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SPRC Newsletter

SOCIAL POLICY RESEARCH CENTRE

No. 52 MARCH 1994 FREE.

EDITOR: JULIA MARTIN

CHANGING THE INCOME TEST FOR THE UNEMPLOYED: THE DISCUSSION PAPER PROPOSALS

BY BRUCE BRADBURY

Last December the Commonwealth Government Committee on Employment Opportunities last December released its Discussion Paper *Restoring Full Employment*. The paper proposes a range of policies to combat the problem of unemployment, and long-term unemployment in particular. As well as policies to assist economic growth, the Committee argues that a new 'Jobs Compact' is required to assist the long-term unemployed back into work via labour market programs.

To date, most debate of these proposals has focused on the best way to encourage economic growth and the financing requirements for the suggested expansion of labour market programs. However, a large component of the Discussion Paper deals with the reform of the system of income support for the unemployed. Until now this aspect of the paper has received relatively little attention.

The Discussion Paper suggests several major changes to income support.

perhaps the least understood of the proposed changes is the income test for unemployment benefits

One is requiring the spouses of unemployment benefits recipients to search for work if they are under age 40, and do not have any dependent children. A 'parenting allowance' is proposed for the primary carers of dependent children.

INCOME TESTING

Perhaps the least understood of the proposals is the suggestion for a new income test for unemployment benefits. At present, single unemployed people who obtain casual or part-time work have their benefit reduced by 50 cents in the dollar of any earned income over \$45 per week, and dollar for dollar if their earnings exceed \$85 per week.



This leaves little incentive for the unemployed to undertake part-time or casual work. The Committee argues that if this disincentive were removed, such work would help maintain the job skills of the unemployed and provide them with labour market contacts that might assist them in finding full-time or permanent work.

The Committee goes on to point out that as a principle of equity or fairness, the unemployed should always receive at least some increase in income as they increase their part-time hours.

To create this result, the Committee

suggests a simpler income testing structure. As an illustrative example, they suggest that the income test 'free area' be reduced to \$30 per week, and a uniform benefit withdrawal rate of 65 cents in the dollar apply to all other earnings.



The relative simplicity of this proposal is its best feature. Ensuring that people will always gain at least something by increasing their hours of work does remove some of the uncertainty about outcomes. This is important because people may choose a certain but low income over an income which may be higher but more 'risky'.

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ARE THE PROPOSED CHANGES EQUITABLE?

Some people might baulk at the use of the term 'equitable' for these income support changes. The reason for this is illustrated in the table below.

The table shows how the suggested income test reform will affect people with different amounts of regular part-time, low-wage, work. Unless people decide to change their working hours in response

because of the proposed reduction in the free area. The changes may lead to more allowance recipients working two or three days a week, but fewer working only one day a week.

How do we judge whether this is good or bad? To begin with, we have to consider *why* we think it is a good thing to encourage part-time or casual work, and whether a 65 per cent withdrawal rate is low enough to make more part-time work sufficiently attractive.

are being encouraged to work a day or so each week while they look for full-time work. More importantly, it would provide a **strong** incentive to work at least one day a week, compared to the **weak** incentive to work longer hours, as proposed in the Discussion Paper.

Alternately, we may believe that there will never be sufficient full-time jobs, and so the appropriate role of income support is to supplement the incomes of 'under-employed' people who are working part-time. By encouraging more part-time

Single people, impact of the proposed income test change

Impact	Days worked per week (approximate)
Unaffected	0 - $\frac{1}{3}$ days
Worse off	$\frac{1}{3}$ - $1\frac{1}{2}$ days
Better off	$1\frac{1}{2}$ - 3 days ($1\frac{1}{2}$ - $3\frac{2}{3}$ with Rent Assistance)
Unaffected	more than 3 ($>3\frac{2}{3}$ with Rent Assistance)

Note: Calculated using a wage rate of \$11/hour and a 7.5 hour day.

to the income test change, the beneficiaries of the proposed income test will only be those working between (approximately) $1\frac{1}{2}$ and 3 days per week (or up to $3\frac{2}{3}$ days if they are eligible for full Rent Assistance). This means the change will benefit higher income recipients to a greater extent than lower income recipients.

Another way of thinking about the fairness of the changes is to note that if this new income test were not introduced for the single unemployed, their base rate of payment could be increased by around \$2.50 per week (or around \$3.00 if confined to adults). Alternately, this amount could be used to increase expenditure on labour market programs.

HOW MUCH WORK IS ENOUGH?

The key question, however, is whether such a change in the income test would increase the level of contact that allowance recipients have with the labour market. Unfortunately, along with the added incentive for people to work two or three days a week, there is also an added **disincentive** for people to work around one day per week (see table). This is

THE PART-TIME DEBATE

One reason is that part-time work will help maintain job skills and provide labour market contacts that will assist the unemployed back into full-time jobs as the economy grows. But how much part-time work is needed to achieve this goal? Is one day a week sufficient, or does this work only have an impact when it amounts to two or three days? Quite simply, we don't know.

If the former were the case, perhaps the simplest alternative would be to replace the 50 cents in the dollar withdrawal rate with a much lower one (e.g. 20 cents)



which applied for incomes up to around \$100 per week and then retain the 100 per cent withdrawal rate for higher incomes.

