned to the bowels of *Papatuanuku*. Women and land are regarded as having a symbiotic relationship, both providing nourishment to mankind. A section contained within a formal speech pays homage to *Papatuanuku* for her gifts: ***E! Papatuanuku e takoto nei, tena koe!*** Oh! *Papatuanuku* whose beauty is displayed before us, we greet you humbly! We thank you for ***turangawaewae*** (residence - land) which you have provided us with, and sustenance for our well-being.

The activities of ***Hine-ahu-one*** and her descendants provide further evidence of Maori women's autonomy. *Hine-ahu-one*, the first human created, brought the power of birth, growth and creativity, and later as ***Hine-nui-te-po*** held power over death.

In their submission to the Minister of Women's Affairs, 1984, the working group of Maori women of Tamaki Makaurau said the following:

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* This paper was presented by Vapi Kupenga, Rina Rata and Tuki Nepe. Alison Robins (New Zealand Planning Council) provided back-up assistance by compiling data to reflect appropriate Maori cultural perspectives.

> ***Muri-ranga-whenua*** *held the magical powers for great deeds, the inspiration to courage and adventure.* ***Mahuika*** *controlled the use of distribution of energy. These Goddesses therefore, are the personification of the femine dimension of the divine - our sanctity, our dignity, our power and our wisdom which is rooted in the mystical changes and elements of nature.*

Maui-tikitiki-a-Taranga obtained his magical powers from his ***tipuna wahine*** (grandmothers); ***Muri-ranga-whenua*** gifted him her jawbone, when he used as a fish-hook to fish up ***Te Ika-a-Maui*** (North Island - the fish of Maui); ***Mahuika*** gifted him her nails to create fire (later bequeathed to *iwi* for their personal needs and use). The last great adventure of *Maui-tikitiki-a-Taranga* was to attempt to conquer death. He changed himself into a fantail and attempted to enter the womb of *Hine-ahu-one*. However, he di not succeed., as she pressed her knees together and crushed him to death. She descended to the underworld and became known as ***Hine-nui-te-po***, the Goddess of death. Thus *iwi* is fated always to know the pain of death, and ***te Mana me te tapu o te wahine*** (the honour, prestige and formal position of Maori woman) is established.

Maori woman lived and drew her strength from the example of her *tipuna wahine*. Her presence and contribution was respected by the whole *whanau*, and so accordingly she was granted material and power considerations equal to that of men. This provided the forum for her to participate in the decision-making processes at ***whanau hui*** (deliberations), where the major decisions were made.

It is to the honour of Maori women that throughout the tribes, she was historically recorded and noted, especially when genealogy was being recited. Today, ***Wairaka***, whose descendants are of ***Ngati Awa, Tuhoe*** and ***Whakatohea*** tribes, is still celebrated for her bravery and strength when she saved the ***waka*** (canoe), ***Mataatua***, from drifting out to sea. Whakatane provides the record for this event, for this was the place that she returned the canoe safely to the shore. ***Hinemoa***, whose descendants are of the ***Te Arawa*** tribe, is remembered for the deep love she had for *Tutanekai*. So great was her lover that it motivated her to swim Lake Rotorua. ***Rongo-mai-wahine***, whose descendants are of the ***Kahungunu*** tribe, is celebrated for her penetrating beauty. So exquisite was she that she captured the heart of the sought after suitor, *Kahungunu*. There are modern Maori action songs composed, describing her beauty.

Despite attempts to extirpate Maori cultural values by the *Pakeha*, some tribes have managed to retain the special status of women. This is exhibited in numerous ways. Apirana Mahuika in his MA thesis of the 1960s, states that in *Ngatiporou*, women were accorded the following:

1. meeting houses bearing female ancestral names (***Kapohanga, Hinetapora, Materoa***);

2. the chief ***hapu*** (sub-tribes) named after women (***Te Whanau a Hine-rupe, Te Whanau a Tapuhi, Te Aitanga-a-Mate***);

3. ***mana whenua*** (rights to land) inherited through the women (***Iritekura*** - *Waipiro* Block);

4. a) ***tuakana*** (senior line) status, by virtue of birth. One could trace one's line back to her in the *whakapapa* to establish pedigree (***Rakairoa***);

   b) ***tuakana*** (elder sister, or female cousin of a male) status. In other areas this can apply as follows:

      i) elder brother or male cousin of a male
      ii) elder sister or female cousin of a female;

5. the status of chiefs (***Hinepare*** - who was sovereign leader in the *Waiapu* Valley);

6. the ***matamua*** (first born) status, if born first. The *matamua* is regarded symbolically as descending from the Gods, and therefore with the birthright mantle of the Gods resting on her, she had the *mana* to perform the special duties (e.g. sacred rituals and removal of *tapu*) adhering to the role of the first-born (***Tamatea Upoko, Hineauta, Uepohatu***);

7. the role of keeping the oral histories and genealogies (*Ngaropi* ***Rangi***);

8. the privilege of children being known through their mother (***nga kuri paka a Uetuhiao***, the renowned warrior sons of *Uetuhiao*). Note that *Maui-tikitiki-a-Taranga* was named after his mother ***Taranga*** (*Maui* who was wrapped in the topknot of *Taranga*);

9. the office of ***tohunga*** (the religious head of the tribe), whose main responsibility was to mediate between *iwi* and God (***Rangihurihuia***);

10. the ***ariki*** (paramount head of the tribe) status (***Hine-Matioro***).

There are examples from other tribes, of women renowned for the *mana* and *tapu* accorded them; ***Waimirirangi*** of *Ngapuhi* and ***Ngati Kahu*** tribes; ***Mihi-Kotukutuka*** of *Te Whanau Apanui* tribe; and many others. Submissions to the Royal Commission on Social Policy have noted five women who signed the Treaty of *Waitangi*; 'Ana Hamu, the widow of Te Koki, original patron of the *Paihia* mission; Te Rau o te Rangi (Kahe) of *Te Whare Kauri* and *Ngati Toa*, at Port Nicholson; Rangi Topeora, chieftainess of *Ngati Raukawa* and *Ngati Toa*, at *Kapiti*; Rere o Maki, a woman of rank at *Wanganui*; Erenora, a high-born wife of Nopera, Chief of *Te Rarawa*, at *Kaitaia*.'

Women had their own *tapu*, of a quality that enable them to ***whakanoa*** (lift) another *tapu*. If one asks the question, what is that *tapu* of ***Te Atairangi-Kaahu*** (queen of the *Waikato* tribe), in contrast to men in *Waikato*, the simple answer is that she has 'Supreme *Tapu* and *Mana*'. As an *Ariki*, her status is equivalent to that of the male *Ariki*, (***Tawhiao*** and ***Koroki***). her status reflects her tribe's *mana*. She sits on the '***Ahurewa Tapu o ona Matura***' (the sacred throne of her ancestors).

'Ko te reo te mauri o te mana Maori.'

'The language is the key that unlocks the treasures of a culture.'

In order to understand culture one needs a vehicle to access that culture. The language itself will provide indicators that will highlight the values inherent in the culture. What we will now demonstrate is women's position reflected through the language:

1. The word ***ia*** means he, she or it.

2. The term ***tuahine*** (sister, female cousin) denotes a revered relationship encompassing warmth and protection that men extend to their sisters or female cousins.

3. The term ***Koka, whaea, whaene***, is extended beyond the immediate meaning of mother to include all aunts (that is, all sisters of one's mother, all sisters of one's father, and all extended cousins of both parents. Again this illustrates the revered position of women.

4. The proverb, ***'Mo te wahine me te whenua, ka mate te tangata'*** - For women and land men will do battle, reflects the sense in which woman and *Papatuanuku* are accorded respect, and protection of 'their' resources.

5. The meeting house is regarded symbolically as the womb of woman, the idea being that she provides security, safety, warmth, protection and embraces all who enter her.

6. ***'Nga moemoea a Kui ma, a Koro ma.'*** The aboriginal concept of 'dreamtime' is illustrated in the above proverb ... that women have their dreams (aspirations), and men have their dreams.

However, one must be careful not to overstate the position of women. While women possessed their own autonomy, it is important to note that ***he rereke te mana o te wahine***, and ***he rereke te mana o te tane***, (the authority, prestige and formal position of women is different to that of men). ***Ko etahi mahi, e kore e taea e te tane, ko etahi mahi, e kore e taea e te wahine*** (some tasks are more appropriately performed by men and similarly some tasks are accomplished by women). Those tasks that required certain attributes were carried out by certain members. For example, childbearing by the women. However, there was a reciprocal process in the performance of economic activities; catching fish and cooking it.

Concluding our thesis, it cannot be said that Maori women, prior to the coming of the pakeha, suffered economic oppression. The *whanau* was an organism, sharing a common life. It acted as a corporate body performing its tasks together to ensure that the wealth and resources were equitably shared by its members. If one member of the *whanau* suffered, all suffered. Their welfare of every member, ***nga mokopuna*** (grandchildren - Note: children were regarded not just as mere children, but of grandchildren status, of all elders), ***nga tuahine*** (sisters, or female cousins), ***nga tungane*** (brothers or male cousins), ***nga matua*** (parents, aunts, uncles) and me ***nga tipuna*** (grandparents), was important to the whole. In other words, welfare of the *whanau* was held in public trust. The prime values were sharing, caring and fulfilling one's social obligations.

THE EFFECTS OF COLONISATION ON MAORI WOMEN'S AUTONOMY

Changes in the economic status of Maori women occur with the arrival of the *Pakeha* (white settlers) who brought and developed a new economic system. Inherent in their economic system were individualistic and sexist values, a system that not only rewarded the individual, but undervalued women. Economic value became measured through a system of monetary exchange. Childminding, cooking and housekeeping were not seen as having economic value.

Maori people could either sell their resources (i.e. land, fish) or their labour. Under a *Pakeha* system the only demand for Maori labour was for males. Gradually, the attitudes of Maori men began to change. They began to model themselves on their *Pakeha* boss and workmates, regarding their earnings as belonging to themselves, and thus deciding what portions were to be meted out, and to whom. With this psychological shift, Maori women began to experience a new social order, not only the new individualistic attitude, but also a new attitude towards them as decision-makers, partners, wives, lovers, mothers, nurturers, care-givers and sisters. This had a dramatic effect on the *whanau.*

Later, *whanau* sometimes contracted themselves, to work together, for a *Pakeha* employer. In these situations, not only did they divide the work equitably, but also their earnings. (As in the *toheroa* season - Northern tribes, and the Agar season - East Coast tribes.)

Pakeha society did not accept women's autonomy. Maori women's herstory reflects the attitudes of *Pakeha* society. The *Pakeha* demand for land, together with the assimilationist policies, personal and institutional racism, cultural genocide, and urbanisation had an adverse impact on Maori women. The nett result was that *te mana me te tapu o te wahine* was eroded. Maori women were relegated to the position of fourth-class citizens in every arena.

The situation became progressively worse for all Maori people, as a result of their vulnerability under the *Pakeha* system, with Maori women being pushed constantly to the bottom of the heap. Generally speaking, cultural perspectives have been largely broken down. However, there is a significant return to reclaim ***kaupapa*** Maori (Maori perspectives), for example, the importance of *whanau.* Initiatives such as *Te Kohanga Reo, Maatua Whangai, Kokiri* and *Iwi* Development, are restoring elements of the culture and are promoting *whanau* operations. By the recovery of their culture, Maori people can recover their identity, self-esteem and dignity.

The information presented in the Appendix gives an indication of the responsibilities undertaken by Maori women in today's society, and the recognition, or lack of it, they receive for them, as reflected in their material circumstances. Responsibilities include family responsibilities, particularly the predominance of lone parentage, compared with the general population, and large families compared with the *Pakeha* population, and voluntary work, including *Kohanga Reo.* The thesis of the appendix is that although Maori women have shown themselves capable of initiating and undertaking heavy family and community responsibilities, which are not recognised through a market wage, they are under-represented in access to paid employment and business enterprise.

SUMMARY

In conclusion we confirm that the reality for Maori women is:

1. Traditionally Maori women had their own economic autonomy.

2. This changed when *Pakeha* arrived in *Aotearoa*, and imposed a new social and economic order on them. Maori women experienced a loss of autonomy.

3. This situation has persisted to the present day. (The data on Material Circumstances reflects this.)

4. Maori women's return to their cultural base and thereby reclaiming autonomy.

We call on policy-makers and institutions to respect and facilitate the aspirations of Maori women and their *whanau*.

RECOMMENDATIONS

'It is a basic principle that when identity is restored to a person, to a people, that negative conditions are arrested and health and self-esteem is restored, and the quality of life will promote peace and confidence to the nation' (Marsden, 1987). Our recommendations, based on this principle, are as follows:

1. That *Papatuanuku* is nurtured and preserved, and that her resources are maintained and distributed equitably among her descendants. To continue in the direction that this country is heading to invite the wrath of *Papatuanuku*.

2. That Maori woman's autonomy is restored throughout society in *Aotearoa* and that she is granted resources to assist this process (for example, rewriting her own story, and thereby resurrecting her own *mana* and *tapu*).

3. That Maori women be given access to participate in the management of resources of the country (for example land and fish), and the opportunity to develop their own corporate (*whanau*) structures to ensure the welfare of all.

4. That the decision-making processes with respect to the economic and social development of *Aotearoa* pursues a partnership, under the Treaty of Waitangi, that promotes *whanau*, *hapu* and *iwi* decision-making processes, and takes account of the fact that information gathered and analysed, as part of national decision-making processes, is at present carried out within a predominantly monocultural framework.

In conclusion, we return to the proverb provided at the beginning of this paper:

Whaia te iti kahurangi
Ki te tohu koe,
me he maunga teitei

Seek ye the treasures
of your heart
If you should bow your head,
Let it be to a lofty mountain.

In reclaiming Maori women's autonomy we seek to reunite with *Papatuanuku* and her resources. To assist this process, we claim, in economic terms, fiscal protection to quantify the quality of life for *whanau*, thereby ensuring *te mana me te tapu o te wahine*.

'He putiputi kei i a ia ano tona kakara'
'A flower that exudes her own fragrance'

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APPENDIX - BACKGROUND DATA

A. Family Structures
B. Participant in Unpaid Voluntary Work and Assistance
C. Material Circumstances
D. Responsibility, Initiative and Opportunity

A. Family Structures

The information presented in this section has been chosen to highlight the importance of the *whanau* as opposed to the individual, and to draw a picture of the types of families Maori people are living in, compared with other ethnic groups.

Graph (1) shows the proportion of families of various types, among those with and without children for the three ethnic groupings specified, as at 1986. Maori children have the greatest variety of family circumstances, and this appears to be increasing (Social Monitoring Group, forthcoming). 50 per cent of Maori family units containing dependent children are headed by a lone parent. Of these, 43 per cent are women (29% living in a household as a nuclear family, and 14% living in a household as part of an extended family), and 7 per cent are men (5% living as a nuclear family and 2% living as part of an extended family). There are thus three times as many lone female headed families with children among Maori as among *Pakeha*/Others, and twice as many as among Pacific Island Polynesians. More than twice as many lone Maori men are the head of families containing children as is the case for *Pakeha*/Other and Pacific Island Polynesian men.

Nearly 30 per cent of Maori children were living with just one adult in 1986. For Pacific Island Polynesians the figure is nearer 10 per cent, and for *Pakeha*/Others, a little lower. About one fifth of Maori children live in extended families. This is the case for one third of Pacific Island Polynesian families, and for less than 5 per cent of *Pakeha*/Other children (Social Monitoring Group, forthcoming).

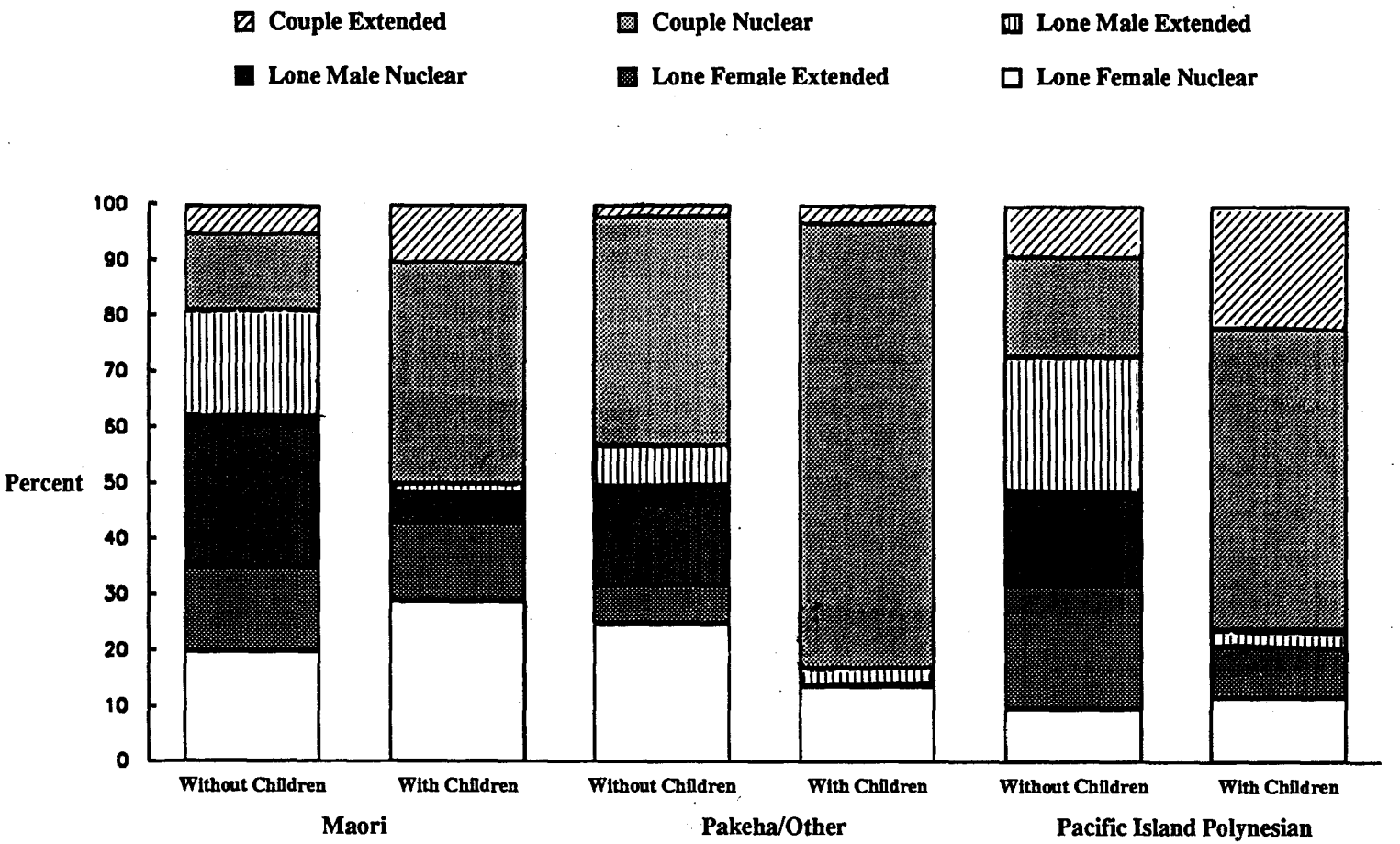
Further information from the SMG Database tells us that 71 per cent of Maori women have dependent children (of these 69% have 1 or 2 children and 31% have 3 or more). This compares with 44 per cent of *Pakeha*/Other women (of whom 76% have 1 or 2 children, and 24% have 3 or more), and 76 per cent of Pacific Island Polynesian women (of whom 59% have 1 or 2 children, and 41% have 3 or more). 21 per cent of Maori lone women parents have 3 or more children, compared with 14 per cent of lone non-Maori women parents.

Despite declines in fertility particularly in the 20-34 age group, the absolute number of births to Maori women will continue to increase, at least through until the twenty-first century. This is so because of increases in the number of women at childbearing ages. However by 2011 the Maori descent population aged 0-4 years will have decreased between 4 and 7 per cent. This need not however, result in a reduction in the number of children participating in *Kohanga Reo* (Pool and Pole, 1987).

The comparison between Maori and *Pakeha*/Other women, in terms of dependent children, is even more marked for younger and older women. 55 per cent of Maori females aged 15-19 and 71 per cent of those aged 20-24 have at least one dependent child, compared with 36 per cent and 39 per cent, respectively for *Pakeha*/Other women. At 60 plus years of age, 30 per cent of Maori women have at least one dependent child, compared with 3 per cent of *Pakeha*/Other women. This is reflected in the large proportion (55%) of Maori widows who have at least one dependent child, compared with only 19 per cent of *Pakeha*/Other widows. In respect of the proportions having dependent children by age groups, Maori and Pacific Island Polynesian women follow a relatively similar pattern compared with the *Pakeha*/Other group.

From the information presented about family structures, we have learnt that a much larger proportion of Maori family units are headed by lone women and lone men than families of the other two ethnic groupings we considered. 19 per cent of Maori women and 3 per cent of Maori men are lone parents, compared with 6 per cent of women and 1 per cent of men in the population as a whole. As well as this Maori family units, along with Pacific Island Polynesian, contain on average, a larger number of dependent children than the *Pakeha*/Other group. A substantial proportion of Maori women thus shoulder heavy responsibilities for the care of dependents.

Family Type By Existence of Children and Ethnicity (1986)



Source: Census of Population and Dwellings - SMG Database

Notes to Graph:

1. The *Pakeha*/Other category includes Maori who are in a marriage or defacto relationship with a non-Maori. thus Maori couples include only those in which both partners are of Maori descent.

2. The word 'lone' refers to those who are single, separated, divorced and widowed. The word couple refers to those in marriage and defacto relationships.

