

# Take-up of Family Income Supplement in 1986 - A Research Note

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TAKE-UP OF FAMILY INCOME  
SUPPLEMENT IN 1986 -  
A RESEARCH NOTE

Peter Whiteford and Jennifer Doyle

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**Social Policy Research Centre**

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Russell Ross  
Editor

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**Peter Whiteford and Jennifer Doyle**

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## ABSTRACT

The issue of take-up of means-tested benefits is of long standing concern in social policy debates. This paper analyses take-up of Family Income Supplement (FIS) using the Australian Bureau of Statistics' 1986 Income Distribution Survey (IDS). Although FIS was replaced by the Family Allowance Supplement in 1987, the IDS is the most recently available data source that can be used to estimate take-up levels and identify possible factors that may explain take-up of similar benefits. This paper estimates take-up by comparing the number and characteristics of persons who said they were currently receiving FIS at the time of the survey with the number whose current income and family characteristics appeared to make them eligible for FIS. Although estimates of take-up are quite low and raise a number of concerns about the effectiveness of income-tested supplements in reaching the groups they are intended to assist, the main conclusion of the paper is that results using IDS data should only be regarded as approximations. It is suggested that an appropriate approach to understanding and analysing take-up of FAS in the future may involve a survey specially designed to monitor take-up.

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## INTRODUCTION

The issue of take-up of means tested benefits is of long standing concern in social policy debates. Take-up is usually defined in terms of the proportion of the eligible population actually receiving the payments to which they are entitled. Alternatively, take-up can be defined in terms of the proportion of the estimated cost of a program actually spent. Low take-up is regarded as a problem primarily because it suggests that social security benefits are not actually achieving the objectives for which they are intended, and consequently the living standards of the population - particularly lower income groups - may be lower than government policies attempt to achieve. In addition, low take-up may reflect on the effectiveness of benefit administration.

Low take-up is also often seen as an argument against means testing or targeting of benefits. The idea of targeting is to concentrate assistance on those most in need; if those most in need are dissuaded or deterred from applying for assistance because of the operation of a means or income test, then targeting may not be an effective policy strategy. As Peter Saunders has written

Improved targeting creates the vision of replacing a blunderbuss scattering buckshot over a wide area by a rifle firing a single bullet at the bullseye. This is a vast improvement if ammunition is in short supply. Its success, however, depends upon the target being the right one, as well as the rifle bullet actually hitting the bullseye.  
(Saunders, 1990, p. 13)

Concern with low take-up is a particular feature of British income support policy debates. This is partly because the objective underlying the Beveridge reforms in the 1940s was to provide for income support without recourse to means testing. Paradoxically, the development of a contributory social insurance scheme may exacerbate the problem of take-up of means tested benefits, because those receiving social insurance benefits and who do not wish to apply for means tested payments for reasons of stigma, say, have an alternative form of income support (in addition to private or family charity) on which to fall back. Figures cited by Deacon and Bradshaw (1983, p. 131) suggest that take-up of supplementary benefit (the main income-tested scheme in the United Kingdom) may have been around 70 per cent in 1979, with more than one million eligible people not claiming their entitlements.

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In Australia, in contrast, the issue of take-up of social security payments such as the age pension has not generally been regarded as a major issue in policy debates over the past twenty years or so. This may be partly due to the fact that there is no alternative social insurance system to fall back on, or it may reflect the relative liberality of the Australian income and assets tests<sup>1</sup>, or it may simply reflect a problem that has been ignored. More recently, however, concern has been expressed with take up of family income/family allowance supplement, which is a payment in respect of children in low income families not receiving pensions or benefits.

Family income supplement (FIS) was introduced by the Fraser government in the 1982-83 Budget as a means of assisting low income working families with children. Payments were set at the same level as the additional pension or benefit for children paid to families in the social security system, and were partly intended as a work incentive to ensure that working families would not be worse off financially than those receiving unemployment benefit. Rates of FIS and additional pension and benefit were subsequently increased by the Labor government. In the 1987 election campaign, as part of its pledge to 'end the need for child poverty by 1990' the government announced that FIS would be replaced by the Family Allowance Supplement (FAS) - payment levels were increased substantially and a higher rate of assistance was introduced in respect of older children, assistance with private rental payments was extended to FAS recipients, and the income test was substantially liberalised. As a consequence, the total number of recipient families increased from 32.8 thousand at 30 June 1987 to 51.4 thousand in December 1987 and 141.3 thousand in June 1988. The number of children assisted rose over this period from around 90 thousand to more than 350 thousand.