This would convey a clear and simple message to allowance recipients that they

**along with the incentive
for people to work two
or three days a week,
there is also a
disincentive for
people to work around
one day per week**

work, the proposed income test will increase the living standards of those who cannot find full-time work, though it will still retain an incentive for them to work full-time.

This argument is probably the strongest justification for the type of income test proposed by the Committee, but it sits uneasily with the main thrust of the Committee's deliberations which are optimistic about the opportunity for economic growth to lead to an expansion of full-time jobs.

Again, we do not know what the future growth in labour demand will be. In principle it might make sense to adopt the sort of income test proposed by the Committee until full-time labour demand increases sufficiently, and then to move back to a system that encourages only a small amount of part-time work. In practice, however, such a flexible system would be very difficult to administer.

CLEARING THE HURDLES

Indeed the income test is probably not the main feature of unemployment income support that discourages taking up part-time or casual jobs. Much more important are the administrative arrange-

ments associated with eligibility for payment. As the Department of Social Security (1993) has noted, clients with part-time and casual incomes often run foul of the complexities of payment administration.

One simple example: if people have casual earnings sufficient to preclude payment for three consecutive fortnights then their benefit is cancelled and they have to re-apply. Whilst no waiting period applies if the period in work is less than 13 weeks, it would be much simpler if this additional paperwork were eliminated. Similarly, people may have their benefits cancelled until information on their earnings can be verified.

All these uncertainties and complexities discourage part-time and casual employment as people opt for the certainties of the base rate of benefit rather than the risks associated with taking a job.

THE PROBLEM OF 'AVAILABILITY'

If we move towards a system where substantial part-time employment is encouraged, as the Discussion Paper suggests, a fundamental administrative problem arises.



Currently, allowance recipients are required to be 'available for work'. In principle this precludes some working arrangements, in particular, permanent part-time employment contracts (DSS, 1993). Clearly this will have to be changed in order to make sense of the proposed income test.

Similarly, it is unlikely that someone working regularly three days a week would be deemed available for work under current criteria. A move towards greater encouragement of part-time work will thus require a major re-orientation of the basic eligibility criteria for income support for the unemployed, towards a scheme where income and job search activity (rather than 'availability') are the key criteria for assistance. Unless this is done, major tensions will appear between the income and availability tests.

It does mean, moreover, that it will be more appropriate in the future to describe allowances such as Job Search Allowance and Newstart Allowance as 'under-employment' rather than 'unemployment' benefits. Is this the direction we want to go in? Will it lead to a permanent group of under-employed? Or is this at least better than a permanent group of unemployed?

**clients with part-time
and casual incomes
often run foul of the
complexities of payment
administration.**

MARRIED COUPLES

For married couples, the proposals have further implications. One of the most striking facts about labour market participation in Australia is the very low rate of employment of the wives of unemployed men. It has been suggested that the current income test may be partly responsible for this, as it significantly reduces the return from part-time work for either the husband or wife. If the withdrawal rate is reduced as proposed in the Discussion Paper, this disincentive will be reduced, just as for the single unemployed.

Perhaps more importantly, the revised income test will increase the incentive for one member of the couple to take up a low paid full-time job. If, for example, the husband is earning \$400 a week, and the wife is looking for work or is caring for children, then she will receive a payment of \$25 per week (plus child-related payments such as Additional Family Payment).

As always, however, there is a downside to these income test changes. The first is the cost. This is substantial because payment would be extended to



a wide range of low-wage or self-employed families, costing to about \$320m per annum. This is equivalent to about a \$23 per week increase in the base rate of payment for married unemployed. It should be noted, however, that a base payment increase of this magnitude would be unlikely to be implemented because it would bring unemployment benefits too close to low wage levels.

The second problem is that while the changes will encourage the wives of unemployed men to work part-time, they will discourage the wives of some low-wage men from undertaking part-time work (and similarly for the husbands of low-wage women). This is because at present such wives are not eligible for any payments in their own right, whereas under the proposed scheme they will receive a payment which is reduced by 65 cents for each dollar they earn.

Unfortunately, trade-offs such as these are an unavoidable feature of targeted social security systems. Financial constraints mean that 'poverty traps' will be an inevitable part of income support payments designed to help the disadvantaged. The Discussion Paper has raised some important questions about exactly where these 'benefit withdrawals' should be placed. Answering these questions depends very much on expectations of future developments in the Australian labour market.

REFERENCES

Committee on Employment Opportunities (1993), *Restoring Full Employment*, A Discussion Paper, AGPS, Canberra.

Department of Social Security (1993), *Meeting the Challenge: Labour Market Trends and the Income Support System Policy*, Discussion Paper No. 3.

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The Social Policy Research Centre (originally the Social Welfare Research Centre) was established in January 1980 under an agreement between the University of New South Wales and the Commonwealth Government.

The Centre is operated by the University as an independent unit of the University. The Director receives assistance in formulating the Centre's research agenda from a Board of Management, and in periodic consultation with the community. The Director of the Centre is responsible to the Vice-Chancellor for the operation of the Centre.