3. See the sub-appendix entitled 'SMG Database' for more detail about the data continued in the SMG database.

B. Participation in Unpaid Voluntary Work or Assistance

The Royal Commission on Social Policy, in it's Attitudes and Values Survey, asked if people gave unpaid help to others outside their own homes. The results were presented by ethnicity or sex, plus other variables. The Department of Statistics has provided a special run breaking these results down by ethnicity, sex and age. The results presented here have included those of Maori/*Pakeha* descent in the Maori category. Overall 66 per cent of Maori women and 68 per cent of Maori men did so. Maori people recorded levels of assistance higher than other ethnic groups. (*Pakeha* female - 60%, male 68%, Other female - 64%, male - 66%). The slightly higher level of involvement by men than women is likely to reflect the fact that unpaid work within the home was not reported.

Reported levels of assistance were highest for Maori women aged 30-44 years (82%), with those aged over 44 years averaging 72 per cent. In contrast participation for Europeans of both sexes and Other females peaked in the 45-59 age group. Thus Maori females in the 30-44 age group are likely to have a higher rate of participation in unpaid voluntary work than *Pakeha* (62%) and Other (68%) females in this age group.

Of those who gave help, 80 per cent of the Maori women gave assistance to relatives and 79 per cent to other people (respondents could state both). This compares with 80 and 87 per cent, respectively of the Maori men, 50 and 87 per cent of the *Pakeha* women and 62 and 72 per cent of the Other women. Thus Maori women are the only sex/ethnic group to give more of their assistance to relatives than to other people.

Although for all ethnic/sex groups assistance was mainly given for 1-4 hours a week, a higher proportion of Maori women reported giving assistance for more than 4 hours a week (30%), than those who gave assistance from any other group.

Voluntary unpaid work undertaken by Maori women encompasses contribution to the activities of *kohanga reo*. Not only parents and children are involved, but the whole community - in teaching, fund raising, decision making and the delivery and receipt of a whole range of social services. *Te Kohanga Reo* now has just over 500 operations throughout New Zealand, involving 438 paid adults and 4,343 adults in total (Government Review Team, 1988). The National Trust for *Kohanga Reo* receives government funding to the value of $18,000 per annum for each *Kohanga Reo*. The average *Kohanga Reo* caters for 20 children, who require 2-3 full-time trainers, along with other operating materials and resources.

Unpublished Census Table 61 from the Maori Volume of the 1986 Census of Population and Dwellings breaks down participation in unpaid voluntary work by main activity for the population of New Zealand Maori origin or descent. Table 1 presents some of this information for Maori women.

TABLE 1: HOURS PER WEEK IN VOLUNTARY WORK FOR MAORI WOMEN BY A SELECTION OF MAIN ACTIVITIES

	Hours Per Week (Row Per Cent)					
Main Activity	**Nil**	**1-4**	**5-9**	**10-14**	**15+**	**NS**
Home duties looking after children	78.8	7.1	2.8	1.2	2.5	7.3
Home duties not looking after children	79.7	6.7	2.5	0.9	2.0	8.0
Retired	77.6	5.4	1.8	0.6	2.2	12.0
Unemployed and not seeking work	84.3	3.5	1.5	0.5	1.6	8.2
Paid job or business	80.4	7.4	3.2	1.1	2.6	4.9
Unpaid work in a family business	68.3	12.6	3.7	1.8	6.3	7.5

C. Material Circumstances

An assessment of the income circumstances of Maori families is complicated by the sharing of income which occurs, as well as the sharing of responsibility for the care and education of children from outside the immediate family (*whangai*), and the aged. The distribution of income within the Maori community is likely to be even flatter than it appears on the basis of official statistics (Horsfield and Evans, 1988).

Just under half of respondents to the Royal Commission on Social Policy's Attitudes and Values Survey said they gave money regularly to individuals and households outside their own household. The probability of giving money was related to age and ethnicity. People of older age were more likely than those at younger age to give money regularly, as were Maori compared with *Pakeha*. Maori respondents were more likely to give money to relatives and other people, but less likely to give to groups.

As the Census income measure has been adjusted using an equivalence scale, it reflects to some extent, the adequacy of the income for a given family unit, and so allows comparisons of income adequacy between family units of different composition and sizes.

From Table 2 we see that family units living as part of an extended family are, in general more likely to be in the bottom deciles of equivalent income than nuclear families of the same type. The exception to this is *Pakeha*/Other lone females without children (specifically, those who are single, separated or divorced).

For all the family types described, Maori have a higher proportion of families in the bottom deciles of equivalent income than do Pakeha/Other. This discrepancy is most marked for couples with children, and least marked for the lone females with no children and lone males.

In general couples are better off than lone males, who are better off than lone females. For the *Pakeha*/Other group, when the bottom three deciles are examined, the more children a couple has, the better off they are likely to be. The opposite is the case when looking at the bottom two deciles. For Maori couples, the couples likely to be best off are those with 1-2 children, followed by those with no children. Those with 3 or more children are likely to be worst off.

From the figures it appears that lone Maori and *Pakeha*/Other females with 1-2 children, as well as lone *Pakeha*/Other females with three plus children living as a nuclear family, have a lower proportion in the bottom deciles of equivalent income than lone females without children. At the 1-2 child level, this is true for single, separated/divorced and widowed women, when the bottom two deciles are being examined. However in the case of the proportions appearing in the bottom three deciles, it is true only for separated/divorced and widowed women. At the 3 plus child level, this phenomenon exists only for *Pakeha*/Other and Maori widows and *Pakeha*/Other separated/divorced women.

It is useful to examine housing circumstances together with income circumstances, by family type, particularly for those with a high proportion of families with low equivalent incomes. This is because those with mortgage free housing tenure will not have to make their low equivalent incomes stretch as far as those with less secure forms of housing tenure, and those with mortgaged housing are in a better long-term position than those who are renting or boarding, as they are accumulating wealth which will save them income, or even provide it, in later life. The figures in Table 2 give the proportions for each family type who are renting accommodation or boarding, and thus have neither of these two advantages.

For all the family types described, Maori have a higher proportion of families renting or boarding than do *Pakeha*/Other. As with low equivalent incomes, this discrepancy is most marked for couples with children. It is least marked for lone males, most of whom do not have dependent children to house. Contrary to what was the case for low equivalent incomes, all Maori family types living as a nuclear unit, have a higher proportion rent/boarding than those of the same type living as part of an extended family. This is not the case with *Pakeha*/Other families, however, for which only lone females with 3 or more dependent children have a slightly higher proportion of those living as a nuclear family rent/boarding, than those living as part of an extended family.

Again, reflecting their relative position with respect to low equivalent incomes, couples tend to have the most secure forms of housing tenure. In the case of Maori, they are followed by lone males, then lone females. Lone *Pakeha*/Other males tend to have a less secure form of housing tenure than lone *Pakeha* females. For female lone parents of both

TABLE 2: A COMPARISON OF THE EQUIVALENT INCOME AND HOUSING CIRCUMSTANCES OF VARIOUS FAMILY TYPES (1986)

Family Types	Proportion of Family Units						
	Living as part of an extended family in a household	In the bottom 2 deciles of equivalent income		In the bottom 3 deciles of equivalent income		In rented accommodation or boarding	
	(%)	Nuc (%)	Ext (%)	Nuc (%)	Ext (%)	Nuc (%)	Ext (%)
Lone Female: No Children							
Maori	40	42	46	73	78	60	57
Pakeha/Other	20	39	35	69	62	34	43
Lone Female: 1-2 Children							
Maori	38	19	27	58	75	61	43
Pakeha/Other	10	9	14	33	59	31	31
Lone Female: 3+ Children							
Maori	25	45	53	79	79	58	46
Pakeha/Other	7	25	42	60	70	33	30
Couples: No Children							
Maori	25	16	27	32	45	49	31
Pakeha/Other	4	5	11	24	28	15	22
Couples: 1-2 Children							
Maori	22	13	20	29	40	44	36
Pakeha/Other	3	6	8	14	17	11	13
Couples: 3+ Children							
Maori	18	20	25	42	48	40	35
Pakeha/Other	2	11	11	11	22	11	13
Lone Male: With or Without children							
Maori	38	26	30	53	60	56	53
Pakeha/Other	24	22	21	44	42	41	47

Source: Census of Population and Dwellings - SMG Database.

Notes:

1. The deciles are not exact tenths of the population of families, due to the fact that income data was collected in categories in the Census, rather than as individual amounts. The bottom two deciles cover 14 per cent of families, and the bottom three, 31 per cent.

2. Pacific Island Polynesians are not included in this table, as their relative position with respect to income and housing circumstances is not of interest in the context of this paper.

3. Maori couples include only those couples where both partners are of Maori descent. Couples comprising a Maori and a non-Maori partner have not been included in this table. (Note this is different from the data presented in the 'Family Structures' Section, where these couples were included in the *Pakeha*/Other category.)

4. See the sub-appendix entitled 'SMG Database', for more detail about the data contained in the SMG Database.

ethnic groups, and Maori couples living as part of an extended family, an increase in numbers of children tends to correspond with a less secure form of housing tenure. Whereas for *Pakeha*/Other couples, and Maori couples living as a nuclear family, the opposite is the case, reflecting the accumulation of wealth, through the ability to save income, as the family life cycle progresses.

D. Responsibility, Initiative and Opportunity

In the previous sections we have given an indication of the responsibilities undertaken by Maori women, and the recognition, or lack of it, they receive for them, as reflected in their material circumstances. Responsibilities included family responsibilities, particularly the predominance of lone parentage compared with the general population, and large families compared with the *Pakeha* population, and voluntary work, including Kohanga Reo. Maori women have shown themselves capable of initiating and undertaking heavy family and community responsibilities, which are not recognised through a market wage, yet are under-represented in access to paid employment, and particularly in business enterprise.

Maori women have shown that they can succeed in business enterprises. Examples of business initiatives taken by Maori women are found in *Nga Kakahu* and *Te Kohanga Reo*. *Nga Kakahu* is a clothing industry promotion based on the belief that there is a demand for clothing of a Maori design, designed for the Maori figure by Maori designers. *Te Kohanga Reo* has been the base for many successful business ventures initiated by Maori women in order to raise funds for their *kohanga*. The Maori Women's Welfare League has acquired funding from the Mana Enterprise scheme, which is intended to provide Maori women with equal access to opportunities to earn and use money. Of the $13 million budget available to Mana in 1986/87, Maori women received $240,000 through the Maori Women's Welfare League (Horsfield and Evans, 1988).

Horsfield and Evans have provided an indication of the access to paid work and business enterprise initiatives of Maori women (females aged 15 and over in the New Zealand population, of Maori descent). Quoting 1986 Department of Statistics figures on the employment status of Maori women in the labour force, they report that 76.3 per cent are wage and salary earners, 19.1 per cent are unemployed and seeking work, 1.9 are self employed but not employing others, 1.2 per cent are employers of others in their own business, 1.0 per cent did not specify their status. 44.3 per cent of Maori women were not in the labour force.

The forthcoming second overview report of the Social Monitoring Group discusses trends in the employment status of Maori women between the Census periods 1976 and 1986. Although there was some increase in participation for Maori women aged 20-50 from 1976 to 1981, there has been little increase for this age group in the latter part of the decade. There has been very little change in part-time participation rates for Maori women over the decade.

These rates are highest in the 30-39 age group.

The peak for Maori womens' employment is in the lat 30s and early 40s, five years younger than for *Pakeha* womens' second peak. This reflects the younger age of child-bearing by Maori women, while their lower overall participation in the paid workforce is related to larger family size and probably also their disadvantage in obtaining employment. Just under half of Maori women aged 40-59 are in the labour force, the rate having moved from 41 per cent to 49 per cent from 1976 to 1981. Full-time participation has not increased for this group from 1981 to 1986, but there has been some growth in part-time involvement (Social Monitoring Group, forthcoming).

According to Horsfield and Evans, at the 1986 Census, 11.5 per cent of women in the labour force were self-employed, employing others in their own business or working in a family business, compared with 4.1 per cent of Maori women in the labour force. Of further interest is the employment status of those Maori women who are lone parents. The Department of Statistics has provided a special run to highlight their position in the labour force. This information is summarised in Table 3.

Thus at the 1986 Census, 2.8 per cent of lone parent Maori women in the labour force were self-employed, employing others in their own business or working in a family business. This represented 2.8 per cent of those in the labour force with 1-2 dependent children and 2.8 per cent of those with three or more. This can be compared with 8.0 per cent of non-Maori lone parent women, and 4.1 per cent of Maori women in the labour force.

TABLE 3: LONE FEMALE PARENTS BY EMPLOYMENT STATUS, NUMBER OF DEPENDENT CHILDREN AND ETHNICITY

	Number of Children					
	1 - 2		3+		All	
Employment Status	M	NM	N	NM	N	NM
Self-Employed with employees						
Full-time	0.16	1.14	0.23	0.84	0.18	1.10
Part-time	0.05	0.17	0.03	0.69	0.04	0.24
Self-Employed without employees						
Full-time	0.24	1.32	0.16	1.02	0.22	1.28
Part-time	0.12	0.78	0.08	0.95	0.11	0.81
Unpaid worker in family business						
Full-time	0.18	0.21	0.13	0.30	0.17	0.22
Part-time	0.21	0.18	0.13	0.16	0.20	0.18
Wage and salary earners						
Full-time	13.48	23.26	8.15	13.85	12.37	21.90
Part-time	4.90	11.51	4.41	12.06	4.80	11.59
Unemployed and seeking work						
Full-time	4.93	3.03	4.70	2.60	4.88	2.97
Part-time	8.71	6.73	8.36	7.13	8.64	6.78
Non-labour force	66.12	51.11	72.48	59.57	67.45	52.33
Not specified	0.88	0.57	1.14	0.83	0.93	0.61

Note: M = Maori origin and descent
NM = Non-Maori

SUB-APPENDIX - DATA SOURCES

The SMG Database

This refers to the Family Circumstances database developed by the Social Monitoring Group of the New Zealand Planning Council. The development of this database required a merge of the family and household Census files for the Census years 1976, 1981 and 1986. The merging has allowed a crude estimation of the incidence of extended families and has produced a data-base which can be used for sectional and trend analysis of family patterns.

The Census income measure comprises gross income from the market, plus social welfare payments. This measure adjusted by the Jensen revised equivalence scale to give an income measure which reflects, to some extent, the adequacy of Census income for a given family unit. This allows comparisons of income adequacy between families of different compositions and sizes.

The database orders all families (excluding those receiving a negative equivalent income) into deciles based on their equivalent income. The use of deciles means that the relative position of different groups should be able to be compared over time.

The word 'Maori' in relation to this database refers to those who are of Maori descent, as defined by the Census of Population and Dwellings, but excludes those Maori who are in a marriage or de facto relationship with non-Maori. Extended families refer to those in which the members are linked by blood ties. Flatmate relationships are not recognised, so that each flatmate (or family unit sharing accommodation with others) is recognised as a separate family unit.

ISSUES OF EQUALITY IN ACCESS TO RESOURCES: SOCIAL, ECONOMIC, POLITICAL AND ETHNIC FACTORS

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AIM AND CONTENT OF THE PAPER

The aim of this paper is to address the issue of equality/inequality in access to material and social resources in Australia. The paper aims to identify some of the factors which might account for inequalities in the provision and distribution of these resources as well as in the access to them, their use and the outcomes of these arrangements. Some of these factors are seen to be related to the capitalist market economy, some to the class nature of Australian society and some to the policies pursued by governments, especially by the Federal governments.

The analysis in this paper relates only to the Australian situation and no references are made to New Zealand. It is appropriate to note at this point that Australia has now experienced nearly six years of Labor Party government, a party which came to power with a promise of social and economic reform. Whatever the economic conditions which this government had inherited from the previous Conservative government might have been, and whatever the economic conditions have been in the world since then, six years is a long enough time in government for the implementation of a social policy which might reflect the philosophy and the promises made by the party in power. As on this score there might be some similarity between Australia and New Zealand, the paper may have some relevance to the New Zealand situation.

As to the content of the paper, some theoretical and methodological issues are briefly discussed first and the approach used in the paper is explained. This is followed by a number of areas where inequality in access to resources is identified, notably:

1. Income distribution
2. The labour market
3. Consumption patterns
4. Education
5. Health services
6. Child care and other services

Attempt is then made to relate the inequalities in those areas to such factors as ethnicity and location, and to government economic and social policy. Finally, a comment is made about the methods used in social analyses and especially in policy-relevant research, identifying some theoretical and methodological issues and suggesting why these issues should be reconsidered so that the value of research could be improved.

The quantitative data used in the paper have been extracted from various surveys conducted by the Australian Bureau of Statistics (ABS) and other official bodies. Thus the argument presented in the paper is substantiated by statistical aggregates rather than by detailed micro-analysis. However, the macro-data are consistent enough to identify certain characteristics of the population, government allocation of resources and the effect of policies.

INEQUALITY AND THE WELFARE STATE: SOME THEORETICAL AND METHODOLOGICAL ISSUES

Studies of Australian society and issues concerned with the welfare state have been numerous and no literature review in these areas is attempted here. In sociology, studies by Encel on capitalism, classes, corporatism and occupations (1978, 1979, 1983), by Connell and Irving on class (1980) and by Connell et al. on class and education (1982) are well known. A recent addition is **A Sociology of Australian Society** (1988) edited by J. Najman and J. Western, a volume of nearly 600 pages containing 18 chapters contributed by researchers in social issues and social policy.

Studies of inequality per se have been less numerous; **Social Inequality in Australian Society** by J. Western (1983) being a notable exception. Inequality is talked about but rarely submitted to a rigorous analysis.

What are the relevant dimensions to use in the study of equality/inequality has been a subject of debate ever since the time the social sciences came onto the scene. The issue is, of course, much older as it was discussed at length by Aristotle in **Politics**. Essentially, there are four broad approaches: class analysis, socio-economic stratification, pluralism and the life cycle. Each has its protagonists and critics. The view maintained in this paper is that these approaches do not lead to the same level of analysis; pluralism and life cycle approaches being 'lower order' concepts, socio-economic stratification somewhat more conceptualised, and class analysis enabling a study of 'higher order' concepts.

Certainly, there is no agreement among sociologists on this issue. For example, in his study of inequality in Australia, Western (1983) relates inequality to the 'access to scarce and valued resources' and he sees this access to be conditioned by seven structural factors which can be empirically tested: class, status, party, gender, race, ethnic origin, and age (1983:6). He supports his argument by empirical evidence drawn from a range of sources and concludes that while there is often an interrelationship among some of these dimensions, '... it is not at all clear what the precise nature of these relationships is or whether certain of them can be ultimately subsumed under "higher order" groupings' (1983:340).

Although rather cautious and equivocal on this issue, Western nevertheless agrees that the Weberian theory of class, status and party has much to offer in the analysis of inequality, class being the most important concept. He says,

> *Clearly, the evidence for class as a major allocating mechanism for scarce and valued resources is overwhelming. In the fields of education, housing, consumer affairs, the law, politics, health and welfare, class makes a difference. The 'higher up' the hierarchy one is, or the greater 'control' over the productive processes of the society one can exercise, the greater one's access to scarce and valued resources.*
>
> *One's position in a status grouping and one's party affiliation also makes a difference. But the evidence in these areas is much more meagre, and the effects, the available data suggest, are not as marked.* (1983:129)

What are these 'scarce and valued resources'? Western identifies income, employment (both related to occupation) education, housing, consumption, politics, public affairs, health (morbidity, mortality), the legal system, social security and social welfare, and leisure.

Class as a concept in the analysis of social structure and inequality is not very popular these days. It is however difficult to get away from the concept of class; whether it is used in the Weberian theory or Marxian theory, especially the latter, it is the most useful and most comprehensive and fruitful concept to use in the analysis of inequality, because it enables the identification of variables, both quantitative and qualitative, which together reveal the nature of inequality in Australian society.

In an extensive overview of class in Australia, written in a clear and easy-to-follow language and supported by a range of data, Craig McGregor (1987:36-63) argues that politicians and some academics do not want to talk about class, yet evidence of class is everywhere to see and is seen by most people. He says,

> *Class, in fact, provides the basic structure of all modern societies - in Australia as any other country. It is central to political and economic power, the crucial determinant of who gets what, who is treated fairly, who is treated unfairly: in fact, what chance you have of the 'good life...'*

> *Above all, it is important to understand that class is the overriding cause of inequality and social injustice in Australia.* (1987:36)

For the purpose of the analysis of inequality in this paper, class may be simply defined in the words of Titmuss as the degree of ability to have a 'command over resources through time'. This ability, it is argued here, may be affected by other variables such as age, gender or other similar variables, but these 'lower order' dimensions can be subsumed into the dimensions of class. For example, the aged or the young might have many common characteristics and common interests but class differences among them are stronger in determining their life chances and life styles than their age characteristics and interests (Figure 1).

Studies of some aspects of the welfare state have been equally numerous, but relatively few studies in Australia have addressed conceptual, theoretical and ideological issues of the welfare state itself. As we have stated elsewhere (Jamrozik and Boland 1988:7),

> *Much attention in discussion and research on welfare issues focuses on the extent of distributional aspects of the welfare state (mainly on the amount of money that is distributed via taxation and social provisions) and then on the population which receives the benefits. By contrast, very little attention is given to the analysis of how the mechanisms of allocation really work and what effect they have on the distribution of life chances and the well-being of the recipients.*

The conceptual framework used here has been outlined in a number of earlier publications e.g. Jamrozik (1987, 1988) Jamrozik and Boland (1988). In this framework the welfare state is perceived as a political organisation which comprises both the public and the private sector of the economy and, apart from its function of maintaining social order and social control, it performs two important economic and social functions: ensuring the physical survival of its citizens and enhancing their social functioning. Together, these maintaining and facilitating functions provide the necessary conditions for the market economy to operate: the welfare state provides the material and human infrastructure of resources; ensures the reproduction of the labour force; ensures consumption; provides protection of law and order; and takes care of the human residue of the market economy.