There have been further significant changes to FAS since 1987, including effective price indexation of rates and the introduction of an assets test on payments. In August 1990 there were some 180 thousand FAS recipient families with 440 thousand dependent children. FAS is now a major government program involving expenditure in 1990-91 of around \$590 million (not including similar payments in respect of children of pensioners and beneficiaries). This compares with an annual expenditure of around \$36 million in 1983-84, the first full year in which the program operated. The introduction of FAS has

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1 For example, Income Support in the United Kingdom currently is reduced on a pound for pound basis on net (after-tax) income, with up to £15 (approximately \$38) of earnings per week 'disregarded'; but there is no disregard or free area for unearned income. Those with capital over £8000 (about \$20,000) are not entitled to Income Support. In contrast, the Age Pension in Australia is reduced by 50 cents in the dollar of gross (pre-tax) income above \$40 per week (single) or \$70 per week (married). Pension is reduced on account of assets over \$103,500 (single, homeowner) or \$177,500 (single, non-homeowner).

been seen by the government as one of its 'major social justice achievements' (**Social Justice Statement**, 1988-89, p.6). Table 1 provides details of the number of families and children assisted since the introduction of FIS in 1983.

Given this background, the question of take-up of FIS/FAS is clearly of major importance. If take-up is low, then the redistributive impact of the reform is less than intended and its impact on child poverty may also be less than intended. On the other hand, some concern has been expressed that provisions such as FAS may encourage employers to pay lower wages, and thus exacerbate the problem of low pay (Bryson, 1988, p. 34). If FAS take-up is low, however, this position may be more difficult to substantiate. Understanding the reasons for and factors associated with low take-up is also important for policy reasons, since estimates of the cost of improved assistance may be more substantially affected by changes in take-up than may be expected on the basis of pre-existing administrative statistics (Blundell, Fry and Walker, 1987). In general terms, low take-up would reflect negatively on the broader strategy of targeting assistance to those in need.

In their study of the operation of the means test in British social policy, **Reserved for the Poor**, Deacon and Bradshaw (1983) suggest a range of factors explaining non take-up of benefits. These include ignorance of provisions, stigma associated with claiming particular benefits and related attitudes to receipt of social security assistance, difficulties with the claiming process, lack of incentive to claim, either because the benefits are too low or the costs associated with claiming too high, previous experience with claiming benefits, instability of financial circumstances, and household management or budgeting techniques that may conflict with claiming (Deacon and Bradshaw, 1983, pp. 131-138).

Research in the United Kingdom has also produced useful clarification of possible barriers to claiming means-tested benefits. Kerr (1982, cited in Deacon and Bradshaw, 1983) distinguished between six reasons for claiming benefits:

- (1) **Perceived need** - the individual's perception of the extent to which he or she is having difficulty making ends meet;
  - (2) **Basic knowledge** - the individual's awareness of the existence of a benefit;
  - (3) **Perceived eligibility** - the individual's perception of the likelihood that they are eligible for a benefit;
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**TABLE 1: CHARACTERISTICS OF FIS/FAS RECIPIENTS,  
1983 TO 1990**

At 30 June	Number of Recipients				Number of Children	Amount paid (\$) in the year to 30 June ('000)
	Sole Mothers	Sole Fathers	Couples	Total		
1983	967	394	16,473	17,834	48,159	2,213
1984	1,121	225	25,185	26,531	74,036	36,129
1985	803	169	25,426	26,398	74,942	40,945
1986	759	158	28,266	29,183	83,109	49,388
1987	907	192	31,704	32,803	92,982	60,560
1988	10,697	1,503	129,136	141,336	353,340	213,577
1989	14,095	2,130	148,521	164,746	411,162	399,954
1990 <sup>(1)</sup>	15,756	2,152	147,384	165,292	408,511	513,200

**Notes:** (1) Numbers are at April 1990.  
n.a.: not available.  
e: estimated.

**Source:** Department of Social Security, **Annual Report 1988-89**, p. 188; **Survey of Family Allowance Supplement Recipients, 6 April 1990**, Table 1; Commonwealth of Australia, **Budget Paper No. 1, 1990**, p. 3.150.