The Centre undertakes and sponsors research on important aspects of social policy and social welfare; it arranges seminars and conferences, publishes the results of its research in reports, journal articles and books, and provides opportunities for postgraduate studies in social policy. Current research areas cover poverty, inequality, and standards of living; social security, taxation and the labour market; the welfare state; and community support services for the frail elderly and younger people with disabilities.

The views expressed in this Newsletter, as in any of the Centre's publications, do not represent any official position of the Centre. The Newsletter and all other SPRC publications present the views and research findings of the individual authors with the aim of promoting the development of ideas and discussion about major concerns in social policy and social welfare.

The Centre is located on Level 3 of the Samuels Building, University of NSW, Kensington Campus.



Pictured at the signing of the new SPRC Agreement: Professor John Niland, UNSW Vice-Chancellor (seated left); Lynelle Briggs, First Assistant Secretary, Social Policy Division, DSS; Peter Baldwin, Minister for Social Security (seated right) and Peter Saunders, SPRC Director.

FROM THE DIRECTOR

S O C I A L P O L I C Y R E S E A R C H C E N T R E

In January, the Vice-Chancellor of UNSW, Professor John Niland and the Minister for Social Security, Peter Baldwin, formally signed a new Agreement guaranteeing funding for the Centre for the five year period beginning on 1 January 1995 (see picture opposite). This will be the fourth Agreement period for the SPRC, and reflects the importance placed by successive Commonwealth governments and UNSW on social policy research. It is also testimony to the continued quality and relevance of the Centre's research and other activities.

Now is an appropriate time to record a note of thanks to all of those who, in various ways, have contributed to the successful outcome of the latest round of Agreement negotiations. We are particularly indebted to Professor Peter Baume (School of Community Medicine, UNSW) who chaired the Committee established to review the Centre's research effort and to the other members of that Committee, Professors Max Neutze (ANU) and Jan Carter (University of Melbourne). The Committee made a number of specific recommendations which will assist us in further improving our performance over the next five years.

The members of the Centre's Management Board also took an active involvement at every stage of the negotiations and were always on hand to offer their advice and support. The Board's Presiding Member, Professor John Lawrence was, as always, a constant source of assistance and encouragement.

Finally, due credit should be given to all of the staff of the SPRC whose on-going professionalism and commitment to our objectives provided the basis on which a new Agreement could be constructed.

In terms of the details of the new Agreement, the overall level of funding is to be maintained in real terms, although the percentage to be devoted to research undertaken on commission to the Department of Social Security will rise from 12.5 per cent to 20 per cent. The Centre will also aim each year to raise funds from external contract research equivalent to 20 per cent of its base funding from the Commonwealth. Aside from these changes the Agreement is virtually the same as before.

Now that we are in the fortunate position of having our funding secure until the end of the century, our first task will involve development of a new Research Agenda for the triennium beginning in 1995. The Management Board has already begun its involvement in this process and we in the Centre have devoted considerable effort to laying out what we regard as an intellectually coherent, relevant and achievable program of research.

As with previous such exercises, an attempt will be made to obtain external input into the process, although we are not yet in a position to commence this. It will, however, take place during the course of this year and I will report progress in these pages as it occurs.

For myself, I would like to take this opportunity to record my pleasure at seeing the tenure of the SPRC being further extended. The last five years have been difficult for those within both Government and the University and we constantly have to walk a line which encompasses both. At times, I have to admit, it seems a pretty thin line to tread. But it has always been an exciting and rewarding endeavour, made all the more so because of the importance of the issues we are addressing in our research.

STAFF

■ I am pleased to offer congratulations to Bruce Bradbury who has recently been appointed to the Social Security Advisory Council by the Minister of Social Security. The Council advises the Minister on the development and administration of social security policy.

■ Congratulations are also in order for George Matheson, who has been awarded his Doctorate by the Department of Sociology at the University of New England, and Robert Urquhart, who has just graduated with a Master of Philosophy Degree from Sydney University.

■ I am also pleased to announce that two new students have commenced their doctoral studies at the Centre under the SPRC Postgraduate Scholarship Scheme. Gaby Ramia, who recently graduated with Honours and a Masters Degree in Economics from the University of Wollongong will be working under my supervision and Judy Mellers, a recent Macquarie University Arts graduate, will be supervised by Sheila Shaver. I am pleased to welcome both of them to the Centre and I wish them well with their future studies.

■ Regrettably, three members of staff - Phil Raskall, Mohan Singh and Judy McHutchison - left us at the end of 1993 to pursue new careers. I would like to wish them all the best and thank them for their past contributions to our work.

VISITORS

■ Dr Peter Kriesler from the School of Economics at UNSW is at the Centre as Visiting Scholar for the first half of 1994.

■ Two students from the Sociology Department at Groningen University in the Netherlands, Annemieke Stuit and Arlette Julsing, joined us last November for six months as part of their study program.

■ I extend a warm welcome to all three of our visitors, with the hope that they will enjoy their stay with us.

Peter Saunders
Director

FROM THE PROJECTS

S O C I A L P O L I C Y R E S E A R C H C E N T R E

Sole Parents: After the Pension Has Stopped

BY SHEILA SHAVER

One year after their youngest child turned sixteen and their sole parent pensions were terminated, almost one third of female sole parent pensioners in an SPRC study are in employment and are independent of the social security system.