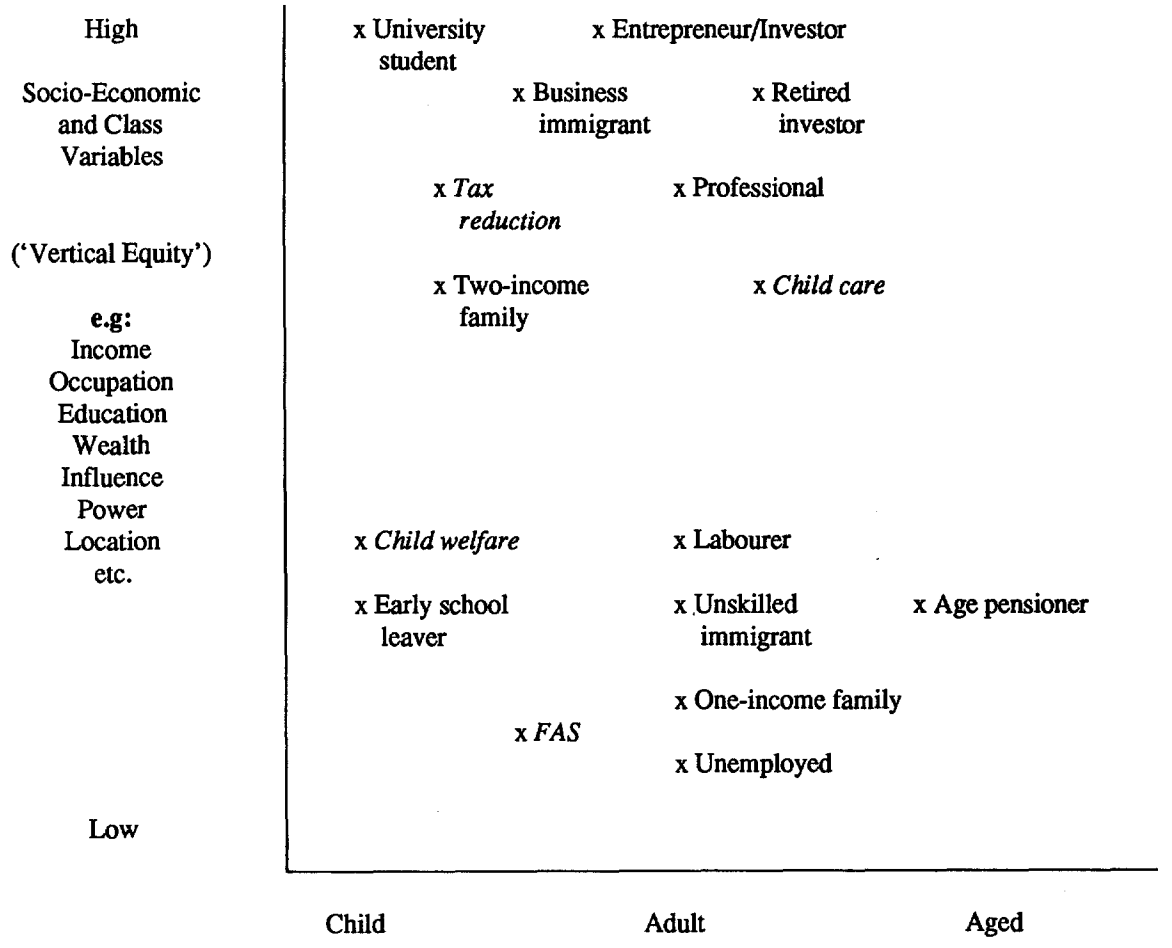
An important distinction in this conceptual framework is the difference between cash transfers which aim to assist the recipients in their survival and the services which facilitate and in some important aspects are the necessary pre-requisites for adequate **social functioning** (Figure 2). The latter which include such services as education, health, child care and related services may appropriately be referred to as **primary provisions**, unlike the cash transfers such as pensions and benefits which in a selectivist and residual social welfare policy play a role of a **safety net.** The important issue here is that the nature of these primary provisions and the manner of their allocation act as additional sources of inequality in addition to the inequalities generated in the market economy.

INCOME DISTRIBUTION

Income is one of the important resources which determines a person's or a family's position in the class structure. The ABS data on income distribution derived from surveys dating from 1973-4 to 1986 indicate that over that period the inequality in income distribution had increased in all units of measurements (individual, family, household) except income of women where inequality has decreased to a small extent (ABS 1987, Catalogue No. 2502). However, the distribution of income among women in 1986 was still more unequal than among men.

Recent analysis by Saunders and Hobbes (1988) indicates that income distribution in Australia is the third most unequal of the seven countries included in their study (Australia, Canada, West Germany, Norway, Sweden, United Kingdom, United States). This degree of inequality is present in both individual and family incomes and applies to both gross incomes (before tax) and net incomes (after tax). In the distribution of gross individual incomes the top 20 per cent of income recipients accounted for 34.3 per cent of total incomes and the bottom 20 per cent for 9.1 per cent; a ratio 3.77 to 1 (Table 1). The source of these data was the ABS 1981-82 survey. The ABS data derived from 1986 Census, which are based on incomes received by all persons 15 years of age and over who had stated their income show a considerably higher inequality - a ratio of 40.17 to 1 between the top 20 per cent and the bottom 20 per cent of the population.

FIGURE 1: TWO DIMENSIONAL PERSPECTIVE ON EQUALITY/INEQUALITY SOME EXAMPLES OF LOCATION OF POPULATION GROUPS AND SERVICES



Life cycle, demographic characteristics and other similar variables ('horizontial equity')

e.g. Children, young people, adults, men, women, families with dependent children, the aged, the disabled, immigrants, etc.

Note: Services are shown in italics.

FIGURE 2: CASH TRANSFERS AND SERVICES: CHARACTERISTIC FEATURES AND PROCESS OF ALLOCATION

	Cash Transfers		Services
	Characteristic Features		
1.	Tangible (quantitative)	1.	Intangible (qualitative)
2.	Value determined in money terms	2.	Not easily determined in money terms
3.	Entitlement determined by legislation and administration	3.	Entitlement determined by administrators and service providers
4.	Value allocated = value received	4.	Value allocated cannot be equated with value received
5.	Immediate benefit	5.	Benefit not always immediate
6.	Mainly maintaining function	6.	Mainly facilitative function
	Process of Allocation		
	Aggregate allocation		Aggregate allocation
	Units of allocation - direct to individuals, families		Units of allocation - to departments, agencies, schools, hospitals etc.
	Administration - relatively simple - few intervening variables		Administration - complex - many intervening variables
	Transfer (bank, post)		Transfer - mediated through diverse bodies
	Recipient - receives the benefit		Recipient - does not necessarily receive the benefit

TABLE 1: COMPARISON OF INCOME DISTRIBUTION 1981-82 AND 1986

	Share of Total Gross Incomes		
	Top 20% %	Bottom 20% %	Ratio top/bottom
Individuals			
Saunders & Hobbes (1988)	34.3	9.1	3.77
ABS 1986 Census	48.2	1.2	40.17
Families			
Saunders & Hobbes (1988)	43.7	4.6	9.50
Households			
ABS 1986 Census	44.7	4.8	9.31

Source: Saunders P. and Hobbes G., (1988) **Income Inequality in Australia in an International Comparison Perspective**, SWRC, Kensington, University of New South Wales.

ABS (1988) 1986 Census: Australia in Profile; Catalogue No. 2502.0

Note: The results by Saunders and Hobbes are based on the ABS 1981-82 Income and Housing Survey which included all individual income recipients. The ABS 1986 results are derived from calculating all incomes received by all persons 15 years and over who had stated their incomes on the census form.

Distribution of incomes among families and households indicates that the top 20 per cent of those units account for about 44 to 45 per cent of total incomes, or close to 10 times the amount received by the lowest 20 per cent of families and households (4.6% and 4.8%).

It is now well established that the cumulative effect of education and occupation accounts for the differences in individual incomes. In the 1986 ABS Income Distribution Survey, in the highest decile of earned income earners who were employed full-time over the previous year 70.7 per cent were the members of the three top occupational groups - managers and administrators, professionals and para professionals - this was 2.18 times the proportion of their representation (32.5%) of all full-time workers covered by the survey (ABS 1988, Catalogue No. 6546.0; see Table 2).

As far as family income is concerned, in two-parent families participation of both husband and wife in the labour force is an important factor in the level of income. In the 1986 Survey, the mean income of families with two partners in the labour force was recorded to be 30 per cent to 70 per cent higher than the mean income of families with only one partner in the labour force (Table 3). The differences were shown to be particularly great in the higher income levels: while 27.3 per cent in the former group recorded weekly income over $850, only 7.3 per cent in the latter group recorded this level of income.

TABLE 2: GROSS ANNUAL EARNED INCOME DECILES 1985 - 1986
FULL-YEAR, FULL-TIME WORKERS
(% of earned incomes)

Occupational Groups	All Persons	Lowest 1 -3	Middle 4 - 6	High 7 - 9	Highest Decile
All persons (N = '000)	**4743**	**1405**	**1441**	**1424**	**473**
Managers & Administrators	13.1	14.7	6.3	11.6	33.0
Professionals	12.8	3.8	6.3	22.5	29.7
Para-professionals	6.6	2.4	5.6	11.2	8.0
Tradespersons	19.7	22.1	23.6	17.2	7.6
Clerks	15.9	16.7	22.0	12.6	5.1
Sales & Personal Services	9.4	15.7	8.3	6.2	3.7
Plant operating, drivers	9.9	8.7	11.1	10.5	8.2
Labourers & related	12.2	16.0	16.1	7.1	4.2
Defence	0.5	x	x	x	x

Source: ABS (1988) **1986 Income Distribution Survey, Persons with Earned Income, Australia,** Catalouge No. 6546.0.

TABLE 3: MARRIED COUPLE INCOME UNITS AND EMPLOYMENT, SEPTEMBER - DECEMBER 1986
(N = '000)

Gross Weekly Income ($)	All Income Units (one or both in Labour Force)			One in Labour Force			Both in Labour Force		
	N	%	% cum.	N	%	% cum.	N	%	% cum.
All Units	**3042**	**100.0**	**100.0**	**1209**	**100.0**	**100.0**	**1833**	**100.0**	**100.0**
1 - 249	325	10.7	10.7	210	17.4	17.4	115	6.3	6.3
250 - 449	716	23.5	34.2	455	37.6	55.0	261	14.2	20.5
450 - 649	831	27.3	61.5	332	27.5	82.5	499	27.2	47.7
650 - 849	582	19.1	80.6	123	10.2	92.7	459	25.0	72.7
850 - 1049	311	10.2	90.8	46	3.8	96.5	265	14.5	87.2
1050 +	277	9.1	99.9	42	3.5	100.0	235	12.8	100.0
N without dependent children	1145	37.6		422	34.9		723	39.4	
- Median income ($)				381			688		
- Mean income ($)				435			735		
N with dependent child(ren)	1897	62.4		787	65.1		1110	60.6	
- Median income									
- 1 child				435			683		
- 2 or more				460			622		
- Mean Income									
- 1 child				466			757		
- 2 or more				524			684		

Source: ABS (1987) **1986 Income Distribution Survey Australia**, Preliminary Results, Catalouge No 6545.0

THE LABOUR MARKET

The labour market has always been a source of inequality as organisation of production has always been hierarchical. Over the recent years, and certainly since the mid 1970s, the trend in Australia has been towards greater inequality, not only in wages and salaries but also in other aspects of employment, both quantitative and qualitative. Some of these are not easily measurable or even identifiable because often there is no access to relevant data, or a particular feature is not considered relevant and is not included as a variable in the analysis. Of necessity, only some issues of inequality are mentioned here: unemployment, wage and salary differentials, part-time work, employment benefits, and security of employment.

Unemployment: Certainly, over the past five years unemployment has decreased from 684.1 thousand or 9.9 per cent of the labour force in August 1983 to 538.8 thousand or 6.8 per cent of the labour force in August 1988. This reduction has been achieved despite an increase in participation rates from 59.8 per cent to 61.7 per cent. Hypothetically, had the participation rates remained at the 1983 level and employment had risen as it has, there would have been 242.4 thousand fewer people unemployed in August 1988 (1.9 per cent of 12,759.6 thousand population 15 years and over). However, while unemployment has decreased, the average (mean) duration of unemployment per person has increased over this period from 41.6 weeks to 51.5 weeks (23.8%). The median duration has decreased from 26 to 22 weeks, these changes indicating clearly that unemployment has become increasingly entrenched among certain sections of the labour force; there might be fewer unemployed but more people who are more or less 'permanently' unemployed.

Wage and salary differentials: The differences in wages and salaries have grown for a number of reasons. Changes in the structure of industry and occupations has led to the growth of professional and other white-collar occupations and to a decline in certain manual trades, with corresponding differentials in wage and salary structure. Salaries of executives and management personnel, not being subject to control by wage-regulating bodies, have grown well above the growth of incomes at the lower levels of wage and salary structure. Apart from direct salaries, senior personnel are usually offered 'remuneration packages' and other fringe benefits arranged so as to minimise income tax. In contrast, employees whose wages and salaries are controlled by state authorities have suffered a decline in real incomes.

Part-time work: For some, part-time employment offers a flexibility which they want, to be able, for example, to combine employment with other pursuits. For others, part-time employment is the only employment available or the only employment they can take because of other obligations, such as care of children. On latest indications (August 1988) 20.1 per cent of all employed persons were working part-time (men, 7.0%; women, 39.5%). In 1966, 9.8 per cent of all employed persons worked part-time (men, 3.7%; women, 24.0%). Part-time work, being prevalent in service industries, has effectively lowered the minimum wage levels, thus increasing the inequality of wage structure.

Employment benefits: Some 30 years ago Titmuss defined employment benefits as a 'concealed multiplier of occupational success'. The violent reaction in Australia to the introduction of fringe benefits tax (FBT) was a clear indication of the extent to which employment benefits had become a concealed (and usually tax-free) form of income. In an earlier study (Jamrozik et al., 1981) we had indicated that the value of employment benefits might have ranged from nought to 30 per cent or more of a person's salary. This issue cannot be pursued here but to mention superannuation alone, the ABS Survey in 1986 (ABS 1987, Catalogue 6334.0) indicates that close to 40 per cent of employees had some form of superannuation but the frequency was extremely variable, according to gender (men, 49.2%; women, 25.2%), occupation, length of service, age, and the level of wage or salary (see Table 4).

Security of employment: This has now become an extremely relative concept. By and large, employment in the public sector still offers a comparative security of employment and the concept of permanent appointment still applies. There is, however, a move towards more term appointments, especially in educational institutions. In the private sector, security of employment has become a tenuous concept, and in certain industries seasonal and casual employment at the lower levels of organisational structure has become a norm.

TABLE 4: EMPLOYEES WITH SUPERANNUATION, AUSTRALIA, AUGUST 1986
(N = '000)

Occupation/ Income	Persons			Men			Women		
	Employed N	With Super N	%	Employed N	With Super N	%	Employed N	With Super N	%
All Employed	**5683**	**2237**	**39.4**	**3361**	**1653**	**49.2**	**2322**	**584**	**25.2**
Occupations									
Managers & Administrators	345	206	59.7	293	185	63.1	53	21	39.6
Professionals	726	404	55.6	424	278	65.6	302	126	41.7
Para-professionals	388	198	51.0	217	158	72.8	171	39	22.8
Tradespersons	911	338	37.1	825	328	39.8	87	11	12.6
Clerks	1084	496	45.8	303	215	71.0	781	281	36.0
Sales & Personal Services	811	137	16.9	285	88	30.9	527	49	9.3
Plant, Machine, Drivers	462	193	41.8	378	177	46.8	84	16	19.0
Labourers & Related	955	266	27.9	637	224	35.2	319	42	13.2
Income pw ($)									
Under 120	539	17	3.2	157	7	4.5	382	9	2.4
120 - under 200	595	64	10.8	201	29	14.4	394	35	8.9
200 - under 280	944	224	23.7	418	119	28.5	526	105	20.0
280 - under 360	1323	543	31.0	815	364	44.7	508	178	35.0
360 - under 440	882	452	51.2	640	345	53.9	242	107	44.2
440 - under 520	562	336	59.8	425	266	62.6	137	70	51.1
520 - under 600	353	242	68.6	280	198	70.7	74	45	60.8
600 +	484	358	74.0	426	323	75.8	59	35	59.3

Source: ABS (1987) **Employment Benefits, Australia, August 1986**, Catalogue No. 6334.0

CONSUMPTION PATTERNS

With a growing inequality in the distribution of income there has been a corresponding diversity - quantitative and qualitative - in consumption patterns. On average, with a growing affluence expenditure on 'necessities' has decreased, but now for many people 'necessities' have become 'luxuries', notably cars and housing. A recent study of expenditure patterns in the ABS 1984 Household Expenditure Survey by Whiteford, Bradbury and Saunders (1988) indicates the extent of diversity of consumption, suggesting considerable diversity in lifestyles. This issue cannot be explored here, but it needs to be pointed out that inequalities in consumption patterns exist not only in the consumption of goods and services produced by the market but also in the consumption of goods and services provided by the state, such as education, health and child care.

EDUCATION

The feature of Australian education is the dichotomous system of public and private schools. Since the mid-1970s the trend in student enrolment has been towards the private schools, especially at the secondary level (Table 5). From 1976 to 1987 enrolments in all schools increased by only 1.5 per cent: in public schools enrolments actually decreased by 6.1 per cent but they increased by 30.1 per cent in private schools. There is evidence that increasingly people who themselves had gone through the public education system and have since then become affluent now send their children to private schools (Pakula 1988; Susskind 1988), believing that private schools offer their children a better preparation for tertiary study and for later life. That this might be so is indicated by the data on transition from school to tertiary education or to working life (Tables 6 and 7). As shown in these two tables, of the 243.9 thousand persons 15 to 24 years of age who left school in 1982, 77.0 per cent attended public schools and 23 per cent private schools. However, attendance at tertiary and other post-secondary institutions in the following year changed to 68.2 per cent and 31.8 per cent, and university enrolments were 53.8 per cent and 46.2 per cent, respectively. By 1986 these proportions changed only very marginally. A similar situation is evident among those persons who entered the labour force after they left school: students from private schools had higher rate of full-time employment and lower rate of unemployment, although the differences were less pronounced than among those who continued with their education.

Tertiary enrolments have increased considerably over the past decade and the numbers of men and women are now approaching close to parity (Table 8). This is consistent with the trends in secondary education where the retention rates to Year 12 have been higher among women than among men for the same years (52.1% and 45.6% respectively, in 1986).

Education is now more than ever an important factor in a person's position in the labour market. As shown earlier (Table 2) employed professionals account for a high proportion of income earners in the highest decile, and persons with tertiary degrees are prominent among them. Also, persons with post-school qualifications, and especially those with degrees, have higher-than-average participation rates in the labour force, higher rates of full-time employment, lower rates of unemployment and, if unemployed, a shorter duration of unemployment. These advantages are evident in both sexes but are particularly prominent among women (Table 9).

HEALTH

We have not yet done much research on health services to state with a high degree of certainty the extent of inequality in this area. (Some research on this issue has now been done and some is in progress; Boland 1988.) It is now well documented that morbidity and mortality rates are directly related to social class: people in the lower social strata suffer more from such conditions as heart disease, cardio-vascular disease and lung cancer; their life span is also shorter than that of the people in the higher social strata (McGregor 1987). On the other hand, people in the higher social strata spend more on health services. While this apparent paradox may be explained by a number of factors, including a fee-for-service system in the private sector and the growing entrepreneurship of the medical profession (Simpson 1988), differences in the expenditure on health mean expenditure on different services. Increasingly in the more affluent areas many services of recreational and preventive nature are provided under the auspices of health services. For example, a study of adult education programs provided in five local government areas of Sydney (Errey and Vojsk 1984) found that many programs provided courses in adult leisure activities under the auspices of and with funds provided by health

TABLE 5: COMMONWEALTH GOVERNMENT EXPENDITURE ON SCHOOLS, STUDENT ENROLMENTS AND TEACHING STAFF, 1976-1987

Commonwealth Expenditure Student Enrolments Teaching Staff	1976-77		1982-83		1987-88		Change 1976-77/ 1987-88
	N	%	N	%	N	%	%
Total Expenditure (M$)[1]	**1109.6**	**100.0**	**1184.0**	**100.0**	**1166.3**	**100.0**	**+5.1**
Government schools	728.3	65.6	559.6	47.3	561.5	48.1	-22.9
Non-government schools	314.9	28.4	549.4	46.4	588.5	50.5	+86.9
Joint programs	38.7	3.5	38.3	3.2	17.9	1.5	-53.7
Other expenditure	27.8	2.5	36.8	3.1	0.2	0.0	-99.3
Recoveries	-	-	-	-	1.7	0.1	-
Student Enrolments (000)[2]							
All Schools	**2947.1**	**100.0**	**2994.6**	**100.0**	**2992.4**	**100.0**	**+1.5**
- Primary schools	1828.9	62.1	1849.0	61.7	1692.5	56.6	-7.5
- Secondary schools	1118.1	37.9	1145.7	38.3	1299.9	43.4	+16.3
- All govt schools	2323.2	78.8	2283.0	76.2	2180.6	72.9	-6.1
- All non-govt schools	623.9	21.2	711.7	23.8	811.8	27.1	+30.1
Primary Schools	**1828.9**	**100.0**	**1849.0**	**100.0**	**1692.5**	**100.0**	**-7.5**
- Government schools	1475.0	80.6	1454.9	78.7	1275.8	75.4	-13.5
- Non-govt schools	354.0	19.4	394.1	21.3	416.7	24.6	+17.7
Secondary Schools	**1118.1**	**100.0**	**1145.7**	**100.0**	**1299.9**	**100.0**	**+16.3**
- Government schools	848.2	75.9	828.1	72.3	904.8	69.6	+6.7
- Non-govt schools	269.9	24.1	317.6	27.7	395.1	30.4	+46.4
Teaching Staff[3]							
All Teaching Staff	**159368**	**100.0**	**181452**	**100.0**	**196722**	**100.0**	**+23.4**
Government schools	129668	81.4	142157	78.3	148334	75.4	+14.4
Non-govt schools	29700	18.6	39295	21.7	48388	24.6	+62.9

1. At constant prices (1980-81 = 100.0); 1976 = 64.4; 1982 = 114.5; 1987 = 167.2
2. Student enrolments for calendar years 1976, 1982, 1987.
3. Teaching staff for calendar years 1976, 1982, 1986.