- (4) **Perceived utility** - the individual's perception of the utility of the benefit in meeting his or her specific needs;
- (5) **Beliefs and feelings about the application procedure** - the sum of all negative and positive forces exerted by an individual's beliefs about the application procedures and how he or she feels about these beliefs; and
- (6) **Perceived stability of the situation** - the extent to which beliefs about the instability of the individual's situation prevent him or her from applying.  
(Cited in Deacon and Bradshaw, 1983, p. 139).

It has been suggested that these six factors constitute a series of thresholds that have to be crossed for a claimant to apply for benefit, and that satisfying each consideration is a necessary step in the claiming process, which is therefore seen as a pathway. What is particularly useful in this framework is that it provides the basis for a set of hypotheses about differences between the characteristics of recipients and those of eligible non-recipients. For example, it might be expected on the basis of the criterion of perceived need that those families with the lowest income or the greatest number of children would be more likely than those with higher incomes or fewer children to claim FIS/FAS. The extent of basic knowledge of the existence of the benefit might lead to lower levels of take-up among families whose head was born in a non-English speaking country. Similarly, the perceived utility of the benefit could be expected to be strongly related to the level of payment, so that those with lower levels of entitlement may be less likely to apply for FIS/FAS, while those with unstable labour market attachments may also be less likely to apply.

In the United Kingdom, particular attention has been given to take-up of family income supplement (now family credit), a payment broadly equivalent to FIS/FAS in Australia, and a model for the Australian FIS. Early estimates of take-up of family income supplement in the United Kingdom varied widely - from about 50 per cent in 1972, to two-thirds in 1973 and three-quarters in 1975, (Dapr  and Stanton, 1981). However, later estimates using different data sources suggested that take-up among employees in 1979 was around 51 per cent, with about 62 per cent of expenditure being taken-up (*Social Security Journal*, 1982). In a recent analysis of the Irish FIS Scheme (introduced in 1984), it was estimated that take-up of FIS in Ireland in 1986 was between 13 per cent and 22 per cent, with take-up in monetary terms being between 14 per cent and 40 per cent (Callan, Nolan et al. 1989, pp.148-150). The fact that expenditure take-up exceeds client take-up implies that eligible non-recipients have lower average entitlements than do recipients.

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*A priori*, it might be expected that take-up of FAS in Australia would be less than take-up of payments such as age pension or unemployment or sickness benefit. This is because FAS is a **supplement** to low incomes and is not intended to provide a minimum adequate income. Because, therefore, it is not a question of survival in the way that receipt of an unemployment benefit may be, FAS receipt may be more likely to be reduced for reasons of stigma or costs involved in making application.

Empirical evidence on the level of take-up of FIS/FAS in Australia has been scanty. In her survey of FIS recipients conducted in 1985, Pech (1986) referred to preliminary analysis of data from the Australian Bureau of Statistics **1981-82 Income and Housing Survey** which suggested that the take-up rate of FIS was almost certainly less than 50 per cent and may have been as low as one-third (Pech, 1986, p. 3).

Having said that take-up of FAS is of particular policy interest it must be stated that this paper does not attempt to estimate FAS take-up. This is primarily because estimates of take-up require some data source that contains information on potential eligibility among the general population. The most recent Australian data source suitable for this purpose is the **1986 Income Distribution Survey**, which pre-dates the introduction of FAS by more than one year. While subsequent Australian Bureau of Statistics (ABS) surveys have collected information relevant to estimating take-up, the unit record tapes from the later ABS surveys (the **1988 Housing Survey**, the **1988-89 Household Expenditure Survey**, the **1990 Income Distribution Survey**) have not yet been publicly released. The Social Policy Research Centre has developed a model for up-dating the **1986 Income Distribution Survey** to 1989-90 (Bradbury, Doyle, and Whiteford, 1990), but it did not appear useful in this context to analyse factors associated with non take-up from this model. This is because the model involves the use of an algorithm to allocate actual FAS expenditure in 1989-90 so that the imputed outcome in the model corresponded, within certain parameters, to actual expenditures. Thus, these results are the by-product of the assumptions used and do not necessarily provide an independent insight into the reasons for or level of non-take up. (For what it is worth, the model effectively estimated FAS take-up in expenditure terms of 58 per cent, and involved varying take-up rates using six categories with different levels of entitlement, from around 4 per cent for families with entitlements less than \$500 a year to 75 per cent for those with entitlements of \$4,000 a year or more. See Bradbury, Doyle and Whiteford, 1990, p. 65).