About the same number are still looking for work and receiving Job Search or Newstart allowance. Ten per cent are combining part time employment with a social security benefit, while about one quarter have transferred from sole parent pension to another form of income support, most commonly the Class B widow's pension.

These are the first results from the final phase of a research project on **The Post-Pension Transition**. Commissioned from the SPRC by the Department of Social Security, the three-stage survey was designed to follow a group of sole parents through the process of transition following the end of their eligibility for sole parent pension. The study has also been concerned with the factors underlying a successful move to employment and with the role of support services and labour market programs in that transition.

BACKGROUND

The study began in October 1992, when interviews were conducted with 243 Sydney women whose youngest child was about to turn 16 and who would then lose their pensions. The women were interviewed twice more, in April and October 1993. A total of 196 women participated in all three rounds of the study.

The women in the sample are like other sole parents in many respects. Most live in households consisting of them-

selves and their children, over 45 per cent having more than one child living at home. With a youngest child of 16, they are older than sole parents generally. Most are in their forties, but one in five is in her thirties and another one in five in

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her fifties. They have also been pension recipients for longer periods than is usual among sole parent pensioners. More than half have been sole parents for more than ten years. A fuller account of the study including results from the first round of interviewing was presented in SPRC Newsletter No. 49 (June 1993).

TRANSITION OUTCOMES

Figure 1 shows the employment and pension or benefit situation of the women in the sample six and twelve months after their sole parent pensions had been terminated. The women have faced a difficult labour market, and its effects on their ability to make the transition from the pension to paid employment stand out sharply.

Some six months after losing the pension one quarter of the women were in employment and not receiving a social security payment, but one third had yet to find work and were depending on a Job Search or Newstart allowance. Thirteen per cent were combining employment and income support.

The position had improved somewhat after a further six months, when about equal numbers (30 per cent) of the women in the sample were in employment and not receiving any benefit and still unemployed and receiving an unemployment

Figure 1: Employment and income support after six and twelve months

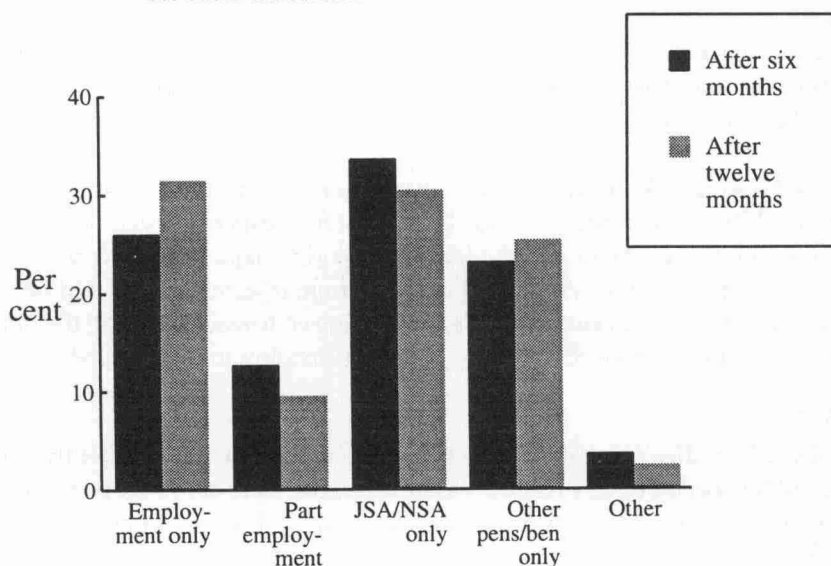
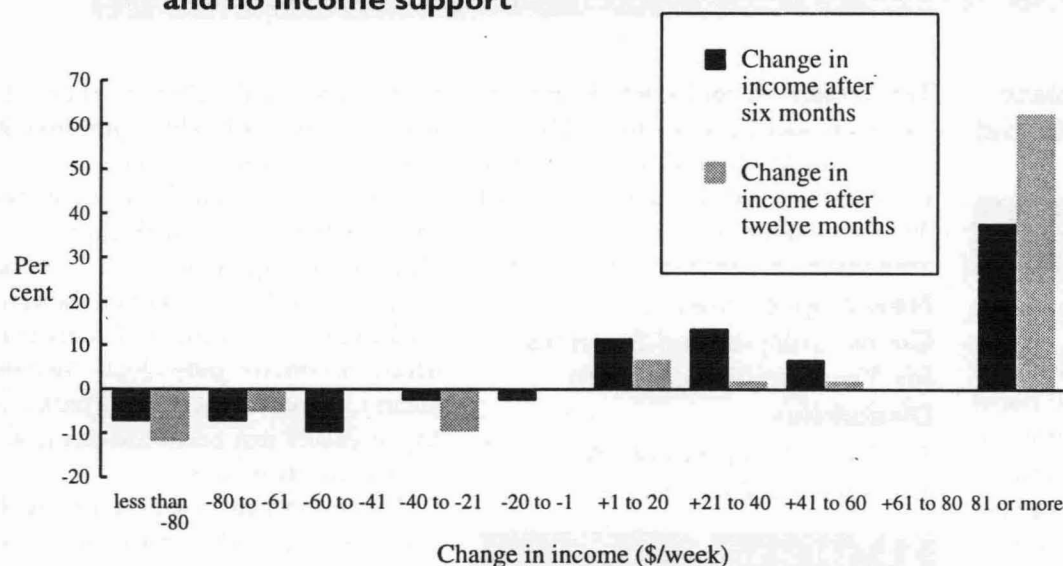


Figure 2: Change in income after termination of pension, sole parents receiving income from employment and no income support



benefit. The number combining employment and income support had also fallen, to ten per cent.