Source: Commonwealth Government, **Budget Papers, Paper No. 1**; 1978-79, 1983-84, 1988-89.
Department of Employment, Education and Training (1987) **Schooling in Australia: Statistical Profile No. 1**, Canberra, AGPS.

TABLE 6: PERSONS 15 TO 24 YEARS WHO ATTENDED SCHOOL IN 1982/1985 ATTENDING A TERTIARY INSTITUTION IN MAY 1983/1986

Activity in May 1983/1986	Schools attended in 1982/1985 (1) All Schools N('000)	%	(2) Government Schools N('000)	%	% of (1)	(3) Non-Government Schools N('000)	%	% of (1)
May 1983								
All who attended in 1982	**243.9**	**100.0**	**187.9**	**100.0**	**77.0**	**56.0**	**100.0**	**23.0**
Attending in May 1983	94.1	38.6	64.2	34.2	68.2	29.9	53.4	31.8
- University	18.6	7.6	10.0	5.3	53.8	8.6	15.4	46.2
- CAE	16.5	6.8	10.0	5.3	60.6	6.5	11.6	39.4
- TAFE	48.7	20.0	37.2	19.8	76.4	11.5	20.5	23.6
- Other	10.4	4.3	7.1	3.8	68.3	3.3	5.9	31.7
Not attending	149.8	61.4	123.7	65.8	82.6	26.1	46.6	17.4
May 1986								
All who attended in 1985	**301.0**	**100.0**	**232.9**	**100.0**	**77.4**	**68.1**	**100.0**	**22.6**
Attending in May 1986	124.5	41.4	87.8	37.7	70.5	36.7	53.9	29.5
- University	27.7	9.2	15.2	6.5	54.9	12.5	18.4	45.1
- CAE	21.0	7.0	13.2	5.7	62.9	7.8	11.5	37.1
- TAFE	61.6	20.5	49.9	21.4	81.0	11.7	17.2	19.0
- Others	14.1	4.7	9.6	4.1	68.1	4.5	6.6	31.9
Not attending	176.5	58.6	145.1	62.3	82.2	31.4	46.1	17.8

Source: ABS (1983, 1986) **Transition from Education to Work, Australia**, Catalogue No. 6227.0

TABLE 7: PERSONS 15 TO 24 YEARS WHO ATTENDED SCHOOL IN 1982/1985 NOT ATTENDING SCHOOL OR TERTIARY INSTITUTION IN MAY 1983/1986

Activity in May 1983/1986	Schools attended in 1982/1985 (1) All Schools N('000)	%	(2) Government Schools N('000)	%	% of (1)	(3) Non-Government Schools N('000)	%	% of (1)
May 1983								
All not attending	**149.8**	**100.0**	**123.7**	**100.0**	**82.6**	**26.1**	**100.0**	**17.4**
In labour force	138.3	92.3	114.0	92.2	82.4	24.3	93.1	17.6
Employed	98.1	65.5	78.2	63.2	79.7	19.9	76.2	20.3
- Full-time	79.2	52.9	62.5	50.5	78.9	16.7	64.0	21.1
- Part-time	19.0	12.7	15.7	12.7	82.6	3.2	12.3	16.8
Unemployed	40.2	26.8	35.8	28.9	89.1	4.4	16.9	10.9
Not in labour force	11.5	7.7	9.7	7.8	84.3	1.8	7.0	15.7
May 1986								
All not attending	**176.5**	**100.0**	**145.1**	**100.1**	**82.2**	**31.4**	**100.0**	**17.8**
In labour force	163.3	92.5	133.0	91.7	81.4	30.3	96.5	18.6
Employed	124.8	70.7	99.2	68.4	79.5	25.6	81.5	20.5
- Full-time	109.5	62.0	87.0	60.0	79.5	22.5	71.7	20.5
- Part-time	15.3	8.7	12.2	8.4	79.7	3.1	9.9	20.3
Unemployed	38.5	21.8	22.8	23.3	87.8	4.7	15.0	12.2
Not in labour force	13.2	7.5	12.1	8.3	91.7	1.1	3.5	8.3

Source: ABS (1983, 1986) **Transition from Education to Work, Australia**, Catalogue No. 6227.0

TABLE 8: CHANGES IN POST-SECONDARY EDUCATION, AUSTRALIA, 1976-1986
(N = '000)

Institution	1976		1986		Increase 1976-1986	
	N	%	N	%	N	%
All post-secondary enrolments	**539.7**	**100.0**	**739.3**	**100.0**	**199.6**	**37.0**
- Men	325.2	60.3	396.6	53.6	71.4	22.0
- Women	214.5	39.7	342.7	46.4	128.2	59.8
- Universities and CAEs	271.4	50.3	326.3	44.1	54.9	20.2
- TAFE and others	268.3	49.7	413.1	55.9	144.8	54.0
Men						
All enrolled	**325.2**	**100.0**	**396.6**	**100.0**	**71.4**	**22.0**
Universities and CAEs	160.2	49.3	165.6	41.8	5.4	3.4
TAFE and others	165.0	50.7	231.0	58.2	66.0	40.0
Women						
All enrolled	**214.5**	**100.0**	**342.7**	**100.0**	**128.2**	**59.8**
Universities and CAEs	111.1	51.8	160.7	46.9	49.6	44.6
TAFE and others	103.4	48.2	182.0	53.1	78.6	76.0
Enrolments as % of 17-24 year age groups						
All enrolments		29.6		36.1		6.5
- Men		35.3		38.2		2.9
- Women		23.8		34.0		10.2

Note: Includes full-time and part-time enrolments

Source: ABS (1988) **Australia in Profile: Census 86**, Catalogue No. 2502.0

TABLE 9: EDUCATIONAL ATTAINMENT AND LABOUR FORCE STATUS FEBRUARY 1987

Characteristics	The Labour Force			
	Total Labour Force*	With Post-School Qualifications		Without Post-School Qualifications
		Total	With Degrees	
Total Labour Force ('000)	7697.8	3420.4	712.9	4116.5
Total Labour Force (%)	100.0	44.4	9.3	53.5
Men				
In Labour Force ('000)	4626.3	2189.5	471.3	2365.7
Participation Rate (%)	75.9	83.5	88.6	74.3
Employed	4230.9	2091.9	456.8	2086.1
Employed Part-Time (%)	6.4	4.1	4.4	6.7
Unemployed ('000)	395.4	97.6	14.5	279.6
Unemployment Rate (%)	8.5	4.5	3.1	11.8
Duration of } - Mean	56.7	53.2	50.0	60.5
Unemployment (Weeks) } - Median	20.0	17.0	13.0	24.0
Women				
In Labour Force ('000)	3071.5	1230.9	241.6	1750.9
Participation Rate (%)	48.9	64.6	75.6	42.7
Employed ('000)	2767.3	1147.7	230.4	1553.5
Employed Part-Time (%)	38.0	33.1	22.6	38.9
Unemployed ('000)	304.2	83.2	11.1	197.3
Unemployment Rate (%)	9.9	6.8	4.6	11.3
Duration of } - Mean	33.2	23.2	19.9	39.8
Unemployment (Weeks) } - Median	10.0	8.0	11.0	13.0
Change 1979-1987				
All Employed Persons ('000)	+ 963.6	+ 996.9	+ 262.2	- 85.7
All Employed Persons (%)	+ 16.0	+ 44.4	+ 61.7	- 2.3
All Employed Men ('000)	+ 330.9	+ 516.3	+ 143.2	- 209.2
All Employed Men (%)	+ 8.5	+ 32.8	+ 45.7	- 9.1
All Employed Women ('000)	+ 632.7	+ 480.6	+ 119.0	+ 123.5
All Employed Women (%)	+ 29.6	+ 72.0	+ 106.8	+ 8.6

Source: ABS (1988) **Labour Force Status and Educational Attainment, February** 1986; 1987; Catalogue No. 6235.0

* Total Labour Force includes persons 15-20 years still at school.

authorities, both Commonwealth and States. Some of these programs charged fees and others were free but most participants in them were defined by the researchers as fairly affluent middle class people. Indeed, the current health promotion program of the Eastern Health Service (1988) located in a public hospital in a Sydney suburb offers such courses as aerobics, assertive communication skills, China for travellers, various languages, dance, scuba diving, and natural good looks - for all occasions. Courses range from two-day workshops to nine weeks and fees range from $36 to $295, most fees being between $40 and $80. It is doubtful whether people on low income can afford the cost or the time to take advantage of these health services.

CHILD CARE AND OTHER SERVICES

The issue of child care services has been researched and reported at length by the Social Welfare Research Centre (Sweeney and Jamrozik 1982, 1984; Jamrozik, Drury and Sweeney 1986). As analysed in these studies and confirmed by the data generated by the Office of Child Care itself in 1986 (Department of Community Services 1987), the users of child care services, which are heavily subsidised by the Commonwealth and State governments, come predominantly from the more affluent middle-class families. In fact, the policy of the present Commonwealth government of giving priority of access to child care to working parents has made child care services into a form of occupational welfare benefiting mainly the two-income relatively affluent families - a significant contribution to their social wage.

Other services: It is beyond the scope of this paper to examine the distribution, access to, and use of, a range of public provisions which facilitate people's social functioning and enhance the quality of their lives. It needs to be noted, however, that no great amount of research is needed to demonstrate that many such services which are provided or subsidised by governments, for example, tourist facilities, libraries, cultural activities and recreation facilities are used to advantage by the more affluent sections of the society.

SPATIAL DISTRIBUTION OF INEQUALITY

Social inequality tends to be multidimensional, exercising a cumulative or multiplier effect on the affected sections of the population (United Nations 1978). As has been demonstrated earlier in this paper, there is a close relationship between educational attainment and the performance in the labour market, and educational attainment is related to the public/private dichotomy of the Australian education system. The causative links are clearly visible, although which factor causes which is not always clear, as Western (1983) has argued. The best that can be said here is that an interplay of a number of factors, including the time factor, produces a cumulative effect of inequality which is a characteristic feature of a class society.

The cumulative effect of inequality can be seen in the distribution of population characteristics in the urban environment. Everyone knows about 'good' suburbs and 'bad' suburbs. 'Good' suburbs have trees, parks, private schools, big houses, usually good public transport and Conservative party members in parliament. 'Bad' suburbs have fewer trees and parks, public schools with concrete yards, poor public transport, smaller houses, and Labor party representatives who do not always live in the suburb.

As an example of spatial distribution of population characteristics Table 10 gives some data recorded in the 1986 Census, for New South Wales, for two affluent suburbs in Sydney and for two 'poor' suburbs. The inequalities in the distribution of income, educational qualifications, occupation, unemployment rates, and birthplace clearly indicate two different social and economic worlds in one city. The data in Table 10 refer to individuals, and it may be expected that if the data were aggregated at the level of family units the inequalities would be shown to be far greater.

TABLE 10: SOME COMPARISONS OF DEMOGRAPHIC AND SOCIO-ECONOMIC DATA SELECTED LGAS IN SYDNEY METROPOLITAN AREA, 1986 CENSUS
(per cent)

Characteristics	All NSW	High SES LGAs		Low SES LGAs	
		Kuring-gai	Woollahra	Botany	Fairfield
Population					
- 0 - 14 years	23.1	21.6	13.8	20.5	26.2
- 65 + years	11.0	13.0	16.3	11.4	6.2
Birthplace:					
- Australia	77.9	75.6	62.7	54.3	52.7
- UK and Ireland	6.0	7.6	8.1	4.6	4.2
- Others	16.1	16.8	29.2	41.1	43.1
Individual Income p.a.					
- 0 - 15000	61.1	49.6	42.4	62.8	64.3
- 15000 - 26000	23.2	20.8	25.4	26.0	24.6
- 26001 - 50000	8.4	17.4	15.9	4.3	4.1
- 50001 +	1.0	7.1	6.5	0.2	0.2
Educational Qualifications					
- Degree of higher	5.1	17.5	17.1	2.6	1.6
- Other post-school	26.6	30.4	25.2	21.2	22.0
Labour force participation					
- Men	73.4	73.3	72.0	71.7	76.4
- Women	46.2	47.8	53.1	46.6	46.5
Unemployment					
- Men	9.9	3.1	6.7	10.3	15.1
- Women	10.3	4.0	6.7	10.8	19.3
Hours worked: 35 + pw.					
- Men	85.7	85.1	81.6	85.4	87.1
- Women	60.3	48.7	63.2	69.0	68.9
Occupation					
- Professional	12.2	28.1	26.2	5.8	4.8
- Top 3 groups	29.7	54.0	49.7	13.7	13.8
- Labourer & related	14.3	4.0	4.8	23.2	21.8

Source: **ABS (1988) Census 1986: Profile of Legal Local Government Areas New South Wales,** Catalogue No. 2470.0.

ETHNICITY

In 1986, 21.1 per cent of Australian population was born overseas (22.1% in NSW), and it has been estimated that four out of ten persons living in Australia today were either born overseas or have at least one parent who was born overseas. In capital cities, except for Brisbane and Hobart, that proportion is about 50 per cent (Collins 1988). There are certainly socio-economic and class differences among various ethnic groups but these cannot be discussed here at any great length. Clearly, there are differences between business immigrants and refugees and between immigrants from affluent countries and less affluent. The length of stay since immigration is also an important factor.

As it was shown earlier (Table 10) the localities of low socio-economic status have a high proportion of people born overseas and in non-English speaking countries. These are likely to be the relatively recent immigrants but not exclusively so. Nevertheless, throughout Australia the immigrants from non-English speaking countries tend to be overrepresented in the low socio-economic suburbs.

As far as access to resources is concerned, the position of the ethnic minority groups is, in general:

1. They are overrepresented in certain industries and occupations. In 1986 (August) overseas-born persons accounted for 25.6 per cent of all employed persons but in manufacturing industries they accounted for 37.0 per cent and in construction for 29.2 per cent. Correspondingly, they were overrepresented in trades (28.2%), labouring and related occupations (30.7%), and plant operators and drivers (31.6%). The lowest representation was in agriculture (11.4%) and public administration (21.2%) and in managerial, administrative jobs (22.8%) and clerical occupations (20.7%) (ABS 1986, Catalogue No. 6203.0).

2. They are underrepresented in the use of formal child care: while accounting (in 1984) for 23.1 per cent of families with children under 12 years, they accounted for 17.5 per cent of families using formal child care (ABS 1986, Catalogue No. 4402.0). In government funded child care centres their representation is even lower - 6.3 per cent (Department of Community Services 1987).

3. Length of time since immigration is a relevant factor in employment/unemployment and in the overall position in the social structure.

THE ABORIGINAL COMMUNITY

The 1986 Census recorded 227,645 Aborigines and Torres Strait Islanders, accounting for 1.5 per cent of the total Australian population. Most of these (62.9%) lived in cities with a population over 100,000, and only 14.6 per cent lived in rural areas.

The social position of Aborigines is one of the great unresolved issues in social policy. Although the Commonwealth government acquired constitutional power to legislate on Aboriginal issues in 1967, the progress in this area has been extremely slow, and State governments have been on the whole extremely resistant to any changes which would restore the Aboriginal population to a full citizenship. Carson and Kerr (1988:70-82) have recently observed:

> *The conditions of the Aboriginal Community in Australia today resembles that of a third world nation living on the fringes of one of the wealthiest countries in the world. Their life expectancy is 20 years less; their infant mortality three times higher; their unemployment six times the national average; their rate of imprisonment ten times higher and the number of deaths in police custody 100 times greater than the white population.* (1988:79)

Similar views of concern are frequently expressed by visitors to Australia, recently by Erica Daes (1988) who is the Chairperson of the UN Working Group on Indigenous Population. The morbidity and mortality rates of Aborigines are well documented (Sykes 1988), and the living conditions of Aborigines, especially those on the fringes of country towns become subject of public debate at regular intervals but without much change. The mounting numbers of deaths of Aborigines in police custody and the most recent upheaval in the Department of Aboriginal Affairs in Canberra indicate that the situation of Aborigines in Australia remains as bad as ever.

INEQUALITY AND SOCIAL POLICY

The image of Australian society presented in this paper is one of social and economic inequality. A question thus arises as to what extent is this inequality due to forces beyond the control of government, or is it due to inactivity of the government in the area of social policy. Or, do the social policies pursued by governments contribute to and/or create social and economic inequality?

The position taken in this paper is that inequality occurs in any society and it is certainly inherent in a society based on a capitalist market economy. In Australia, it can be demonstrated that the policies of successive Commonwealth governments, especially the previous and the current government, have done little to alleviate inequalities generated in the market, and in some areas have contributed to the growth of inequality, for ideological, economic and especially political reasons.

In Australia, the year 1976 (or December 1975, to be more specific) was a watershed in government social policy. It was also a watershed in the ethos, or in the illusion of such an ethos, of Australia as an egalitarian society. Since then, inequality has been made to be economically necessary, politically expedient, 'scientifically' respectable and morally acceptable. This change was actively promoted by the Conservative government from 1976 to 1983, and the change in policy as well as in public attitudes since then has been only marginal; in some areas the policy of inequality has been strengthened, notwithstanding the rhetoric of a fair society propounded by the government.

The change of government in 1975 was also a watershed in thinking about the welfare state in terms of universalism. Since that time the feature of social policy has been selectivity and in some areas residualism. During the seven years of Conservative government this direction became well established; the only area of social expenditure in which outlays were increased was social security and welfare, caused by a growth of unemployment, increase in family separation and divorce, and the ageing population of war veterans (Table 11).

The Labor party came to power in March 1983 with a policy of corporatist consensus, based on the Accord reached with the Australian Council of Trade Unions (ACTU). The foundation of the Accord was the belief that economic and social policies and objectives were interrelated, that the achievement of social objectives depended on economic performance, and that a restraint by the trade unions in wages demands would be compensated by the government's taxation policies and maintenance of expenditure on services which were parts of the social wage, namely, health, education, child care.

The restraint by the trade unions has certainly been maintained and the value of real wage income has declined. At the lower end of the occupational structure the concept of a minimum wage has been effectively lost through the increase in part-time employment. At the top end of income distribution incomes have increased well above the average, through sophisticated remuneration packages and in the capital market through various forms of gains which are not considered to be income. Inequality in income distribution also increased substantially through the growth of two-income families among high-income professionals and a relatively slower growth of two-income families among manual workers (Tables 12 and 13).

Undoubtedly, the government has been fairly successful in reviving the economy, although the revival continues to be rather fragile and vulnerable to the vagaries of the world market. Improvement in the economic performance has also been achieved at the cost of greater social and economic inequality. It appears evident that the pursuit of a 'free' market economic policy leads to certain predictable outcomes which are extremely difficult and probably impossible to correct without imposing restraint on market activities.

What has happened to the social policy of the Labor government? Writing recently about 'social welfare down under', Carson and Kerr (1988:70-82) point to the high degree of similarity between the policies of the Hawke Labor in Australia and Thatcher Conservatives in Britain. They observe that in both countries the restructuring of the welfare state has followed a similar direction, namely,

> *... a reduction in state expenditure; redistribution from the public to the private, and from the working class to the rich; privatisation of state assets; increased selectivity and redistribution of social services; centralisation of state control over social services; and shifting remaining state services to more explicitly meet the needs of the market economy.* (1988:81)

TABLE 11: COMMONWEALTH GOVERNMENT SOCIAL EXPENDITURE, 1976-77/1987-88
(M$ in Constant Prices)*

Population, GDP Expenditure	Year 1976-77	1982-83	1987-88	Change (%) 1976-77/ 1982-83	1982-83/ 1987-88	1976-77/ 1987-88
Population	**14033083**	**15184247**	**162248836**	**+8.2**	**+7.0**	**+15.8**
Gross Domestic Product	**129214**	**145700**	**174574**	**+12.8**	**+19.8**	**+35.1**
Total Budget Outlay	**37458**	**42779**	**47108**	**+14.2**	**+10.1**	**+25.8**
- Social Expenditure	18930	19850	23251	+4.9	+17.1	+22.8
- Education	3432	3321	3417	-3.2	+2.9	-0.4
- Health	3949	2991	4954	-24.3	+65.6	+25.4
- Social Security & Welfare	9887	12325	13435	+24.7	+9.0	+35.9
- Housing	852	646	777	-24.2	+20.3	-8.8
- Community Amenities	411	110	48	-73.2	-56.4	-88.3
- Culture and Recreation	399	457	618	+14.5	+35.2	+54.9
Social Security & Welfare	**9887**	**12325**	**13435**	**+24.7**	**+9.0**	**+35.9**
- Aged	3978	4362	4230	+9.7	-3.0	+6.3
- Veterans & Dependants	1023	1494	1865	+46.0	+24.8	+82.3
- Handicapped	902	1087	1484	+20.5	+36.5	+64.5
- Widows and Single Parents	842	1298	1511	+54.2	+16.4	+79.5
- Families	1641	1271	1102	-22.5	-13.3	-32.8
- Unemployed & Sick	1161	2298	2414	+97.9	+5.0	+107.9
- Other Welfare & Administration	338	515	729	+52.4	+41.6	+115.7
Outlays as % of GDP						
Total Budget Outlays	29.0	29.4	27.0	+0.4	-2.4	-2.0
Social Expenditure	14.6	13.6	13.3	-1.0	-0.3	-1.3
Social Security & Welfare	7.7	8.5	7.7	+0.8	-0.8	0.0
Education	2.7	2.3	2.0	-0.4	-0.3	-0.7
Health	3.1	2.1	2.8	-1.0	+0.7	-0.3
Housing	0.7	0.4	0.4	-0.3	0.0	-0.3
Other Social Expenditure	0.6	0.4	0.4	-0.2	0.0	-0.2

* 1980-81 = 100.0; 1976 = 64.4; 1982 = 114.5; 1987 = 167.2

Source: Commonwealth Government, **Budget Papers, Paper No. 1**

TABLE 12: CHANGES IN OCCUPATIONAL STRUCTURE, AUSTRALIA, 1966-1985
(N = '000)

Occupation	1966		1985		Increase 1966-1985	
	N	%	N	%	N	%
All Persons Employed	**4824**	**100.0**	**6646**	**100.0**	**1822**	**37.8**
- Men	3366	69.8	4089	61.5	723	21.5
- Women	1458	30.2	2557	38.5	1099	75.4
- Married Women	761	15.8	1504	22.6	743	97.6
Employed in Occupations 1-3 [1]	**1532**	**100.0**	**2712**	**100.0**	**1180**	**77.0**
- Men	851	55.5	1268	46.8	417	49.0
- Women	681	44.5	1444	53.2	763	112.0
- Married Women	282	18.4	816	30.1	534	189.4
Professional Technical etc.	**473**	**100.0**	**1052**	**100.0**	**579**	**122.4**
- Men	279	59.0	576	54.8	297	106.5
- Women	194	41.0	476	45.2	282	145.4
- Married Women	71	15.0	275	26.1	204	287.3
All other Occupations [2]	**3292**	**100.0**	**3934**	**100.0**	**642**	**19.5**
- Men	2515	76.4	2821	71.7	306	12.2
- Women	777	23.6	1113	28.3	336	43.2
- Married Women	479	14.6	688	17.5	209	43.6

Source: ABS (1980) **The Labour Force Australia 1978**, Catalogue, No. 6204.0
ABS (1985) **The Labour Force Australia August, 1985**, Catalogue, No. 6203.0

1) Professional, Technical, etc; Administrative, Executive, Managerial; Clerical
2) Sales; Farmers; Transport and Communication; Trades, Labourers, etc; Service, Sport, Recreation.