For these reasons we have estimated take up of family income supplement using the **1986 Income Distribution Survey** conducted by the Australian Bureau of Statistics (ABS) in the period September to December 1986. The survey was based on a multi-stage area sample of private (e.g. houses, flats) and non-private dwellings (hotels, motels

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etc), and covered about one-sixth of one per cent of the population of Australia in a total of nearly 8,200 responding households. The survey collected a wide range of information on the demographic and labour force characteristics of the sample and on their incomes, both current incomes at the time of the survey and annual incomes over the course of the financial year. The public use unit record tape contains much of this information although some details have been suppressed to maintain confidentiality.

Information on receipt of FIS is included in the survey. Our methodology simply involves comparing the number and characteristics of persons who said they were currently receiving FIS at the time of survey with the number whose current income and family characteristics appeared to make them eligible for FIS. The ratio of actual recipients to the estimated total number of potential recipients is defined as the take-up rate.

Estimating FIS entitlements on the basis of current income in the survey is complicated by a number of factors. Current weekly income from wages and salaries and social security payments, for example, was collected in the survey by asking for the amount of the most recent payment and the period in weeks it covered. Income from interest, in contrast, was calculated as income in the previous financial year reduced to its weekly equivalent. Entitlement for FIS at the time was based on joint parental income over the four weekly period ending on the date of claim. Entitlements were reviewed every six months or if parental income exceeded 125 per cent of the prescribed FIS limits or the family's income as previously assessed. Families could, however, apply for FIS if their income fell at any time.

A further complicating factor was that the parameters of the FIS system changed slightly during the survey interview period (September to December 1986). Up until 1 November 1986 the rate of FIS payment was \$16 per week per child, but it was increased to \$17 per week per child from 1 November. The prescribed limit for FIS was \$241 per week between May and December 1986 rising to \$248 per week from December 1986. Above this level, FIS payments were reduced by 50 cents for each dollar of joint parental income.

Undoubtedly the most serious problem arising in an estimate of FIS take-up from the 1986 Income Distribution Survey relates to the reliability of some of the information collected in the survey. For example, on the basis of the survey it is estimated that some 34 thousand families with 102 thousand children received FIS in the survey period. Department of Social Security (DSS) statistics show, however, that in November 1986 there were some 29 thousand recipient families with 83 thousand children. Thus, the

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estimated number of recipients was about 17 per cent higher than the actual number, and the number of estimated eligible children about 23 per cent higher. This may be due to sampling error or problems with weighting from the sample to the estimated population.

In addition, cross checking of the model that estimated FIS entitlements suggested that of the 19.7 thousand wage and salary earner households actually receiving FIS, 3.1 thousand were estimated not to have any entitlement at all, while around 5 thousand were receiving amounts that differed significantly from their entitlements, calculated on the basis of their current income and family characteristics as recorded in the survey. It must be emphasised that this is undoubtedly due to the very simple methodology used to estimate entitlements and does not reflect in any way on the administration of FIS. The most likely explanation for this discrepancy is the variability of income of many low income earners and the fact that the parameters used to estimate entitlements changed over the survey period. The main conclusion from this is that the estimates of FIS take-up are **estimates**, and are probably subject to fairly significant variability.

There are also major discrepancies between the estimated numbers of recipients of other income tested social security payments and the numbers actually being paid. For example, there were an estimated 446 thousand recipients of unemployment benefit in the survey, but nearly 556 thousand unemployment benefit recipients according to DSS figures, a difference of around 109 thousand persons. The number of recipients of age pension was 'underestimated' by around 10 thousand, of supporting parent benefit by 27 thousand and of widows pension by 37 thousand. On the other hand, the numbers receiving special benefit were estimated at around 32 thousand when only 19 thousand benefits were being paid at the time. Overall, the total number of current recipients of DSS pensions and benefits was estimated at 192.1 thousand (7.3 per cent) less than the actual number being paid around December 1986.

There are a range of possible explanations for this discrepancy including differences in scope (e.g. the survey does not include people in institutions such as hospitals or nursing homes) and differences in timing, as well as inaccurate responses to the ABS survey, misrepresentation of circumstances to DSS, and sampling variability. These differences are of major significance to estimates of FIS take-up, because families with children receiving other benefits such as unemployment or sickness benefit or sole parents payments are not eligible for FIS. To the extent that people actually receiving social security recipients are incorrectly categorised in the survey, then estimates of FIS take-up could be significantly affected, because they will be classified as eligible for FIS when in fact they are not. Further analysis of the **Income Distribution Survey** shows, however, that the differences are largely concentrated among sole parents and single

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people without children. Indeed, the number of pensioner or beneficiary couples with children estimated by the survey was nearly 170 thousand, compared to just over 150 thousand actual DSS recipient couples with children. What this means for estimates of FIS take-up is difficult to determine.