These findings indicate that while a significant number of women made a transition to the work force within the first six months, for many others the process had taken much longer. Even after a year, almost one woman in three had not yet found work.

FINDING EMPLOYMENT

Training seems to make a positive difference in women's success in finding work. There was a generally high level of training undertaken by women in the study over the preceeding five years. Even so, these levels were significantly higher among the women with employment than among those still unemployed.

For some women the move from the pension to employment brought a significant increase in income, but this was not true for all of them. Figure 2 is based on

a year after the pension ended, 28 per cent of women reliant upon employment were still worse off than when on the pension

the combined incomes of mother and youngest child, and compares this income before the pension stopped with their individual incomes from employment and other sources (including Austudy) six and twelve months later.

After six months 71 per cent of women whose major income source was employment only were better off than when on sole parent pension. After twelve months this was so for 74 per cent of women. The proportion whose income increased by more than \$80 per week rose from 38 per cent after six months to 63 per cent after twelve months. About 7 per cent, however, had lost more than \$80 per week six months after the pension had stopped.

By twelve months, this group had risen to 12 per cent. So a year after the pension ended, 28 per cent of women reliant upon employment were still worse off than when on the pension.

OTHER PENSIONS AND BENEFITS

The number transferring from sole parent pension to another pension or benefit (see Figure 1) changed little over the year. About half of these women are older sole parents eligible for the Class B widow's pension. This pension began to be phased out in 1987 and will be available to a declining number of women in the future. Others in this group have transferred to Disability Support Pension, Sick-

ness Allowance and Carer pension. These women have had least change in their incomes and other circumstances.

CHILDREN'S TRANSITIONS

The research has also been concerned with the implications of the transition from the pension for the woman's youngest child. At the time of the first interview, just before their sixteenth birthdays, most (93 per cent) of these children were in school, typically in Year 10. By October of the following year this figure had declined to 63 per cent, with a further 7 per cent in technical and further education.

the research has also been concerned with the implications of the transition from the pension for the woman's youngest child

Eleven per cent of these children were in full-time employment, while 15 per cent were unemployed and receiving the Job Search allowance.

A report from the second round of the study, covering the women's situation three to six months after the sole parent pension stopped, was published in December ('After the pension: the post-pension transition of female sole parent pensioners', in P. Saunders and S. Shaver (eds), *Theory and Practice in Australian Social Policy: Rethinking the Fundamentals*, Vol. 3, SPRC Reports and Proceedings No. 113). A final report is being prepared for the Department of Social Security.

The SPRC team conducting the study has comprised Anthony King, Toni Payne and Marilyn McHugh and Sheila Shaver, with assistance from Diana Encel and Rose-lyn Melville.

NEW PUBLICATIONS

S O C I A L P O L I C Y R E S E A R C H C E N T R E

A Directory of Postgraduate Research in the Field of Social Policy

BY NATALIE BOLZAN

SPRC Research Resource Series No. 10

This Directory of Postgraduate Research in the Field of Social Policy is based on information supplied by various University Schools, Department and Faculties throughout Australia in response to a questionnaire distributed by the Social Policy Research Centre.

The research described in the Directory represents a body of material which is rarely assembled in one place: current research in the field of social policy. There are over 500 entries from 31 institutions.

The breadth of topics which may be classed as social policy - from AIDS to Policing - makes this a wide-ranging document and one useful to a wide variety of disciplines and researchers.

New Approaches to Community-based Services for Younger People with Disabilities

The Evaluation of the Individual Needs Analysis Pilot Projects

BY MEGAN MITCHELL
AND SARA GRAHAM

SPRC Reports and Proceedings No. 114

The evaluation described in this report was commissioned by the Disabilities Services Program of

the Commonwealth Department of Human Services and Health to inform policies for people with disabilities.

These policies are being developed within a framework which exposes the principles of equity and access. A key component of this framework is the use of valid and reliable methods of assessment which determine individuals' requirements for services on a uniform basis and aim to ensure that needs are met in the most appropriate ways.

For government, the longer term objective is to provide services in a cost effective manner such that available resources are matched to the assessed needs of individuals.

This report provides an account of the evaluation of the four pilot projects in four Australian states: Queensland, ACT, Victoria and NSW. Although each very

WELFARE AND INEQUALITY

National and International Perspectives on the Australian Welfare State

BY PETER SAUNDERS

Cambridge University Press, 1994
pp. xv + 319
RRP \$29.95 (pb) \$90.00 (hb)

Welfare and Inequality brings together, in revised and updated form, a number of papers by Peter Saunders originally published in the SPRC Reports and Proceedings series. It also contains revised versions of several papers originally published elsewhere, and an Introduction and two chapters not previously published.