TABLE 13: EMPLOYED PERSONS: OCCUPATION, MEN, WOMEN, MARRIED WOMEN, FULL-TIME WORK AND PART-TIME WORK, AUGUST 1966 AND 1985
(N = '000)

Occupation	(1) Men - All Employed N	%	(2) Women - All Employed N	%	(3) All Women Employed Full-time N	%	% of (2)	(4) Married Women N	%	% of (2)
1966										
All Occupations	**3366**	**100.0**	**1458**	**100.0**	**1109**	**100.0**	**76.1**	**761**	**100.0**	**52.4**
- Occupations 1-3	851	25.3	681	46.7	536	48.3	78.7	282	37.1	41.4
- Professional etc.	279	8.3	194	13.3	121	10.9	62.4	71	9.3	36.6
- Administrative etc.	282	8.4	48	3.3	38	3.4	79.2	38	5.0	79.2
- Clerical	290	8.6	439	30.1	377	34.0	85.9	173	22.7	39.4
- Occupations 4-8	2515	74.7	777	53.3	573	51.7	73.7	479	62.9	61.6
1985										
All Occupations	**4089**	**100.0**	**2557**	**100.0**	**1603**	**100.0**	**62.7**	**1504**	**100.0**	**58.8**
- Occupations 1-3	1268	31.0	1444	56.5	1012	63.1	70.1	816	54.3	56.5
- Professional etc.	576	14.1	476	18.6	321	20.0	67.4	275	18.3	57.8
- Administrative etc.	371	9.1	80	3.1	63	3.9	78.8	55	3.7	68.8
- Clerical	321	7.8	888	34.7	628	39.2	70.7	486	32.3	54.7
- Occupations 4-8	2821	69.0	1113	43.5	591	36.9	53.1	688	45.7	61.8

Source: ABS (1980) **The Labour Force Australia 1978**, Catalogue No. 6204.0
ABS (1985) **The Labour Force Australia 1985**, Catalogue No. 6203.0

The authors comment on the growing inequality in Australia in the distribution of income and wealth, noting that since Labor came to power in 1983 the numbers of millionaires have grown four-fold and the numbers of the poor have doubled. Furthermore, unlike the situation in Britain where the living conditions of the poor, the old and the unemployed have worsened under Thatcher but the conditions of those who are employed have improved, in Australia the wage earners themselves have suffered a decrease in the standard of living. Thus, not only the numbers of the poor have grown and their standard of living has worsened, but the standard of the average household remains below that when Labor took office.

An exaggerated criticism? Perhaps, but only to a degree. That the living conditions for low- and middle-income wage and salary earners have worsened over the nearly six years of Labor government is freely admitted by the government, with a usual sweetener that improvement is around the corner. Doubts have to be expressed whether a policy of 'fix the economy first', by freeing the market forces before social reforms can be undertaken is feasible in practice. A 'free' market economy is based on inequality and is therefore incompatible with a social policy which aims to achieve a degree of equality.

The policy of the Australian government has not been much concerned with reducing inequality. Rather, the expressed concern has been with the alleviation of poverty. It is unlikely that poverty can be alleviated without first reducing the extremes of inequality. Moreover, the measures adopted by the government towards alleviating poverty have the effect of making the inequalities generated in the market legitimate. For example, such measure as the Family Allowance Supplement (FAS) which is now available to low income families with dependent children legitimises low wages and is a tacit acceptance of the new 'working poor'. Furthermore, any potential reduction of inequality in income distribution through FAS has been more than offset by the reduction of income tax rates for high income earners.

In sum, the observation made by Carson and Kerr about state resources being shifted to meet the needs of the market economy appears to have considerable validity. There are no signs that this policy might be reversed, as even many of the recommendations made by the Social Security Review appear to be in line with this policy.

However, the social policy of the present Labor government does not appear to be determined by the restraint of the economy alone; it is also determined by political expediency, namely, a desire to maintain the voting allegiance of the middle classes, especially of the 'new' middle class of upward-mobile two-income professional families. Policies pursued in education and in family support are illustrative examples of this approach to social policy.

On education, back in 1982 the then Labor spokesperson on education, later Minister for Education, Susan Ryan, wrote in the **Australian Quarterly** on 'the cost of inequality',

> *1982 will be the first year that the non-government school program will absorb more federal funds than the government school program. Whatever justifications can be offered for this decision one thing is clear: it is a transfer of funds from a public school system which is accessible to all, to a private system accessible only to those who can pay fees and fulfil certain other criteria whose effects are exclusive. Far from representing any rationalisation of education resources this decision leads in a time of declining enrolments to a duplication of services. It militates against reform and improvement in public education. It will cause a decline in standards in the public sector and thus the creation of further inequalities.* (1982:275)

Despite this statement, in coming to office the Labor party has done little to alter the trend towards private schools. Although there have been some modifications in the allocation of funds to various degrees of schools, the proportion of federal funds allocated to private schools has continued to increase (see Table 5). It may be ascertained from this Table that in 1987-88 the Commonwealth allocated (in constant 1980-81 prices) $725 per student in private schools and $257 per student in public schools, a ratio of 2.82 to 1 in favour of the former, a slight change from 1982-83 when the ratio was 3.15 to 1. The data from the Department of Employment, Education and Training indicate that, on average, Commonwealth and State governments' contribution to private schools in 1985-86 amounted to $1,739 per student in Catholic schools and $1,302 per student in other private schools (1986 prices). The average cost per student in public schools for all States was $2,880 (DEET, 1987).

There is no doubt that the shift towards private schools and corresponding government support to private schools is not only socially divisive but one of the important factors in social and economic inequality.

Professor Anderson who has studied the developments in the Australian education system for some years has recently said,

> *The future of public education in Australia is uncertain because of the growing strength of private schools. There is a real danger of public schools being left with the educative and social tasks which private schools haven't taken such as [looking after] the handicapped, the poor and children in remote areas.*
>
> *As people become anxious about education ... and as the reputation, not the reality, of public schools declines, those people who would be agents of reform if they stayed, the influential, articulate and politically active, are leaving and depriving the system of leadership.* (Reported by Susskind, 25-10-88)

In family support, the government has expressed much concern about child poverty but its policies have continued the decline in family support which the previous government had initiated (Table 14). Despite the increase in allocation to children's services (child care) and introduction of Family Allowance Supplement, assistance to families was 13.2 per cent lower in 1987-88, in real terms, than in 1982-83 when the government took office, and 35.8 per cent lower than in 1976-77. It needs to be noted that while the introduction of Family Allowance Supplement is aimed to assist poor families, child care services tend to benefit more affluent two-income families. High-income, two-income families have also received income tax reductions well in excess of the value a poor family might receive via Family Allowance Supplement. Extreme poverty may be relieved but inequality is certainly not reduced.

CONCLUSION

I have examined in this paper the issue of inequality in access to resources in Australia, and have identified some of the dimensions of inequality which, when considered in their cumulative effect, give Australian society distinct features of a class society. Such a society is typical of a 'free' market economy, that is a capitalist economic system.

A question posed in this examination was whether the social policy pursued by the Australian government had any effect of alleviating the inequalities generated in the market economy, or whether it might be contributing to these inequalities. The conclusion that has to be reached is, first, that a pursuit of a policy of a 'free' market economy is incompatible with a social policy aimed at reducing inequality. The government has, in fact, done very little towards attempting to reduce inequality, notwithstanding the rhetoric of a fair society and social justice. Rather, the government has expressed a priority for reducing or even eliminating poverty, defined by the government primarily as child poverty. This in itself is a misnomer because child poverty is, first and foremost, family poverty, and policies towards the family do not appear to have been of great benefit to low-income families. The second conclusion, or rather a hypothesis, is that poverty cannot be eliminated without first reducing inequality.

The issues discussed in this paper raise questions about the relationship between economic policy and social policy, about universalism and selectivity in social policy, and about the relationship between policy makers and social analysts and researchers. I have discussed these issues in a number of papers (e.g. Jamrozik 1983, 1987, 1988) and will not repeat the argument here. However, it is appropriate to note that these issues received considerable attention at a conference held by the OECD in Paris in 1980 (OECD 1981). Among the range of views expressed at the conference by scholars and politicians the close interrelationship of social and economic policy was emphasised by a number of participants. For example, Dobell argued that the 'separation of economic policy from social policy is hardly feasible in principle' (1981:230) and that it was inappropriate to ask how far should social objectives intervene in the economy. The appropriate question to ask was 'to what extent market mechanisms are still capable of fulfilling the social functions earlier delegated to them' (1981:228).

TABLE 14: COMMONWEALTH GOVERNMENT ASSISTANCE TO FAMILIES, 1976-77/1987-88 (at Constant Prices $M)[1]

Families/Children Forms of Assistance	Year 1976-77	1982-83	1987-88	Change (%) 1976-77/ 1982-83	1982-83/ 1987-88	1976-77/ 1987-88
Family Allowances paid						
- **to families (000)**	**2051.5**	**2155.7**	**1948.2**	**+5.1**	**-9.6**	**-5.0**
- **for children (000)**	**4287.4**	**4293.8**	**3798.8**	**+0.1**	**-11.5**	**-11.4**
Assistance to Families	**1716.9**	**1270.3**	**1102.2**	**-26.0**	**-13.2**	**-35.8**
- Family Allowances	1595.0	1199.7	810.8	-24.8	-32.4	-49.2
- Maternity Allowances	10.7	-	-	-	-	-
- Children's Services	104.2	56.9	135.9	-45.4	+138.8	+30.4
- FIS/FAS	-	1.9	127.6	-	-	-
- Crisis accommodation	-	3.5	-	-	-	-
- Orphan's pension	-	3.2	1.5	-	-	-
- Child Disability Allowance	-	-	20.2	-	-	-
- Other	6.8	5.2	6.1	-23.5	+17.3	-10.3

1. 1980-81 = 100.0; 1976 = 64.4; 1982 = 114.5; 1987 = 167.2
2. Numbers of children and families as 30 June, 1977, 1983, 1988

Source: Commonwealth Government, **Budget Papers, Paper No. 1**
Department of Social Security, **Annual Reports**

An argument in favour of social policy based on the pursuit of equality was given by Eide who asserted that such a policy was, in fact, conducive to good economic performance. Eide argued

> *... equality, in terms of income, working conditions, influence and power, seems historically positively correlated with economic performance. Cross-country comparisons confirm the impression that a correlation exists. The constantly repeated hypothesis that high-tax levels and strongly progressive taxation have negative effects on investments or work performance is contradicted by both historical evidence and cross-country comparisons. The hypothesis seems to be one of the many myths produced to defend existing privileges.* (1981:258)

Another speaker, Peston, expressed doubts whether economic success was a necessary prerequisite for the implementation of social policies. He suggested, on the contrary, that economic performance might, in fact, depend on a well-founded social policy. As Peston stated,

> *It has been typically argued that social policies must be pursued on the basis of economic success that has already taken place. The role of the political process was to build on the economic, and be largely directed to offsetting the bad social effects of economic advance, although it might also have a positive role in pursuing various social goals. It is now apparent that the position has been reversed to some degree. The ability to make economic progress may depend on social policies and the guarantee of protection against extremely harmful effects of economic change. Far from politics being peripheral, a sort of superstructure built on the economy and supported by it, they become a necessary condition for economic developments which are not at all out of the ordinary.* (1981:101-101)

As to the issue of universalism and selectivity, the government has given up the notion of universalism and has instead decided on a policy of 'targeting' the social groups which it considers to be 'in need'. There is no evidence, despite the policy of targeting, that inequalities have been reduced. Selectivity and targeting are essentially remedial measures, aiming to alleviate the hardships generated in the market economy and in the mainstream institutions such as the education system. Analysts and researchers in social policy who have addressed the issue of inequality (ie Le Grand 1982; Miller 1985; Goodin and Le Grand 1987) have all come to the conclusion that remedial measures do not produce the desired results, and that inequalities have to be tackled in the universal manner in the market itself and in the mainstream institutions, that is, at the sources of inequality.

There is also a political effect of selectivity and targeting which weakens the support for such policies in the wider community. As expressed by Oyen,

> *Much can be said in favour of selectivity as opposed to universalism - whether the argument is based on the justice of redistribution or simply on cost saving - but the long-term effect of such a course is likely to weaken the loyalty of citizens who do not profit from it. They will turn to private solutions, while the less well off will again be left to fight for their own interest.* (1986:12)

Selective provisions work effectively when they are introduced in a universalist structure of services, as Titmuss argued some years ago. It is through such policies that social and economic inequality might be effectively reduced.

In sum, the pursuit of equality and of universalism in social provisions and access to resources are important goals and principles of the social-democratic welfare state. These goals and principles have been affirmed and re-affirmed many times by the social-democratic parties and governments, although in practice the pursuit of these goals has been present more often in the rhetoric rather than in actual policies.

These goals and principles are certainly not reflected in the social policy of the present Australian government. That policy is characterised by two distinct features. First, seeking solutions to economic problems through the pursuit of a 'free' market policy has lifted the country's economic performance but has also led to growing inequalities. Second, many issues of social policy are presented to the public as economic issues because their political nature is either not recognised or is denied. If issues which are inherently political are not solved politically they become 'economic' problems, and such depoliticisation of social issues has been a feature of this government.

This situation poses some important questions for social analysts and those conducting policy-relevant research about the relationship between research and policy-making. How close or distant that relationship should be is the subject of varied opinions but a proposition may be made that the closer that relationship becomes the more likely it is that the research will serve to legitimise government policy. This certainly seems to be the case in Australia today. The government seeks to set the agenda for debate and research; the government decides what the issues are and then seeks to validate the policy in the eyes of the public through social research. In fact, much of the welfare lobby and many non-government welfare organisations as well as some research-conducting bodies have been effectively drawn into government constituency. Lois Bryson has recently written,

> *Even bodies which usually act as critics, such as the Australian Council of Social Service, have abandoned the defence of broader and more progressive principles, and now are reduced to arguing only over 'how much' within the framework set by government.* (1988:32-35)

Bryson argues that the government has narrowed the debate to its comments about social justice, about 'eliminating child poverty by 1990', and about the most comprehensive review of social security ever. However, she points out that 'eliminating child poverty', even if it were feasible within the current policy, is only a limited aspect of social justice, and wider issues of social policy 'hardly get a sidelong glance' in the social security review. Concerning the review, Bryson observes,

> *It has been a painstaking exercise to examine carefully the details of the system of pensions and benefits and the needs of various special groups. For, while the information is potentially quite valuable, it is destined to finish up providing a firmer basis for more precise targeting.* (1988:32-35)

Bryson's view might not be universally shared but I think that it identifies one of the most important problems in social policy in Australia today - a problem which calls for attention from all persons who have some commitment to a social-democratic welfare state.

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NOTES TOWARDS THE DISTRIBUTIONAL CONSEQUENCES OF POLICY CHANGES

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INTRODUCTION

The study of the distributional consequences of recent policy changes is a research program in its own right. Alas, the present policy environment is antagonistic to serious research, perhaps more antagonistic than at any time since 1926 when the DSIR was founded. That means there is little useful research to use for such a paper as it risks the danger of being fragmentary rather than comprehensive, and open to misinterpretation.

In order to avoid the current fashion of opinion, servility, and superficiality as a substitute for serious independent analysis, this paper has set itself a limited task. Its main thrust is a review of the implicit objectives in much of the policy change and advocation, using the perspective of welfare economics. In particular it will become evident that much policy prescription which purports to be 'value free' is based upon values which may be self serving but are unlikely to reflect our traditional social objectives.

In addition the paper reports on some work which demonstrates that this issue is of considerable significance in the changing policy environment of recent years. It ends with a quick review of some research which indicates the limitations of the general framework which is used here, plus making the inevitable call for a sustained research effort.

THE OBJECTIVE OF EFFICIENCY

Here are some recent statements by a number of New Zealand economists, all of whom have had some impact on policies and the implementation of policy in recent years. In each the policy objective which is referred to is 'efficiency', or some related production concept such as wealth maximisation. In each the objective is presented as though there is no question of its validity, that everyone would adopt the objective, and in this sense the implicit or explicit assumption of the objective is value free.

> *A system of incentives and sanctions is created through the market system to encourage efficient use of resources. It is generally argued that competition provides a set of incentives to promote good performance and a number of sanctions to penalise inadequate performance. The extent to which economic efficiency is maximised depends substantially on transaction costs.* (Deane, 1988)
>
> *economic efficiency should be the rationale underlying competition law.* (Jennings and Begg, 1988)
>
> *Intervention in 'market' economies is inevitable because of the fundamental role of governments in establishing the institutional framework within which commercial activity is conducted. ... These features of property rights underlie the system of incentives which operate in markets to ensure that resources are used more or less efficiently.* (Jennings and Cameron, 1988)
>
> *it would perhaps reduce confusion if the term 'competition policy' were discarded in favour of 'efficiency policy' since economic efficiency should be the sole rationale for this type of intervention.* (Kerr, 1988)
>
> *... proof of public benefit should not require applicants to prove the potential public benefit is distributed to any particular group. ... The more emphasis that is placed upon the distribution of potential gains, as distinct from their realisation, the more political becomes the decisionmaking process.* (Vautier, 1988)

wealth optimising policy options. (Wilkinson, 1986)

It is harder to capture another feature of the articles from which the quotations are drawn. No other objectives are mentioned. It is not clear whether the writers think that the objective of efficiency is by itself sufficient, or whether they think in the particular circumstances they need only this objective.

Careful reading of these and other similar texts will indicate the concept of efficiency is not used rigorously, and is rarely defined. The concept is taken not only to be value free and important but almost primary without need for definition. This is particularly unfortunate, given that as we shall see the economic meaning is not the same as that in common usage.

We shall take it that the writers use the term with a common economic meaning.[1] Greer (1988) writes

> *Economic efficiency is an archetypical teleological standard. By it we should incur total costs and gain total benefits in order to maximise net benefits. More precisely we can distinguish between allocation efficiency, production efficiency, and innovation efficiency.*
>
> *Allocation efficiency is achieved when existing stocks of resources and technical knowledge are allocated to produce the collection of goods and services that buyers value most highly as indicated by their willingness to pay for them. ...*
>
> *Production efficiency requires that a given output be produced at the lowest possible cost in the light of known technologies and given resource prices. ...*
>
> *Innovation efficiency allows for shifts in demands (due to product innovations) and shifts in costs (due to production innovations) over time.* (p. 7)

The use of the term which most closely corresponds to the common notion of efficiency is that of 'production efficiency' and its idea of using as little input as possible to get the given output. However the aggregation of a variety of inputs (capital, energy, labour, materials, etc.) according to their costs involves an uncommon notion and, for instance, green critics of economics rarely accept that market prices give the correct weighting for aggregation.

This dispute amounts to the correctness of the notion of 'allocation efficiency'. It is not our intention to review all of the value theory which explains why economists come to such a conclusion, and the caveats they place upon it.

But Greer captures the issue relevant to this paper, when he writes that the output is assessed by that which 'buyers value most highly' as indicated by their willingness to pay. Thus the valuation of output is dependent upon the market demand of purchasers, and thereby their purchasing power. At which point we may ask where the income distribution, and related equity issues, fit in with the notion of efficiency. Is the notion value independent?

THE TREASURY ON EFFICIENCY

It is also difficult to demonstrate briefly the dominance of the notion of efficiency in the Treasury 1987 post-election briefing (1987). It is true that other objectives are mentioned, but the concept 'efficiency' appears to be given more prominence and used more frequently than other objectives and criteria. At one point five pages are devoted to it, compared to two for equity, and just over one for the rest (pp 26-34).