## RESULTS

Bearing these provisos in mind, Table 2 shows the first main set of results of our analysis. It can be seen that take-up of FIS in 1986 is estimated at 14.5 per cent for couples with children and 4.2 per cent for sole parents, giving an overall total take-up estimate of 13.6 per cent. This estimate is much lower than those from the United Kingdom, but about the same as estimates of FIS take-up in Ireland. Take-up appears very low among families with one child (3.5 per cent) but jumps to between 13 and 18 per cent for families with between two and four children, and is estimated to be nearly 50 per cent for families with five or more children. Because take-up increases with family size, the proportion of eligible children being paid is around 17 per cent. Take-up is estimated to be higher among families where the head was born in Australia than where the head was born overseas although the level of estimated take-up is somewhat lower for those born in the main English speaking countries than for those from other birthplaces.

FIS take-up appears relatively high among families where the head is a wage and salary earner, with nearly a quarter of apparently eligible families receiving payments compared to fewer than 10 per cent of families where the head is self-employed or unemployed. The pattern of take-up does not follow a clear pattern with either levels of income or levels of estimated entitlements, with take-up apparently rising then falling in line with both increasing income and increasing estimated entitlements. The level of take-up by income is highest (20.5 per cent) for families with incomes above \$300 per week, and also appears highest for families with entitlements between \$20 and \$29 per week and \$30 and \$49 per week (24.6 and 19.3 per cent, respectively). It is estimated that expenditure on recipients is equivalent to about 16 per cent of the total expenditure that would have been required if all apparently eligible families were receiving their entitlements.

There are many problematic features of these results. For example, all the sole parents receiving or apparently eligible for FIS would be financially better off by claiming supporting parents benefit, since at all levels of private income their full or part rate

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TABLE 2: APPARENT TAKE-UP OF FAMILY INCOME SUPPLEMENT -  
1986 INCOME DISTRIBUTION SURVEY

Characteristics	(1) Estimated number receiving FIS ( <sup>'000</sup> )	(2) Estimated number eligible, not receiving FIS ( <sup>'000</sup> )	(3) Estimated total number eligible for FIS ( <sup>'000</sup> ) (1) + (2)	(4) Estimated FIS take-up (%) (1) ÷ (3)	Actual number receiving FIS - November 1986 ( <sup>'000</sup> )
<b>Family status</b>					
Married couple	33.0	195.1	228.1	14.5	28.1
Sole parent	0.9*	20.6	21.5	4.2	1.0
Total	34.0	215.7	249.7	13.6	29.1
<b>Number of children</b>					
One child	2.2*	60.2	62.4	3.5	3.5
Two children	11.6	66.9	78.5	14.8	8.8
Three children	10.3	65.8	76.1	13.5	9.0
Four children	3.5*	16.3	19.8	17.7	5.1
Five or more children	6.4	6.6	13.0	49.2	2.7
Total**	102.3	489.6	591.9	17.3	83.4
<b>Labour force status of head</b>					
Wage and salary	19.7	61.5	81.2	24.3	n.a.
Own business	10.5	119.6	130.1	8.1	n.a.
Unemployed	1.0*	13.1	14.1	7.1	n.a.
Not in labour force	2.8*	21.1	23.9	11.7	n.a.
<b>Weekly Income (\$)**</b>					
0	0.7*	21.7	22.4	3.1	1.4
1 - 49	3.3*	21.2	24.5	13.5	1.2
50 - 99	1.9*	9.8	11.7	16.2	1.3
100 - 149	2.4*	15.6	18.0	13.3	1.9
150 - 199	4.7*	22.6	27.3	17.2	3.2
200 - 299	10.4	84.8	95.2	10.9	15.1
300 and over	10.3	39.9	50.2	20.5	5.0
<b>Estimated FIS entitlement</b>					
Less than \$10	3.1*	31.6	34.7	8.9	n.a.
\$10 - \$19	4.9*	69.3	74.2	6.6	n.a.
\$20 - \$29	6.4	19.6	26.0	24.6	n.a.
\$30 - \$49	12.3	52.4	64.9	19.3	n.a.
\$50 and over	7.1	42.7	49.8	14.3	n.a.
<b>Birthplace</b>					
Australia	26.0	138.7	164.7	15.8	22.6
UK/Ireland/Oceania	1.6	19.7	21.3	7.5	6.5
Other	6.3	57.3	63.6	9.9	

Notes: \* Subject to very high relative standard error.  
 \*\* Assumes an average of five children in families with five or more children.  
 \*\*\* Gross family income from all sources, excluding family allowances and FIS.  
 n.a. Not available.