The book is separated into two main themes. The first, 'Welfare and the Economy', analyses economic aspects of the development of the Australian welfare state, and discusses the role and impact of economic ideas on social poli-

cies. The second, 'Welfare and Inequality', considers alternative concepts of, and evidence on, trends in poverty, deprivation and inequality in Australia, including an analysis of how the social wage affects living standards and inequality.

Throughout the book, economic principles are used to analyse a range of social issues, but in a way which recognises that these principles cannot be applied in a vacuum which ignores institutional and policy detail and the role and importance of non-economic factors and motivations. Written for a non-specialist audience, the book avoids using technical language whenever possible.

Although focused on the Australian Welfare State in the 1980s, *Welfare and Inequality* also contains a range of comparative material which allows Australian developments, problems and responses to be compared with those experienced in a range of other OECD countries.

The book serves as a record of research conducted by Peter Saunders and his colleagues at the SPRC since 1987. It will hopefully be of use to all those with an interest in how the Australian welfare state has been shaped by, and has responded to, the pressures it has faced over the last two decades.

SPECIAL OFFER FOR SPRC NEWSLETTER READERS

SPRC Newsletter readers receive a 20% discount for ordering copies of *Welfare and Inequality* directly from Cambridge University Press. Telephone Customer Service on (03) 568 0322. Credit cards accepted.

Please note that copies of this book are not available from the SPRC Publications Office. For further information, contact Cambridge University Press.

different in character, the intention of the projects was to develop and test an assessment instrument for people with disabilities, covering all areas of their lives. This approach to assessment was called Individual Needs Analysis.

The report examines a range of operational aspects of the pilot projects, gives an account of their adoption of the principles of Individual Needs Analysis and provides relevant outcome data.

An important component of the research was a series of interviews with a number of clients of the services involved. The report also includes some broadly based impressions of the pilot projects gained by the evaluation team, a summary of the lessons learnt for policy and program development, and some recommendations.

ERRATUM: REPORTS AND PROCEEDINGS NO. 113

Pp. 160-164 of Sheila Shaver, 'After the Pension: The Post-pension Transition of Female Sole Parent Pensioners', in Peter Saunders and Sheila Shaver (eds), *Theory and Practice in Australian Social Policy: Rethinking the Fundamentals*, Vol. 3, December 1993.

An error was made in the calculation of the income of mother and youngest child at the second round of the survey, in which income received as maintenance for the child was unintentionally excluded from the total.

This error affects all data concerning income in the period after termination of the sole parent pension, including the comparisons of income before and after the transition from the pension that are presented in tables and charts on pages 162-163. Table 9 and Figure 1 on those pages erroneously show the proportion of those women with income from employment and receiving no income support who experienced a drop in income of \$80 per week or more as 19 per cent. The correct figure is 7 per cent.

If you require further detail concerning these figures please contact Sheila Shaver on (02) 697-3855.

PUBLICATIONS ORDER FORM

SPRC RESEARCH RESOURCE SERIES

No. 10, Natalie Bolzan, **A Directory of Postgraduate Research in the Field of Social Policy**, December 1993, 178pp. \$9 ☐ RR10

SPRC REPORTS AND PROCEEDINGS

No. 114, Megan Mitchell and Sara Graham, **New Approaches to Community-based Services for Younger People with Disabilities: The Evaluation of the Individual Needs Analysis Pilot Projects**, March 1994, 128pp. \$9 ☐ RP114

BACK IN PRINT

Reports and Proceedings:

No. 26 Robert Pinker, **Theory, Ideology and Social Policy**, October 1982, 23 pp. \$4 ☐ RP26

No. 28 Adam Graycar, **Government Officers' Expectations of Non-Government Organisations: A Discussion Paper**, December 1982, 93 pp. \$4 ☐ RP28

No. 29 Jan Carter, **Protection to Prevention: Child Welfare Policies**, January 1983, 76pp. \$4 ☐ RP29

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BOOK REVIEWS

S O C I A L P O L I C Y R E S E A R C H C E N T R E

LIVING DECENTLY: MATERIAL WELL-BEING IN AUSTRALIA

BY PETER TRAVERS
AND SUE RICHARDSON

Oxford University Press, 1993
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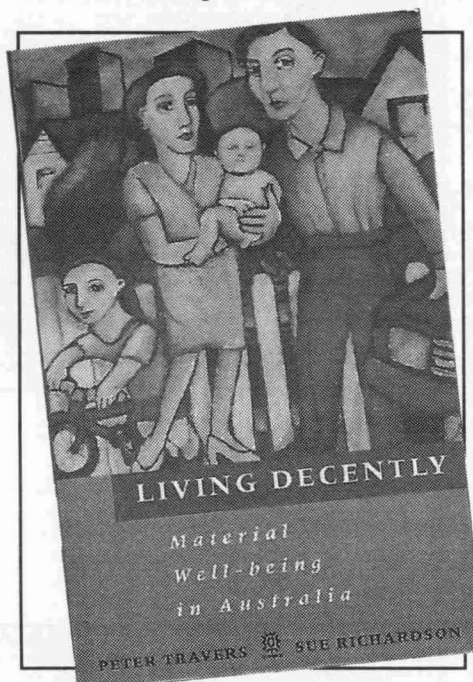
Reviewed by Peter Saunders

I have been looking forward to reading this book ever since I heard that it was in preparation. Its authors - Peter Travers and Sue Richardson - have in their past research displayed an enviable array of abilities: sound analytic skills, perceptive social observation, scientific rigour, the ability to make complex ideas accessible to a wide audience and above all, a fascinating research topic with which to be working.