Illustrating the degree of ambiguity in the use of the term 'efficiency', without definition, is discussed as an objective on page 26, with what amounts to a definition appearing on page 97.

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1. It is interesting that the third edition of **The Macmillian Dictionary of Modern Economics** (Pearce, 1986) does not define the term, emphasising its non-standard use. It describes as Pareto optima what below is called Pareto efficiency.

> *The general conditions required for efficient production of goods and services can be stated relatively simply. Allocative efficiency is achieved when the prices paid for a firm's output cover the cost of the resources involved, thereby drawing resources into production of goods in demand. Productive efficiency is achieved by producing the firm's output at least cost. Finally, production should be expanded up to the point where the increase in revenue obtained from the additional sales just covers the additional costs incurred.* (1987, p. 97)

Many economists would dispute the Treasury definition, worrying about such 'anomalies' as unemployment and economies of scale, and noting that unlike Greer there is not recognition of dynamics. At issue for this paper though is that it is presented as value free, and the distributional assumptions implicit in the market demand are suppressed.

It is not necessary to pursue these points, but we note for later reference that the document talks of a 'tradeoff' between equity and efficiency (p. 33).

UTILITARIAN WELFARE ECONOMICS

'Efficiency' is a word which has positive connotations. It would be strange to advocate inefficiency in a process unless one objects to the activity altogether. Yet as is evident from the discussion on Greer's definition, the economist's notion of efficiency is a special one, with a different meaning to and perhaps without all the positive connotations that the word has in normal usage. Moreover the way it is used in economics has implicit values underpinning it.

This may seem strange to the noneconomist, and it will be necessary to review part of the history of welfare economics to explain how economists arrived at this situation. The following illustration may be helpful.

Suppose we are at a point 'A' and wish to reach 'B'. Then we would want to get there as efficiently as possible. It might be more efficient, in some sense, to get from 'A' to point 'C'. Do we take the more efficient option? Certainly not, for we want to get to 'B' not to 'C'. Efficiency is about how to do something. By itself it does not tell us where we are going, or whether we want to go there. To put efficiency as a paramount objective, as the above quotations do, is to put the cart before the horse.

Traditionally neo-classical welfare economics centred around the notion that each individual's behaviour could be characterised by a (mathematical) utility function in which the various commodities they consumed appears, and in which the more of each commodity the better (the higher the utility). The individual would select the commodities, paying for them subject to an income constraint, which would maximise the individual's utility.

There are a number of objections to this characterisation of human behaviour, but these will be ignored here, although not in other contexts for such issues as social well-being, the environment, and the role of women.

The utilitarian description of human behaviour had both a positive and a normative component. The normative economics which underpins policy advice culminated in Arthur Pigou's classic text **The Economics of Welfare** (1952). The approach involves interpersonal comparisons of individual utilities. In summary, and I simplify, individuals with a higher income are taken as having higher utility than individuals with lower incomes.[2]

Experience has shown most people prefer to be rich than poor, and we can take their judgement about themselves as authoritative, at least for such economic analysis. However assuming that two persons on the same income may be treated as being at the same level of welfare is far less obvious. It may be said to be 'not scientific' in that it is not possible to envisage an experiment which would accept or reject the validity of interpersonal comparisons, except by slipping in further equally problematic assumptions. But, once this assumption of the validity of interpersonal comparisons is made, a formidable set of policy prescriptions could be adduced, including support for a progressive taxation and other redistributional strategies.

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2. Strictly the analysis compared groups of people on the same income, rather than individuals (Cooter and Rappoport, 1984).

It was appropriate and understandable that the economists who followed Pigou should ask whether it was possible to derive policy prescriptions which were not dependent upon interpersonal comparisons,[3] but without adding some other equally unsatisfactory non-scientific assumption.

THE NEW WELFARE ECONOMICS

The abandonment of interpersonal comparisons might have seemed doomed to failure but the following simple example shows otherwise. Suppose there are two people, one of whom has a bag of apples and the other has a bag of oranges. Suppose they are permitted to trade, the result of which is that they each end up with a mix of apples and oranges, and each considers themself now better off. The almost trivial policy conclusion is that permission to trade has led to an improvement in each's welfare, and therefore it is a better policy than would have been prohibiting trade, in this instance.

Note that it is not necessary to make any interpersonal comparisons of the welfare level of the two people to form a judgement. The policy conclusion is possible without this assumption, because in both cases welfare increased.

This situation was systematised in the notion of 'Pareto efficiency' (or Pareto optimality), named after the Italian economist Vilfredo Pareto. This referred to the circumstance where it was only possible to increase the welfare of one person by reducing the welfare of others. Conversely, if there was not Pareto efficiency the possibility existed of increasing the welfare of some people without detriment to the rest. All other things being equal it is better for an economy to be Pareto efficient, for if it is not then it should be possible to improve the welfare of some people, without detriment to others.

From this notion were developed a wide range of policy prescriptions of the form that market trading would, under certain circumstances, lead to a pareto efficient outcome. The required circumstances may not exist in reality. For the purposes of this paper let us assume that they do.

Even then Pareto efficiency has some difficulties. For instance it turns out that there is rarely a unique Pareto efficient point of exchange and production in the economy. That depends upon the initial allocation of resources; that is, upon the income distribution. We shall have to come back to this issue, but there is an even more fundamental problem.

The fact of the matter is that the policy prescriptions based upon Pareto efficient criteria cannot answer some very pertinent policy questions. For instance they give no guidance upon whether a tax system should be progressive or not. This is not the same as the paradigm of new welfare economics giving a wrong answer. Rather there are policy issues central to economics that the paradigm could not, in this form, cover.

Every scientific paradigm has limits to its scope. For instance while economists may claim that they can forecast the rate of inflation, and we do and sometimes we get it wrong, economists make no claim to forecast the weather. This is not critical to the survival of economics, weather forecasting being outside the scope of any reasonable definition of economics. However it would be most peculiar if economists were to say that their theory did not allow them to predict inflation.

Yet that is what happened with the new welfare economics. The income distribution, and policies to influence it, were outside the range of issues it could comment on. It could say that for a given income distribution certain polices would lead to a Pareto efficient optimum, but that was not much better than meteorologists saying that given it were raining they could predict the ground would get wet.

One result of this was that Pigouvian welfare economics continues to have an active role in economic and policy analysis. The work I have done on household equivalence scales and poverty is very much in that Pigouvian tradition, with the conscious and explicit use of interpersonal comparisons (Easton, 1976; 1980). We shall use another development shortly.

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3. And, indeed, on some other assumptions such as the existence of cardinal utility.

THE RISE OF EFFICIENCY

The second possibility was that the inadequate 'new' or ordinalist welfare economies would add additional assumptions which would enable it to cover a wider range of relevant issues. As it happens the crucial assumption had as little scientific validity as that of interpersonal comparison, and perhaps less. Not surprisingly it slipped into the paradigm almost by accident.

What happened was that economists became interested in 'compensation criteria'. (Hicks and Kaldor are the names associated with this development.) In simple terms, suppose there is a policy change which makes some people worse off, but those who are better pay (i.e. compensate) the losers. If the compensation takes place, and the winners are still better off after the side payments, then there has been a Pareto efficient improvement.

Now suppose that the change occurs, but the losers are not compensated. It could be said that such a change represents a 'potential Pareto improvement'. For instance one could imagine a policy adviser telling a minister that the proposed change was a potential Pareto improvement, but that consideration would have to be given to compensating the losers, or whatever if the minister had a different income redistributional objective in mind.

It turns out that the potential improvement is, under certain assumptions, equivalent to an increase in real National Income (which for many purposes is much the same as increase in real GDP). The policy adviser could say more briefly that the change would increase National Income, but the minister would still have to consider compensation measures, if any. By doing so the adviser would still be working within the new welfare economics paradigm.

However it is but a step to advocate the policy because it increases National Income, and not to mention the compensation issue. This is equivalent to increasing national wealth, because wealth may be thought of as the discounted flow of income.

An alternative formulation is that the policy increases 'efficiency' because, assuming there is full employment, there is more income or output for the same inputs. Note that the expression 'efficiency' used here is no longer referring to Pareto efficiency. Indeed, even the formal notion of (non-Pareto) efficiency developed here has been replaced by a looser one, as a reading of the literature associated with the above quotations will show. Among the changes is that the writers may seem to refer to increases in the potential national income, rather than actual national income, since the increase in their 'efficiency' may be associated with additional unemployment. Sometimes they may be referring to the notion of production efficiency only, although the cost weightings may have little validity if there is unemployment.

What for our purposes is crucial in all this muddlement over the efficiency approach is that there is no requirement to examine the distributional consequences of change, and whether some individuals are made worse off, as a result of the implementation of the policies being advocated.

This is sometimes called 'Hume's Law'.

> *that a dollar is a dollar. Hume's law means that if two persons are bidding at an auction for a sea-side cottage and a poor homeless family is outbid by a wealthy family wishing to own a sea-side weekender, the result of the bidding is efficient. The house has been placed in the hands of the most dollar votes. The effect of Hume's law is to divorce consideration of the allocation of resources from consideration of the distribution of wealth [or income].* (Williams, 1988)

There is an irony that the name of Hume should be associated with a principle which is so manifestly not a natural law. The doyen himself would perhaps have described it as a principle of conduct, and subjected its standing to a far more rigorous analysis than its users do today.

THE LORENZ ANALYSIS

By abandoning the compensation caveat, the policy advice has subtly introduced a judgement about income distributional fairness. To see what this assumption is we need to go back to the Pigouvian framework, albeit in a 1970s version.

Diagram I shows a standard Lorenz curve. On the horizontal axis the individuals of the community are ranked from the poorest on the left to the richest on the right, as a percentage of the population. For rigour it is necessary to think of each individual being identical to every other. On the vertical axis is measured the income of the community with a total of 100. The graphed lines show the cumulative income of the (poorer) group on the left of the point.

If the income were equally distributed, so that everyone had the same amount, the line would be the straight diagonal between the origin and the point of 100 per cent of the population receiving 100 per cent of the income.

Typically the cumulative line lies below the diagonal, with the increasing gradient shape shown in Diagram I.[4] How far the curve lies from the diagonal is an indication of the degree of inequality. For instance if all the income were owned by a single person the curve would go along the horizontal axis to (0, 100) and then straight up.[5]

There is quite a useful welfare interpretation of the curves. Suppose one Lorenz curve lies about another as one curve does relative to the other curve in Diagram II. Then it can be shown that the distribution of the upper curve can be generated from the distribution of the lower curve by taking income from those higher in the distribution and giving it to individuals lower in the distribution (Atkinson, 1970; 1975). In that sense we may describe the upper curve representing an income distribution which is less unequal than the income distribution represented by the lower curve.

On the other hand the curves in Diagram III cross. That means that to get from one to the other distribution requires taking income from some people and giving it to richer ones, as well as taking income from some richer people and giving it to poorer people. In the case of crossing Lorenz curves it is not possible to say unequivocally that one income distribution is more or less unequal than the other.

I take it that we would prefer a less rather than a more unequal income distribution. I have in mind a Rawlsian situation, where each of us does not know where we may end up on the distribution, and we are risk neutral. Presumably we would prefer the less unequal distribution.

But suppose that is not the choice. Diagram IV uses an extension of the Lorenz curve to compare two distributions with different total income. In one case total income is 100, in the other total income is 120. However in the former case the poor have a higher total income than in the second case. What we have here is the situation where a policy change increases national income, but at the same time reduces the income of the poor. Would we choose the policy change?

The pure Rawlsian, arguing from the veil of ignorance, would choose the policy option with the lower total income, because he or she might end up among the poorest, and that would ensure they got the highest minimum income. However I suspect that practically most of us, even behind a veil of ignorance, would be tempted to choose the policy option which gave us the higher average income, providing that the poor did not suffer too great a drop.

THE ATKINSON ANALYSIS

The notion of transferring income to interpret Lorenz curves has been developed as follows. If we were to take a hundred dollars from one person and gave it to a second whose income was exactly half the first, that would be an unequivocal increase in equality, using the previous analysis. But it might happen in this process of transferring some of the income was lost - through the deadweight loss of taxation, the disincentive effects, the costs of administration or whatever.

Suppose that we took the $100.00 from the rich and were able to give only $X to the poor where X was less than 100. Many people would judge whether this was a good or bad thing only if they knew how much X was.

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4. This is a direct property of the construct since the gradient of the line is the income of the individual, and the individuals are arranged from lowest to highest.

5. Gini coefficients measure the area between the curve and the diagonal. As the subsequent discussion indicates a smaller Gini coefficient unequivocally reflects less inequality only if the curves do not cross.