Source: Estimated from Australian Bureau of Statistics, 1985-86 Income Survey, unit record tape, and Department of Social Security, Survey of Family Income Supplement Recipients, 21 November 1986.

entitlements to supporting parents benefit would be substantially greater than any FIS entitlement they may have.<sup>2</sup> This raises the issue of whether these numbers should be interpreted as indicating a problem of low FIS take-up or a problem of non take-up of supporting parents benefit.

To some extent, the same question arises in relation to persons who were unemployed or not in the labour force and to some of those with very low incomes. In the period covered by the survey, the rate of unemployment benefit for a couple was \$170.30 per week, plus \$16 per week for each dependent child. Taking into account the effects of the benefit income test, a beneficiary couple with one child could have a combined income from social security and part-time work of up to \$236.30 per week. (The effects of the 100 per cent withdrawal rate means that disposable income could not rise any further until the benefit entitlement was entirely extinguished). This implies that many of those unemployed or not in the labour force would probably be better-off by claiming benefits or pensions, if they were entitled to them.

Some further light is thrown on this issue by Table 3 which shows the income levels of families not taking up FIS by the labour force status of the head. It can be seen that more than half of the families with a head either unemployed or not in the labour force had current incomes of less than \$50 per week. Apart from the possibility that either stigma or lack of information may have led these families to apply for neither benefits nor FIS, it is possible that they had applied for some payments but were waiting to receive their first cheque. Whatever the reason for non take-up of payments, the question remaining for these groups is whether this should be regarded as a problem of low take-up for FIS or for some other benefit.

Interpretation of the reported incomes of the self-employed is difficult, because of a number of factors. Self-employment income as recorded by the ABS is net of any business losses and after deducting expenses. This presumably explains why the self-employed account for more than half of the apparently eligible non-recipients, and why they are particularly concentrated in the lower income ranges. In addition, because of the difficulties in collecting current income data from the self-employed, the recorded

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2 A possible explanation is that the sole parents not receiving pensions had low incomes but substantial assets and were therefore excluded from receipt of supporting parents benefit because of the operation of the assets test. If this were the case, then such families may have been entitled to FIS, because there was no assets test applying to that payment at the time.



**TABLE 3: FAMILIES (THOUSANDS) NOT TAKING-UP FIS:  
FAMILY INCOME BY LABOUR FORCE STATUS OF HEAD**

Family Income (\$ p.w.)	Labour Force Status of Head				TOTAL
	Wage & salary earner	Own business	Unemployed	Not in labour force	
0	-	7.7	6.6	7.3	21.7
1 - 49	*	14.8	2.3*	2.8*	21.4
50 - 99	-	7.0	-	2.8*	9.5
100 - 149	-	12.8	-	2.9*	18.3
150 - 199	4.5*	15.3	0.4*	2.5*	23.0
200 - 249	9.0	28.6	1.4*	-	43.2
250 - 299	17.9	22.9	2.3*	2.8*	44.3
300 - 349	24.6	9.5	-	-	28.8
Over 350	4.7*	*	-	-	5.5
<b>TOTAL</b>	<b>61.5</b>	<b>119.6</b>	<b>13.1</b>	<b>21.1</b>	<b>215.7</b>

**Note:** \* Subject to very high relative standard error.

**Source:** Estimated from Australian Bureau of Statistics, 1985-86 Income Survey, unit record tape.

current income from self-employment in the survey is the previous financial year's income from this source reduced to its weekly equivalent. In this sense, it is not strictly possible to estimate FIS take up for this group, since their actual current circumstances may differ substantially from that recorded in the survey.