The book brings together the techniques, arguments and insights of economics and sociology to analyse some of the most pressing issues in contemporary social policy - those associated with well-being, living standards and inequality. We have already been treated to several appetisers, including papers to the last two Social Policy Conferences, and a stimulating paper published in *The Australian Economic Review* in 1992, from which the book has taken its title (Travers and Richardson, 1991; 1992; 1993). Having devoured these, I sat down eagerly to enjoy the main course.

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Now that its contents are digested, it is pleasing to report that this is a fine book which deserves to be widely read. It complements the findings of other research on living standards and inequality by presenting and analysing new data which reveal a less pessimistic picture than others, using conventional statistics,



have painted. The 'bottom line' of the study is contained (appropriately) on the final page where the authors conclude that:

...our account of material well-being in Australia at one point in time is a generally positive one. The broad picture is not one of stark contrasts in terms of inequality and poverty (because) those who are at the bottom of one measure of well-being are rarely on the bottom of all measures.

The basis for this claim is that in developing a multi-dimensional measure of well-being which takes as its starting point the conventional money income

measure, the additional dimensions are either inversely correlated with money income (so that income inequality is reduced) or uncorrelated with income (so that income inequality is diluted). Patterns of relative advantage and disadvantage in money incomes are thus not reinforced by other contributors to well-being. Put differently, the evidence does not support the view that material disadvantage in Australia cumulates across its different elements.

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The authors define material well-being as: 'that aspect of human well-being that can be affected by a change in produced goods and services' and measure it by calculating full income. Each household's full income is equal to the sum of money income, the value of non-employed time, imputed rental income derived from home ownership and the ownership of other consumer durables, the annual value of life assurance and shares owned, the value of pensioner fringe benefits and the benefits in cash or kind received from family members living outside of the household. Medical expenses, debt repayments (excluding mortgages) and income tax are then deducted, and adjustments are made to reflect differences in need through the use of the Henderson equivalence scale. (Sometimes, though confusingly not al-

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ways, full income also includes the estimated value of government provision of social wage benefits in health, education and housing).

The data used to derive the estimates of full (and money) income are taken from the Australian Standard of Living Study (ASL) a survey containing data from around 1700 Australian households who were interviewed towards the end of 1987. The (brief) description of the ASL data in Appendix 1 suggests that the data are broadly representative and reliable of the national picture at that time, although it should be remembered that this was a period of rapid economic growth and optimistic economic prospects.

The brief analysis of the ASL data on full income in Chapter One reveals that relative distributional positions often differ markedly from those implied by estimates based on equivalent money income. In particular, the aged look better on the full income measure (because of home ownership), as do migrants from NES countries and social security beneficiaries (presumably because of the imputed value of non-working time).

In contrast, people from unskilled backgrounds, single parents and non-aged single people fare worse in relative terms on the full income measure. Rather than going on to explore the reasons for these differences in more detail, the authors proceed to discuss a range of alternative approaches to the measurement of material well-being - a discussion which, although of interest, tends to interrupt the flow of argument which was being developed.

We then have to wait a long time before reference is made again to any results derived from the ASL data. Chapter Two discusses different sources of data on income distribution and summarises (somewhat idiosyncratically) the available research evidence. Chapter Three focuses on social class-based measures of

income mobility, drawing on Erikson and Goldthorpe's recent study (Erikson and Goldthorpe, 1992). Finally (on around page 108) the authors use the ASL data to identify the determinants of equivalent and full income.

By now, readers who were no doubt comforted to discover (on page vii of the Preface) that the book is aimed at a 'broad readership' and has been written for 'non-specialist audiences', could be forgiven for becoming a little lost in references to pseudo-Lorenz curves (p. 105) and the recourse to estimation 'by instrumental variables in a two-stage least squares procedure' (p. 108).

There is, however, a good deal of interesting and provocative material to come for those who can suspend their disbelief in the analytical techniques and focus on the clear and concise discussion and explanations provided in the text itself. Particularly recommended is the analysis of social participation and material well-being in Chapter Four and the 'living decently' approach to the measurement of poverty (or, more precisely, to inequality in material well-being) developed in Chapter Five. My only complaint is, once again, that one has to read a rather lengthy summary of other research before arriving at results derived from the ASL data.

All in all, then, a good book and one well worth reading. It serves to complement but not, in my view, to replace money income based measures of poverty

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and inequality. In a monetary economy, these will always be critical determinants of living standards, though by no means the entire story. Just how important these other determinants of living standards are will hopefully emerge even more clearly as a result of the Australian Living Standards Study currently being undertaken by the Australian Institute of Family Stud-

ies, a study based very much on Travers and Richardson's pathbreaking research.