Diagram I: Lorenz Curves

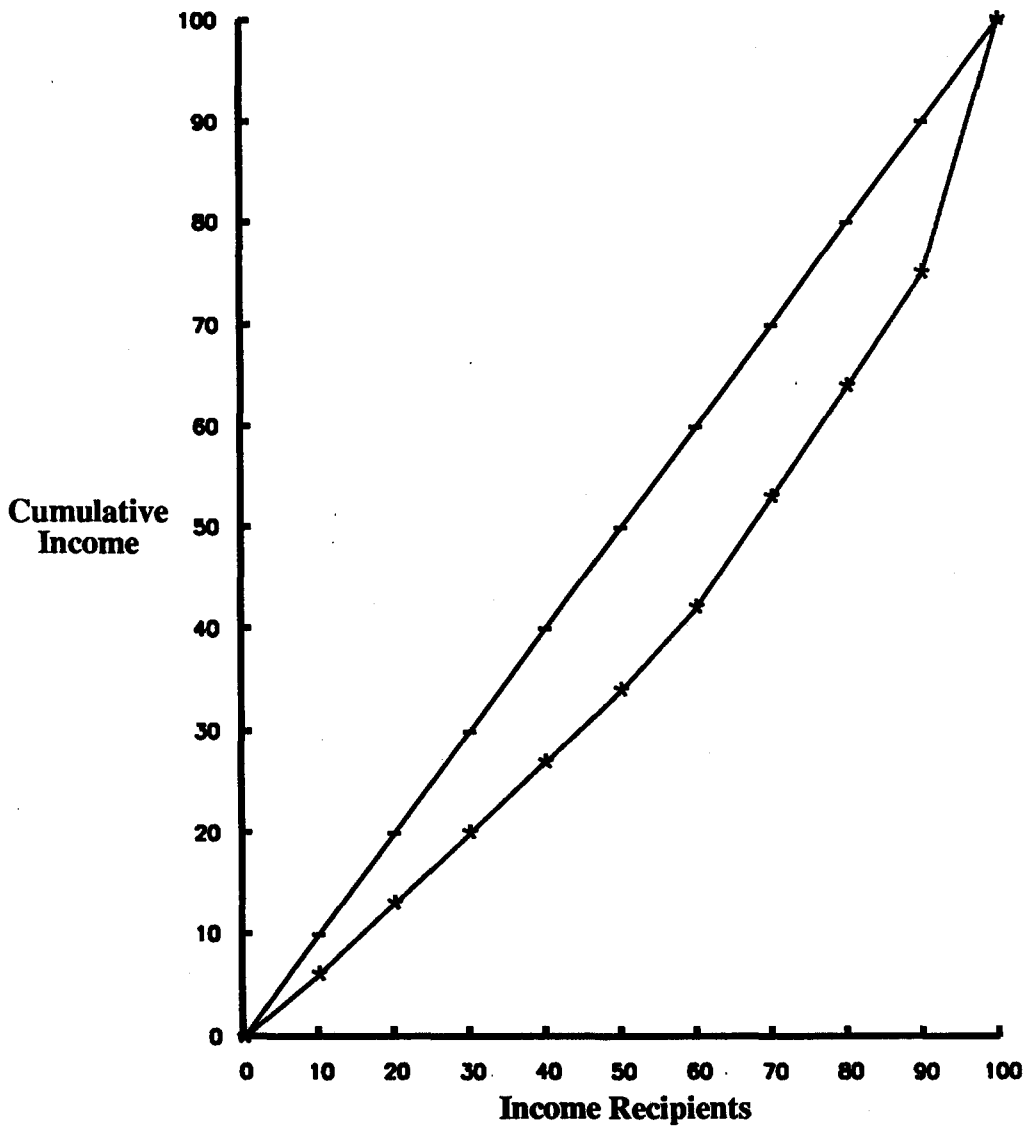


Diagram II: Lorenz Curves

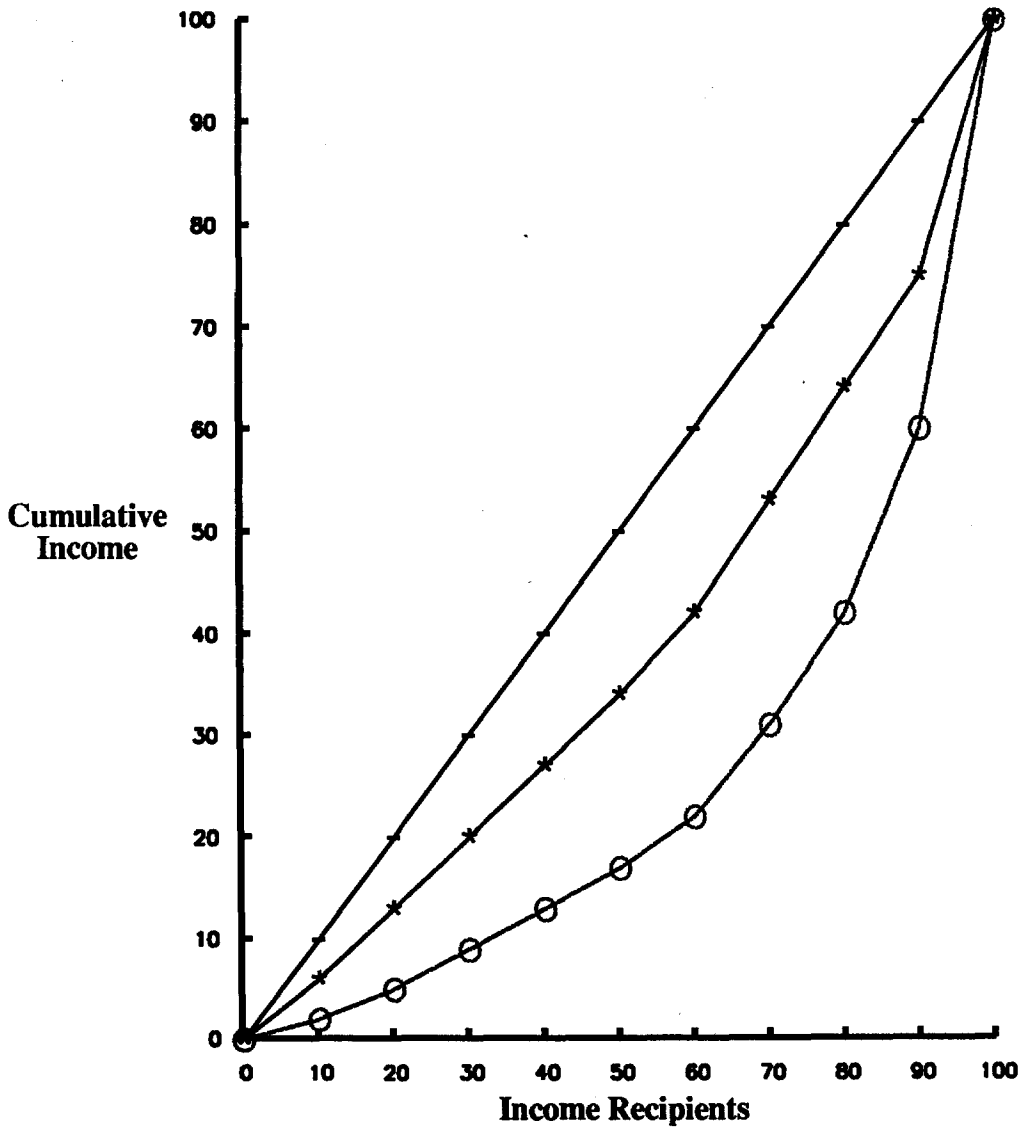


Diagram III: Lorenz Curves

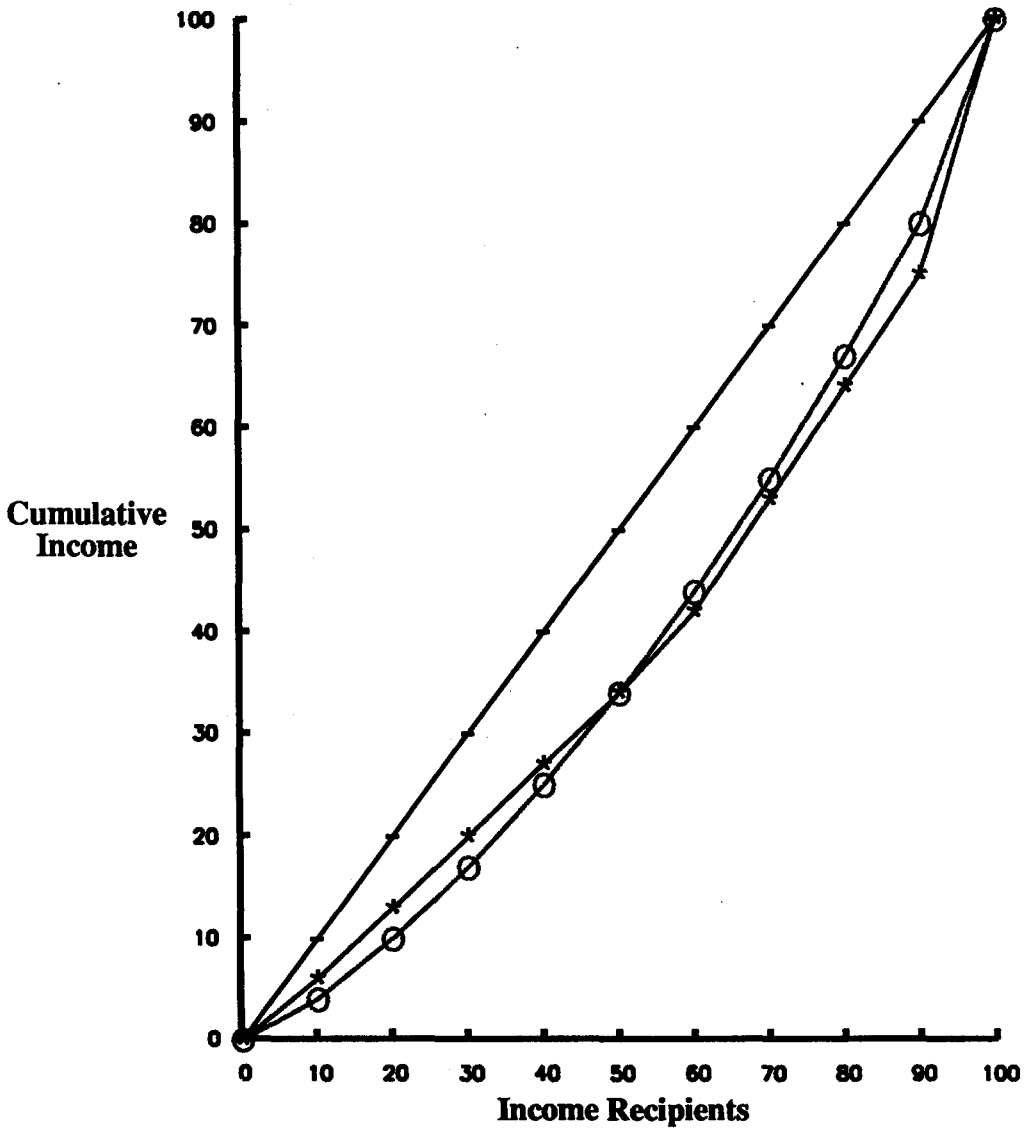
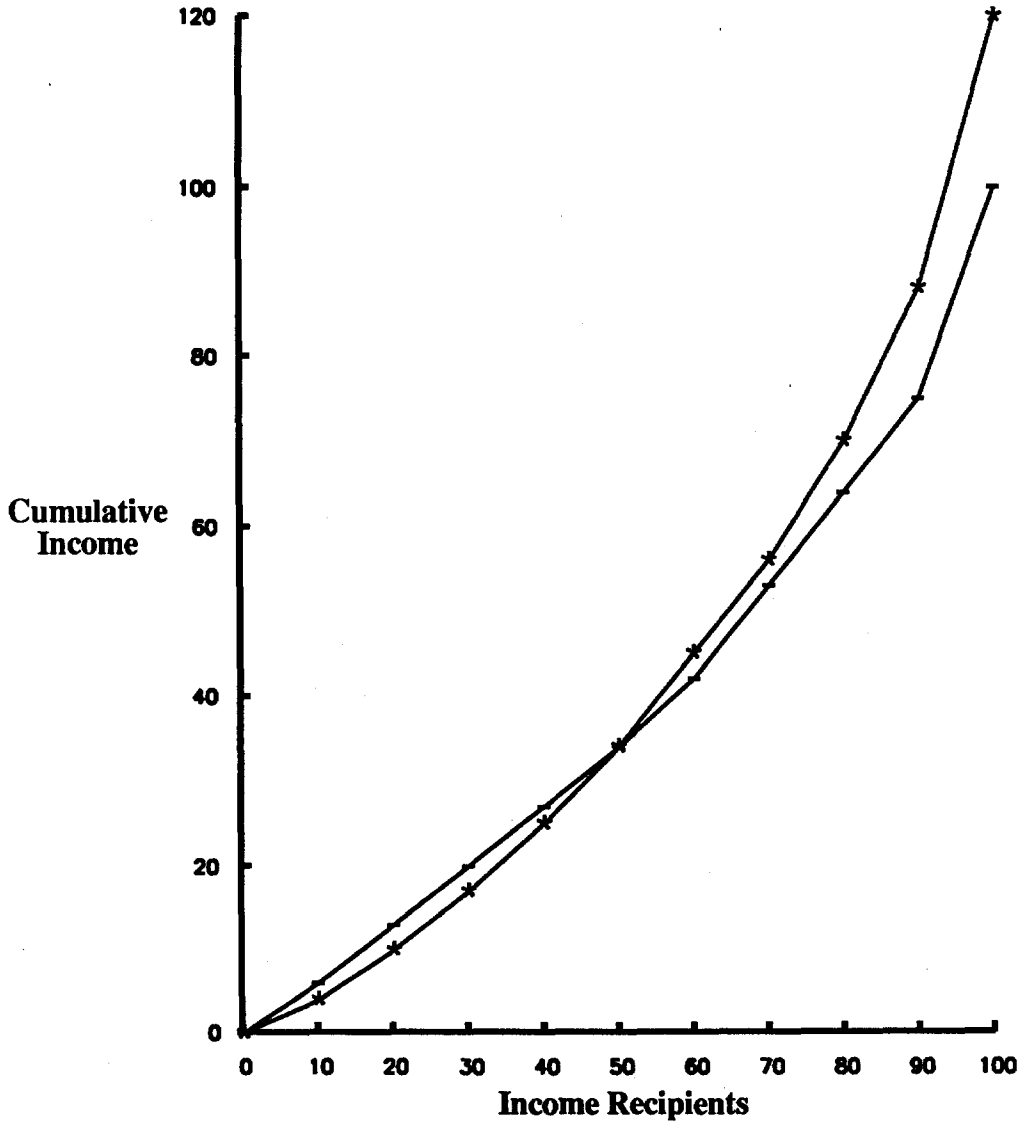


Diagram IV: Pseudo-Lorenz Curves



For instance if X equalled 99 so that costs of transferring the money were 1 per cent, many people, perhaps most people, might well think that the transfer was justified and that the outcome was a better income distribution. On the other hand X equalled 1, so that the costs of transferring were 99 per cent, most people might well think the change was unjustified. For different X there would be different proportions of the population who would come to different assessments.

This notion of the willingness to accept a loss for an income transfer can be generalised into an overall measure of the income distribution. It involves an Atkinson 'eta' coefficient which ranges between zero and infinity (Atkinson, 1970; 1975). A zero eta is the situation when X is 100, and society is willing to tolerate no loss of output for a change in the income distribution. A policy characterised by the zero is one which is indifferent about its income distribution.

The other extreme is equivalent to when X is 1. That is for the policy where equality of distribution is such a priority that the consequence may be a loss of total output. It corresponds only with the position of the lowest income group.

Practically most people's preferences lie somewhere between. We might predict that on average X is higher in some societies, say the United States, than in others such as New Zealand. Leaving aside the stark stylisation of a society by otherwise identical individuals except for their income, this coefficient might be treated as a useful measure of attitudes to egalitarianism in a society.

It should be evident by now that the efficiency criteria on its own has a covert Atkinson eta of a zero. Transfers are only justified if there is no loss of national income. The converse of the redistributional example is a policy change which increases total income but reduces the income of the poor. Given a zero eta the policy would be implemented.

Thus, far from being distributionally neutral, advocation of efficiency as a policy objective involves an extremist distributional objective, which is only obscure because the advocates of efficiency fail to mention it.

THE EQUITY EFFICIENCY ANALYSIS

This clarifies another puzzle. As mentioned earlier in the case of Treasury there are some who suggest there is a tradeoff between equity and efficiency. It appears to be a strange notion; consider the announcement that the objective (of equity or whatever) was going to be pursued inefficiently. In normal parlance one pursues one's objectives as efficiently as possible. But here the term 'efficiency' is not being used with a common meaning.

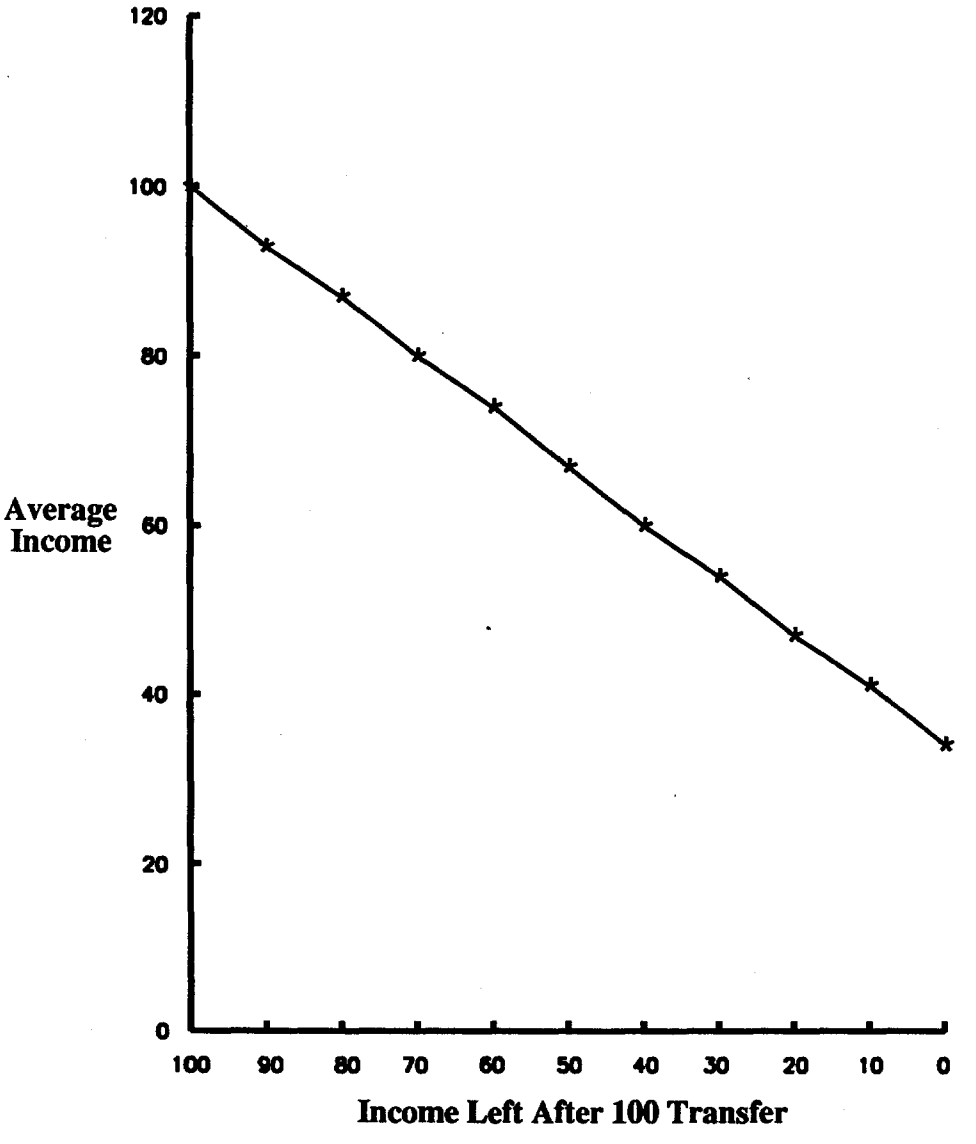
As far as one can judge, in this context the term efficiency can be replaced by national (or average) income or output, as follows from the above analysis. To make the model simple we need the assumption that a change in the income distribution does not affect the relative prices of output, otherwise the analysis becomes even trickier.

Diagram V characterises the relationship between average income and the egalitarian measure which those advocating the tradeoff appear to be arguing. On the vertical axis is measured income. On the horizontal axis the X coefficient of the above transfer is shown. It is easier to show this measure than the Atkinson eta, with its zero to infinity range. Recall X ranges from 0 when the entire income to be transferred is used up in the transaction costs, to 100 where none of the money is used up. The transaction costs are measured as shortrun and immediate losses from a small transfer.

The line is described as the income equity frontier showing the highest average income for a given X. The slope of the frontier reflects the belief, by some, that any measures to reduce inequality will be at the cost of also reducing average incomes. The sorts of effects they have in mind are the (alleged) disincentive effects of taxation, subsidies, income grants, and other welfare state measures.

It is possible to be below the frontier, as when the tax and welfare system are poorly designed. In the normal use of the expression it would be 'inefficient' to be below the frontier, for one could have a less unequal income distribution for the same average income, or the same average income for a given level of inequality, by shifting to the line.

Diagram V: Possible Income Equity Frontier



In such circumstances, reference to an efficiency equity tradeoff is misleading. It is a sort of alliteration trick played by academics on undergraduates in exams to sort out the sheep from the goats.[6]

We may also wonder whether the above shape of the curve is correct. Many would argue that over some ranges reducing inequality would increase average incomes, because of better human capital (from a better distribution of health, education, and like resources) and from improved performance from greater social solidarity (such as a higher degree of honesty and incorporation of externalities in individual behaviour). Such a possibility is shown in Diagram VI.

Thus as X decreases, and a society gets involved in more transfers, which involve some immediate loss of output, the average income frontier rises. It is shown as peaking at X = 60, after which the national income generating beneficial effects of the additional incomes to the poorer from the transfers are dominated by the disincentive effects of the transfers.

This means that not only is there no 'efficiency equity' tradeoff as a matter of principle, over some ranges there may be no 'income equity' tradeoff either as occurs in the range up to the peak (i.e. between X = 100 and X = 60).

Most people have a preference for more income and more equality, so that transfer strategies to the left of the peak are socially sub-optimal for them under all circumstances. It is only to the right of the peak that a social choice has to be made. This will depend upon preferences.

An illustration of the decision of the pure Rawlsian is shown in Diagram VII, where as well as the income equity frontier is shown the curve of the income of the poorest for each choice of X. Not surprisingly it is at its lowest when X is 100, since there are no transfers to the poor. As X is reduced the income share of the poor rises, as the community is willing to take measures which involve some loss of resources (i.e. a lower X) to improve the poor's income. However at some point, probably before X = 0, the income of the poor peaks. After that point (at X = 40 in Diagram VII) the disincentive effects of the transfers are reducing average incomes more than the poor's higher share is increasing them. This point will be to the right of the earlier maximum.

The pure Rawlsian, who from a veil of ignorance and with risk aversion, chooses on the basis of the policies which give the highest income to the poorest will not therefore choose X = 0. Rather they will choose the value of X where the poor's income peaks, to the right of the maximum average income but not to the left of extreme equality.

In summary then, even a community which does not care about the degree of inequality may practice some redistribution, because it may enhance average incomes. In the same way a community based upon the purest Rawlsian principles may allow income inequality, because it will benefit the poor.

There are at least two important caveats to this conclusion. First those who are rich may well have higher incomes under redistribution strategies to the left of the peak average income.

Diagrams V to VII were based upon a simple mathematical model too trivial to report here. Diagram VIII is similar to Diagram VII except it shows the income frontier for the rich (actually the richest decile). Despite the national income peaking at X = 60, their income peaks at X = 100 (i.e. the point advocated by the pursuers of efficiency). This is because transfers from them benefit the nation as whole, but they are not compensated for the additional taxes they pay.

In such circumstances, without the veil of ignorance so they are aware of their income position, the rich may well advocate policies which reduce the national (average) income but are of benefit to them. This selfishness is, of course, not a peculiarity of the rich.[7]

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6. As we did at the University of Sussex in the 1960s.

7. It is accidental, but perhaps suggestive, that the average income frontier of Diagram V is similar to the income frontier of the rich in Diagram VIII.