In any case, whether the incomes of the self-employed are reliable indicators of their economic circumstances is questionable. For example, Bradbury et al. (1988, p. 53) using the **1981-82 Income and Housing Survey** estimated that on average the self-employed had housing expenditures associated with income levels between \$12,000 and \$17,000 greater than their actual incomes as measured in the survey. In this context, we undertook a simple comparison of the housing costs (rates, mortgage and rents) of the sample in the **1986 Income Distribution Survey** and found that among the self-employed, 4.5 thousand of the 10.5 thousand actual FIS recipients (42.9 per cent) and 32.0 thousand of the 119.6 thousand apparently eligible non-recipients (26.8 per cent) incurred housing expenditures greater than their incomes. None of the wage and salary earner recipients, and only 2.4 thousand of the apparently eligible wage and salary non-recipients (4.6 per cent) were in this situation. While this phenomenon may be due to income variability which is not easily translated into reduced spending on housing, and while there may be many self-employed families with children with genuinely low incomes, it is clearly difficult to be confident about FIS take-up estimates for this particular group.

Tables 4 to 6 show further details of those families not taking-up FIS. From Table 4 it can be seen that most couples eligible for FIS were single income only, with nearly 56 per cent of spouses not being in the labour force. Wives of apparently eligible FIS recipients also show very high unemployment rates, with the overall rate being 13.4 per cent, while for wives of wage and salary earners eligible for FIS the unemployment rate is 50 per cent.

Table 5 provides details of income level by family type. Nearly 60 per cent of apparently eligible couples not receiving FIS had incomes over \$200 per week, compared to around 40 per cent of the sole parent group. Table 6 shows the estimated FIS entitlements of families not taking-up FIS by the number of their children. Two points can be noted. Just over 47 per cent of those apparently eligible would have been entitled to payments of under \$20 per week. This might suggest that these families may simply not have considered the size of the FIS payment to be attractive enough to warrant the time and effort involved in testing their entitlement. Nevertheless, it can be seen that for each family size, the modal group was the range where the maximum rate

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**TABLE 4: MARRIED COUPLES (THOUSANDS) NOT TAKING UP FIS:  
LABOUR FORCE STATUS OF HEAD BY LABOUR FORCE STATUS OF  
SPOUSE**

Labour Force Status of Head	Labour Force Status of Spouse				TOTAL
	Wage & salary	Own business	Unemployed	Not in Labour force	
Wage and salary	8.2 (4.2)	*	8.9 (4.6)	34.8 (17.8)	52.6 (27.0)
Own business	12.8 (6.6)	44.2 (23.8)	2.0* (1.0)	55.0 (28.2)	116.2 (59.6)
Unemployed	3.0* (1.5)	-	*	8.4 (4.3)	11.6 (5.9)
Not in labour force	2.6* (1.3)	*	*	10.3 (5.3)	14.4 (7.4)
<b>TOTAL</b>	26.7 (13.7)	46.0 (24.7)	11.6 (5.9)	108.6 (55.7)	195.1 (100.0)

**Note:** \* Number subject to very high relative standard error.

Figures in brackets are the percentage of total in each cell.

**Source:** Estimated from Australian Bureau of Statistics, **1986 Income Distribution Survey**, unit record tape.

**TABLE 5: FAMILIES NOT TAKING-UP FIS: INCOME BY FAMILY TYPE**

Income (\$p.w.)	Couples		Sole Parents		TOTAL	
	No. ('000)	%	No. ('000)	%	No. ('000)	%
0	16.9	8.7	4.7*	22.8	21.7	10.0
1 - 49	17.4	8.9	3.8*	19.9	21.2	9.9
50 - 99	9.1	4.7			9.8	4.4
100 - 149	14.2	8.3	4.3*	18.9	15.6	8.5
150 - 199	20.7	11.1			22.6	10.7
200 - 249	35.4	20.3	3.5*	17.0	38.9	20.0
250 - 299	43.2	21.3			45.9	20.5
300 - 349	32.4	13.9	4.4*	21.4	34.1	13.3
350 - 399			-	-		
400 - 449	5.8	2.8	-	-	5.8	2.6
<b>Total</b>	<b>195.1</b>	<b>100.0</b>	<b>20.6</b>	<b>100.0</b>	<b>215.7</b>	<b>100.0</b>