My main concern with the book was how the strength of its argument was continually being weakened by the tendency to divert from the main thesis in order to survey material of related, but

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often of only peripheral, interest. I suspect that this may have been done in an attempt to widen the book's potential audience and thus increase sales. If so, I think its success on these grounds is questionable.

Australia may represent a small market for book publishers, but there is enough interest in Australian social policy to ensure a large overseas audience for material such as this. In trying to appeal to a broader domestic audience, what we are left with is something which is neither a textbook nor a research monograph, but something which sits somewhat uncomfortably between the two.

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THE RELATIVE ECONOMIC STATUS OF INDIGENOUS AUSTRALIANS, 1986-1991

J. TAYLOR

Centre for Aboriginal Economic Policy Research, Australian National University, Research Monograph No. 5, 1993. pp. xii plus 85, \$15 (pb)

Reviewed by Toni Payne

The Aboriginal Employment Development Policy (AEDP) was adopted by the Federal government in the latter half of the 1980s in order to redress the persistent labour market and income inequalities between indigenous and non-indigenous Australians. This monograph seeks to

identify signs of socioeconomic impacts that may be due to the application of comprehensive employment and training programs progressively introduced under the umbrella of the AEDP since 1986. (p. 2)

The author uses Census data from 1986 and 1991, the change between these years being analysed in order to assess the impact of the AEDP on indigenous incomes.

There are many limitations on using aggregate Census data for such analyses and, therefore, on the conclusions which can validly be drawn. The analysis in this monograph is rigorous, with the author paying appropriate attention to caveats, and as such the conclusions drawn appear to be well-supported by the data.

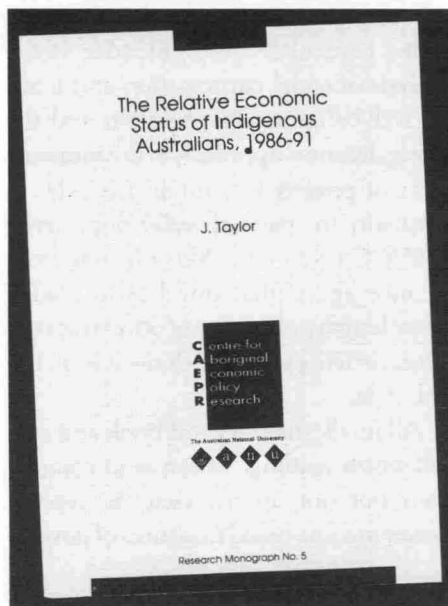
The analysis is also broken down by section-of-State, age and gender, important categories which often reveal a different pattern from that of the overall picture. Aborigines and Torres Strait Islanders are considered separately. A final chapter on implications for policy draws attention to the limits of the AEDP and raises issues of importance.

The monograph begins with an examination of the size and distribution of the indigenous population and the changes in such between 1986 and 1991. This is followed by a consideration of the

growth of the population of working age, changes in labour force status, industries and occupations in which indigenous peoples are employed and hours of work.

The growth in population size has been in major urban areas for Aborigines and in both major urban and rural areas for Torres Strait Islanders, whereas it has been greatest in rural areas for non-indigenous Australians.

Employment rates have increased in rural areas for indigenous males, whilst for non-indigenous males they have decreased in all sections-of-State. Females



have fared better, with employment rates for indigenous females improving in all sections more than for non-indigenous females.

The high rate of growth in rural areas is linked to the involvement of indigenous peoples in the CDEP scheme (part-time employment in the community/local government sector for wages equivalent to Job Search or Newstart allowance).

The employment of indigenous peoples has shifted towards service industries to a greater extent than that of non-indigenous peoples, and growth in part-time employment was greater than that in full-time employment for the former group.

One would expect the relative in-

comes of indigenous peoples to have been affected by the increased employment rates: indigenous Australians should have been better off in 1991 relative to non-indigenous Australians than they were in 1986. However, the evidence presented illustrates that this was not so. There was almost no difference in relative incomes over the period. The author notes that:

This overall lack of improvement in relative incomes is not surprising given that such a large proportion of new jobs for Aborigines and Torres Strait Islanders have been generated by participation in the CDEP scheme ... (p. 38)

This seems to point to the failure of the AEDP to meet its objective of improving the incomes of indigenous peoples. The fall in relative incomes was, in fact, greater in rural areas than in urban areas. The author rightly points out that employment generation in rural areas, which is based on unemployment equivalence

... leaves rural areas structurally disadvantaged compared to urban areas where a much greater proportion of jobs are full-time and based on awards. (p. 40)

By examining the aggregate share of income which accrues to employment, the author also concludes that the welfare dependency of indigenous Australians has not been reduced.

Finally, the author points to some important issues which have arisen from this analysis. One is that it will be important to code CDEP participants as such in the next Census. This will allow for more effective program monitoring.

As noted earlier, there are limits to the usefulness of aggregate data and the conclusions which can validly be drawn from them. However, the author notes all limitations and uses the data carefully in the light of these. As such, the report provides a very useful analysis of the effects of the AEDP and points to important issues in improving the economic status of indigenous Australians.