Diagram VI: Plausible Income Equity Frontier

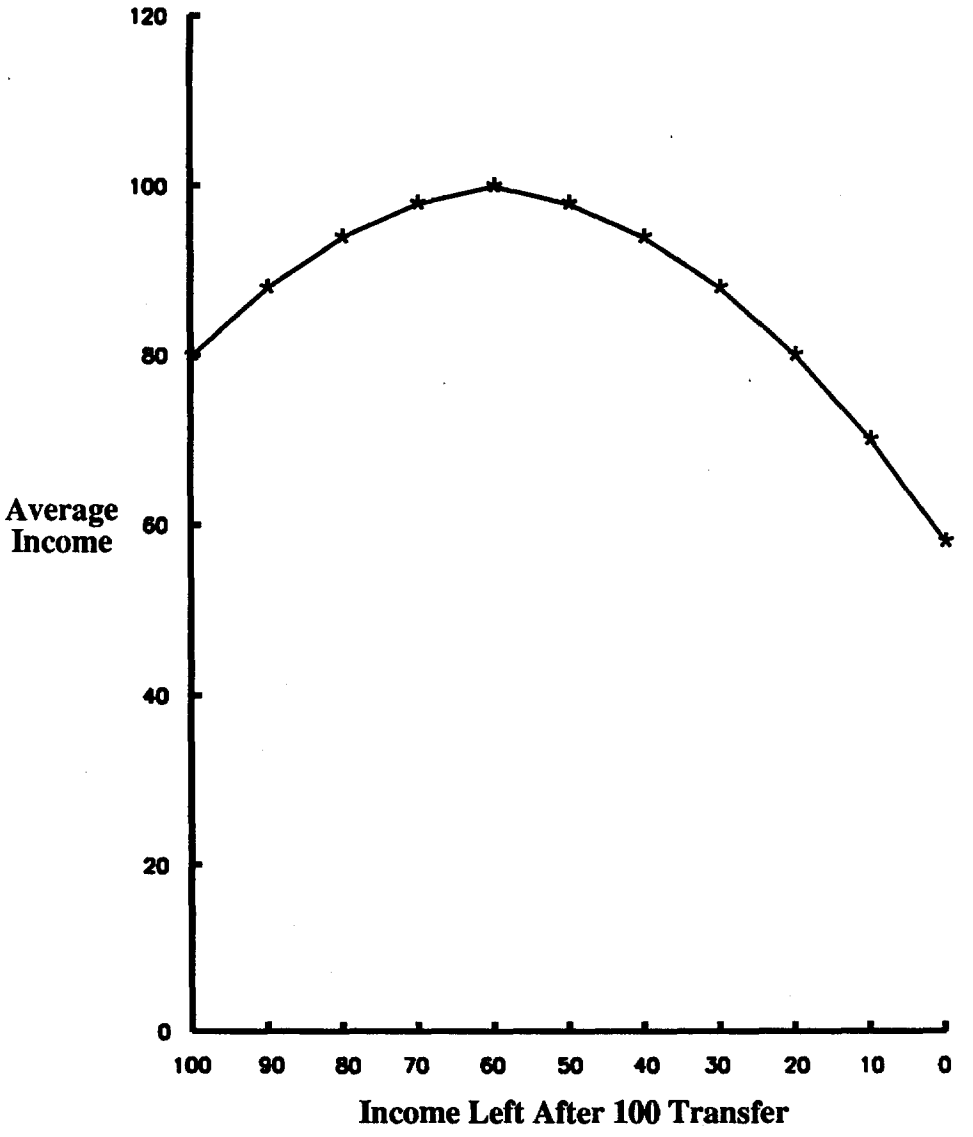


Diagram VII: Income Equity Frontiers

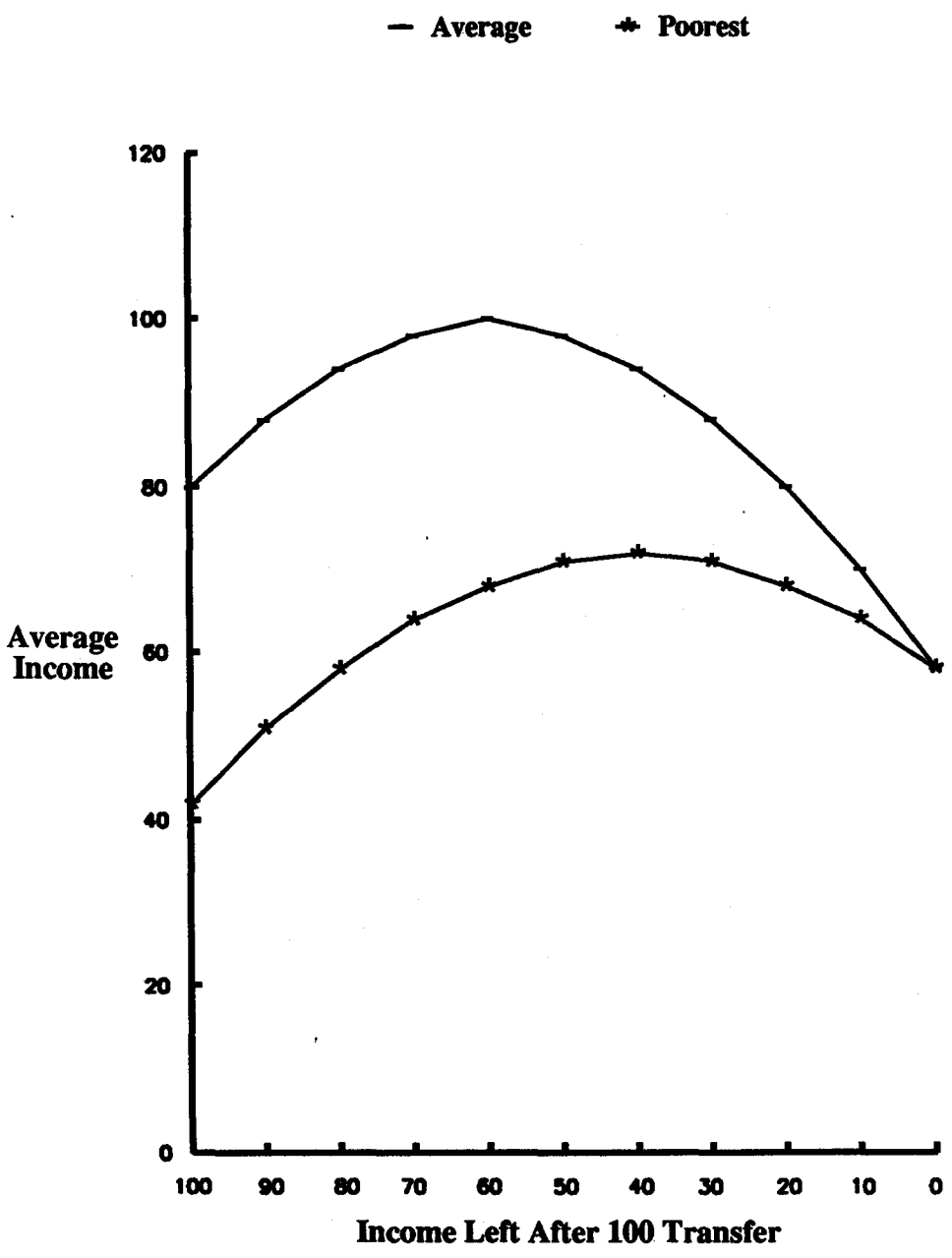
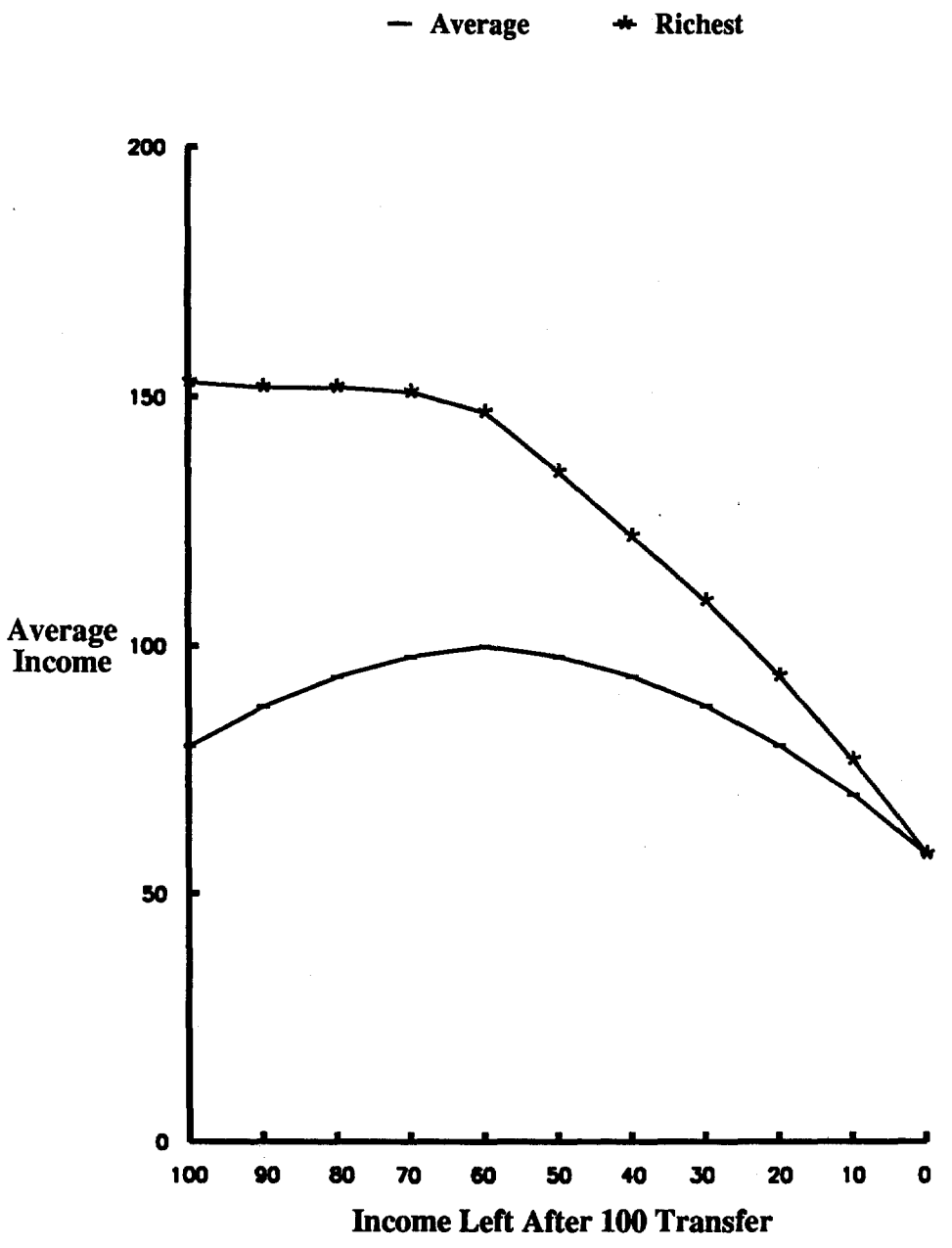


Diagram VIII: Income Equity Frontiers



Second, the welfare analysis presented here is absolutest in material terms. If relativism was dominant, that is people cared only about the position in the income distribution, and not the income itself, the Utilitarian analysis would have to undergo substantial modification, as has been explored in recent years particularly by A. K. Sen.

THE TRICKLE DOWN EFFECT

The 'trickle down effect' is a part of political rhetoric, but it deserves our consideration. Formally it may be characterised by Diagram VII. Suppose the economic policy has the economy to the right of the peak for lowest income (at X = 40). Then measures which reduce the degree of transfer will benefit the poor. The benefit will not be as great to the rich in absolute terms, and we cannot say much about who will benefit in relative terms.

The sort of policies which illustrate this phenomena might be that high taxation on the rich reduce incentives to work, invest, and save, which means less jobs and lower productivity for the poor. It may also mean less government revenue because of avoidance, and hence less social spending.

Thus despite the rhetoric, the trickle down effect may be important, and welfare enhancing. Presumably the objection to it is where the effect is small so that the poor are less well off relative to the rich. And sometimes it is used by opponents of redistribution in favour of the rich, as an ironic way of saying there will be no improvement in the lot of the poor.

Even so, I must report some bewilderment in a recent exchange in which I was tangentially involved. Accompanying a **Listener** article on the proposed December 1987 tax package which dramatically cut tax rates on high income recipients, was a cartoon by Trace Hodgson illustrating that in no uncertain terms the best the poor could expect was a trickle down from the tax cuts. For reasons that are evident from the last few paragraphs I made no reference to this in the article (Easton, 1988).

In a far from considered response to the article, the Minister of Finance, wrote

> *I do not subscribe to the trickle down theory. That is to say, the idea that if you give massive benefits to the rich a bit will find its way down to the ordinary people.* (Douglas, 1988)

Unfortunately not only does the last sentence lack a principle verb, there is no following sentence to tell us what the Minister does believe. Thus to what extent the clear government objective of 'efficiency', that is high real incomes, is moderated by equity is unclear.

DOES CONCENTRATING ON EFFICIENCY MATTER?

All this would not matter if policies implemented on the basis of 'national income efficiency' were also Pareto efficient, so that no-one was worse off as a result, and interpersonal comparisons were unnecessary. Unfortunately I know of no New Zealand research which examines the redistributive and output effects of changes on taxation, although there has been some work done overseas which could be applied here. However in at least two areas sufficient research has been done to indicate that often the income redistributive effects of a policy change are much larger than the gain in National Income.

One area is trade liberalisation. A 1979 review of the New Zealand literature found that while the models predicted, as might be expected given their assumptions, that wholesale trade liberalisation would increase national income these small changes, typically an increase of less than one per cent, were associated with dramatic changes in the profit to wage ratio, the regional pattern, and the size of individual sectors (Easton, 1980). Further research has confirmed this finding (Stroombergen and Philpott, 1986).

These conclusions typically involve complex computational general equilibrium models. A similar conclusion, using a simpler more transparent model, is derived by Pickford (1986) when he examined the 1985 tariff cuts mainly on videos, motor vehicle parts and accessories, and microwave ovens, none of which were produced domestically. The effect of giving consumers a choice less distorted by erratic taxes was to increase national income by $11 million a year.

However the loss of tariff revenue to the general taxpayer was almost $72 million a year. That means the few purchasers of the tariff-cut items were $83 million a year better off and the general taxpayer $72 million a year worse off. Since the two groups do not coincide it follows that some people were worse off, although we cannot say who since we do not know how the revenue deficit was made up. The significance of the research for our purposes, is that it demonstrates the redistributive effects of the policy were far greater than the 'efficiency' effect.

The second research area where a similar conclusion is found comes from the general equilibrium modelling of labour market liberalisation (Easton, 1986). Suppose one occupational group in the community reduces its wages when some of its members are unemployed. That will generate additional demand for the workers and typically, more work and output generally. So there will be an increase in real National Income, and an increase in efficiency. However it is not evident as to whether the occupational group will share in this higher income. That will depend upon the increase in work relative to the cut in the pay rate, measured by the elasticity of demand for the occupation's labour, the responses by other workers, the overall expansion in the economy, and the tax and social security arrangements.

This may appear to make generalisations possible, but the evidence points to the demand for most broad occupational groups being inelastic, and using this information in computational general equilibrium groups we find that while national income increases the income of the occupational group who takes the wage cut decreases.

For instance in March 1981 unemployment among professional people was 1.6 per cent. A 4.9 per cent drop in their salary rates would have eliminated this unemployment. Real national income would have risen .1 per cent, an increase in today's prices of $50 million a year. However the professionals would have had a drop in their real annual incomes equivalent to $132 million. Thus those who were not in the professional occupations would have been $182 million better off. Again the redistributional transfers are much larger than the output gain.

One piece of research on the microeconomics of liberalisation found effects which are not captured in the above studies. A study of five specific examples (Bollard and Easton, 1986) found little evidence for major gains in efficiency, measured by outputs relative to inputs. More important were a wider range of choice and better quality of service. It seems likely that these improvements are of most benefit to those on higher incomes, who have more discretionary spending. On the other hand liberalisation in the process of corporatisation, thus far not systematically studied, may indicate that the poor and those in peripheral regions got less choice and poorer quality as services were withdrawn.

There are hoped for 'dynamic' and entrepreneurial effects from liberalisation. If they do not appear, it may be the choice and quality effects will be ultimately the most important improvements from the policies. If so, they may well reinforce the distributive effects of the policies towards the rich.

THE POLITICS OF THE LIBERALISATION

We are now beginning to see an insidious side to the advocation of the recent policies of liberalisation. They have been presented in terms of 'value free' efficiency, and of somehow being above politics. But the reality is that they have had an extremely value laden agenda, summarised as an Atkinson eta of zero. Policies are advocated providing they increase national income, irrespective of the distributional consequences.

Perhaps even that is not quite true. While the government has paid some attention to the needs of the poor, the main supporters and advocates of the policy thrust tend to support only those policies which promoted 'efficiency', and the interests of the rich. This is not difficult given that many of the policies of the past were probably willing to tradeoff national income maximisation for less inequality. But in some areas reform has been remarkably neglected.

Most evidently this applies to the financial sector, which has a number of advantages relative to the rest of the economy. These include the failure to institute a real capital gains tax, the continuation of taxation on the inflation premium of interest, the failure to impose GST upon financial services, the continuation of stamp duties which fall most heavily upon the small transactor, the failure to impose GST on foreign exchange purchases for consumption, and the financial market liberalisation without reform of commercial law. These have been of great advantage to the high fliers in the financial sector, but at the cost of the rest of the economy. It is surely no accident that the main advocates and supporters of recent reform have been in the financial sector, and who have notably failed to draw attention to these anomalies.

Indeed the situation where policies which promote 'efficiency' have a very small impact, while the redistributional gains are great, is likely to have the winners applauding the success of the policies out of proportion to the national gains - if any - because of the real benefits to them. In other words the economics of the liberalisation may be little more than the politics of rent seeking. Given the relative size of the redistribution of the national income gains, political analysts may find it more fruitful to describe recent events entirely in terms of rent seeking.

WHERE UNEMPLOYMENT FITS IN

Thus far the analysis has been mainly formally, involving crucial assumptions for clarity which are not sustainable in reality. Two are so important they need consideration.

One such assumption has been that there is full employment, or that there is only voluntary unemployment. This is obviously not the outcome of recent policies, and requires some modification to the analysis.

First, as best as one can judge, the advocates of 'efficiency' do not really mean an increase in efficiency or national income, but an increase in potential efficiency or potential national income. There appears to be no requirement when testing a policy outcome as to whether any resources made redundant from the change will be reabsorbed into productive activity. The most obvious example of this is that border protection has been removed despite the almost certainty that the redundant workers will not quickly find work. It is not hard to show that the gains from trade following trade liberalisation can be more than lost if the outcome is increased unemployment.

Practically unemployment means that the economy is operating below the income-equity frontier, and is inefficient (in the common meaning of the word). Better economic management would be to move the economy to the frontier as quickly as possible. It is not obvious that changing the degree of redistribution, one way or the other, will contribute much to this. While there is a need to ensure the mechanisms of redistribution are as efficient (in the common meaning) as possible, redistributional issues may be unimportant compared to policies returning to full employment, which are also likely to be Pareto efficient changes.

The policies since 1984 may well be remembered less for the economic liberalisation and the ideological ballyhoo which surrounds them, than for the rising unemployment that followed them. This will be particularly so if the current economic forecasts turn out to be correct, and there is as seems increasingly possible at least a decade of high unemployment (Easton, 1988).

The second aspect to the existence of unemployment is that unemployment itself reduces the individual's welfare. Perhaps there is even a tradeoff between income and employment opportunities. This analysis probably needs an additional dimension, which cannot be pursued here.

Nevertheless we need to be sensitive to the significance of rising unemployment, particularly as it affects different income classes to different degrees. For instance there has been a misuse of the official Real Disposable Income series, which give outcomes by quintiles. Unfortunately, and unrealistically, they assume that there has been no change in unemployment since the base year. Even when used for same period comparisons between quintiles, the implicit assumption is that unemployment is spread evenly through the population.

This, of course, is not the Government Statistician's intention. The indices were designed for assessing the effects of wage, price, and tax changes on the income distribution. But if the misuse continues, the Department of Statistics may well have to institute a public education campaign, and introduce a new index which has a more realistic treatment of employment.

THE COMPLEXITY OF PEOPLE

The model also treats all people as identical, except for having different income. However people have many differentiating characteristics, including sex, age, ethnicity, class, household situation and location. Popular sentiment has it that the winners from recent policy changes have been white upper middle class males, in their 30s and 50s, living

in Wellington and Auckland, with the converse group the biggest loser. The distinctions may be hardly captured by the income variable, even though it may be as good a correlate as exists.

While we do not know how accurate is the popular image we do know there is a little research which shows that the policy changes have affected more than just the distribution of income between classes.

There is the graph, first presented by the Economic Policy Network, which shows that up to 1984 numbers unemployed were much the same in the three main centres as in the rest of the country, but that since then unemployment has risen much more sharply outside Wellington, Auckland, and Christchurch. This suggests a major redistribution of (relative) economic activity between regions.

This change almost certainly reflects the relative expansion of the finance and construction sectors relative to the tradeable sector, partly as a result of those earlier mentioned distortionary policies which have favoured the former sectors. It is not difficult to show that there have been substantial changes to the sectoral balance in recent years, although it is somewhat harder to assess what are the causes of these changes. Some of the recent policy changes were partly a reversal of previous (equally?) distortionary policies, there has been ongoing structural and technological change, the business cycle alters shares between sectors, there have been changes in the external environment, and there are statistical problems. There is an entire economic thesis to be written around Diagram IX.

Another complication is that people live in households, which involve considerable redistribution between its members. In addition, perhaps inevitably given the existence of children, much of redistributional policy is based upon the family rather than the individual as the relevant unit.

The SEBIRD model of the budgetary impact on household incomes, offers a way into analysing the effects of some of the fiscal changes. In particular Snively (1988) provides some comparisons between the 1985/86 and the 1987/88 years.

Thus far the model has focused on budgetary impacts only and its incidence assumptions are relatively crude. This means it is not yet able to examine the effects of such phenomena as policy changes in border protection, wage determination, and other liberalisation measures. As we saw in the case of sectoral shares, there are many influences upon the distribution, and they need to be separated out. We need to know the effects of the various liberalisation measures, of the rising unemployment, of the demographic and structural change, of the fiscal measures, and of changes in accounting definitions before we can with any confidence use the material to assess winners and losers (although there are other uses for the studies for which these criticisms are not so important).

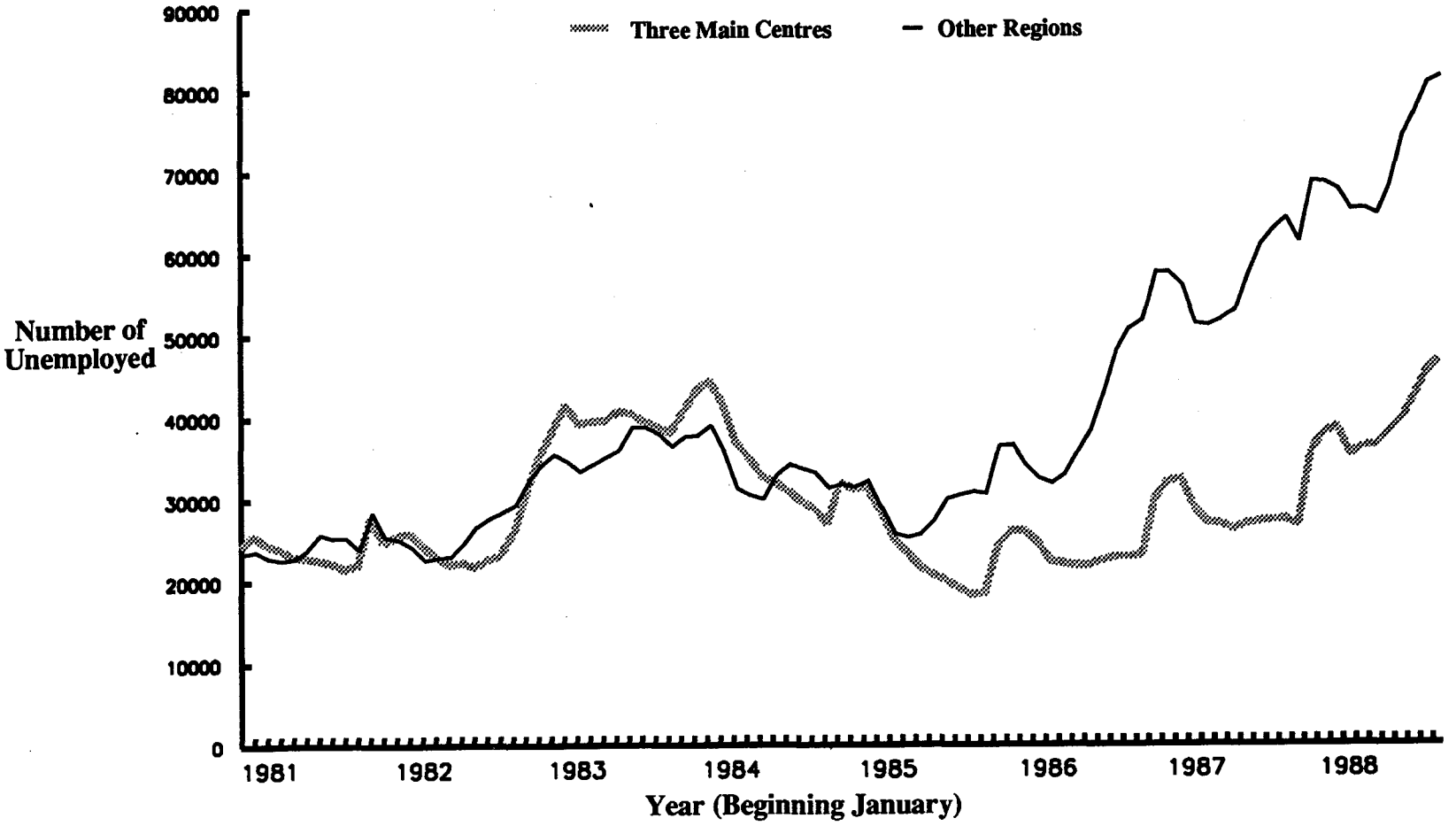
FUTURE DIRECTIONS

Suppose that we really wanted to know what has been happening in distributional terms in recent years, and were not interested in obscurantism and opinion which favoured our prejudices and our political masters. What sort of research program might we undertake?

It will be evident from the above analysis that an honest program cannot avoid explicit value judgements and interpersonal comparisons. The Atkinson eta approach offers a promising way of doing this, although before a total commitment is made to this approach there needs to be an exploration of the interesting and imaginative ideas of A. K. Sen.

Given this sort of framework there seems to me to be two useful major thrusts. The first, similar to my **Income Distribution in New Zealand** (Easton, 1983) for the 1950s to the mid 1970s, would be to collect and analyse the available time series of distributional data. Moreover, unlike the time period for my study, there is now household distributional data, from the Household Survey, which could be analysed. This voice of experience warns that the greatest care should be given to ensuring that the data base is consistent over time.

Diagram IX: Registered Unemployed



The second approach, as proposed to the Income Distribution Monitoring Group a couple of years ago, would be to marry the SEBIRD model to the household distribution with an RPEP model of this sectorial structure of the economy. These sorts of models already exist to some extent overseas. A New Zealand one could be used to explore many of the issues touched upon in this paper, particularly as it would be able to explore both fiscal and microeconomic policy questions as well as, to a lesser extent, some issues of macroeconomic policy.

However, whatever the goodwill the public at large may have to such research strategies, we must recognise that the policy environment is not one conducive to independent research. Even during the depths of the inter-war depression 'there was little change in the total strength of the DSIR' (J. D. Atkinson, 1976: p. 30). In the interim it behoves the research community to insist on the highest standards of analysis of policy issues, and the explicit presentation of the value judgements, particularly by those who would deny the validity of an independent research effort.

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