**Note:** \* Subject to very high relative standard error.

**Source:** Estimated from Australian Bureau of Statistics, **1986 Income Distribution Survey**, unit record tape.

**TABLE 6: FAMILIES (THOUSANDS) NOT TAKING UP FIS: ESTIMATED FIS ENTITLEMENTS BY NUMBER OF CHILDREN**

Estimated FIS entitlement (\$p.w.)	Number of children					Total	
	1	2	3	4	5 plus	('000)	(%)
Less than \$10	7.9	10.3	10.5	3.0*	-	31.6	14.9
\$10 - \$19	52.3	6.8	7.7	*	*	69.3	32.3
\$20 - \$29	-	7.2	8.8	3.6	-	19.6	9.1
\$30 - \$39	-	42.7	4.7*	*	*	48.5	22.4
\$40 - \$49	-	-	3.4*	-	*	3.9*	1.5
\$50 - \$59	-	-	30.7	*	*	32.5	15.1
\$60 - \$69	-	-	-	6.8	-	6.8	3.1
Over \$70	-	-	-	-	3.4	3.4*	1.6
<b>Total</b>	<b>60.2</b>	<b>66.9</b>	<b>65.8</b>	<b>16.3</b>	<b>6.6</b>	<b>215.7</b>	<b>100.0</b>

**Note:** \* Subject to very high relative standard error.

**Source:** Estimated from Australian Bureau of Statistics, **1986 Income Distribution Survey**, unit record tape.

would be payable, implying that for some non-recipients not even the maximum rate was sufficiently attractive to generate a claim.

Because of the difficulties involved in interpreting the incomes of the self-employed and because of the questions surrounding the circumstances of those unemployed or not in the labour force, it is useful to consider take-up among wage and salary earners only. Table 7 provides these results. It can be seen that estimated take-up among wage and salary earners is much higher than among all families, although it is still estimated that only around one in four of wage and salary families apparently eligible for FIS were actually receiving it. Because estimated take-up tends to rise with family size, take-up for children of wage and salary earners is higher again, at around one in three. In addition, it can be seen that take-up apparently increases significantly with the level of entitlement, from 11 per cent for those with entitlements under \$10 per week to nearly 60 per cent for those with entitlements of \$50 a week or over. It is estimated that expenditure take-up among wage and salary earners was approximately 36 per cent.

The apparent take-up patterns shown in Table 7 differ significantly from those shown in Table 2 for all low income families. There are very few wage and salary earner families with incomes under \$200 per week. The 900 families with incomes less than \$50 per week shown in Table 7 were found on further analysis to be receiving 'other regular payments', which are either maintenance or workers' compensation. This estimate is of course subject to an extremely high relative standard error in any case, and it may be that the very few families in this situation in the sample had only just started to receive workers' compensation, say, and may have been waiting for the payment of sickness benefit.

Most wage and salary recipients and most of those eligible but not receiving FIS had incomes over \$200 per week. In addition, apparent take-up decreases slightly as family income increases, which is consistent with the notion that take-up is related to self-assessment of income needs.

The clearest pattern relates to increasing take-up by rising level of entitlement. As noted, the estimated take-up level rises constantly with the level of entitlement, from 11 per cent for those with entitlements less than \$10 per week to 57 per cent for those with entitlements of \$50 per week or more. On the surface, this pattern strongly supports the notion that take-up may be related to the perceived utility of the benefit, in financial terms at least. Estimated take-up by birthplace of the family head is of some interest in that the level of take-up is far lower for those born in the United Kingdom, Ireland or Oceania than for those born in Australia or for other overseas born.

**TABLE 7: APPARENT TAKE-UP OF FAMILY INCOME SUPPLEMENT  
AMONG WAGE AND SALARY EARNER HOUSEHOLDS -  
1986 INCOME DISTRIBUTION SURVEY**

Characteristics	(1) Estimated number receiving FIS ( <sup>'000</sup> )	(2) Estimated number eligible not receiving FIS ( <sup>'000</sup> )	(3) Estimated total number eligible ( <sup>'000</sup> ) (1) + (2)	(4) Estimated FIS take-up (%) (1) ÷ (3)
<b>Family status</b>				
Married couple	19.7	52.7	72.4	27.2
Sole parent	-	8.9	8.9	0.0
Total	19.7	61.5	81.2	24.3
<b>Number of children</b>				
One child	-*	12.4	12.4	0.0
Two children	6.1	19.3	25.4	24.0
Three children	4.9*	21.0	25.9	18.9
Four children	2.4*	7.0	9.4	25.5
Five or more children	6.4	1.8*	8.2	78.0
Total	72.1	151.4	223.5	32.3
<b>Weekly income</b>				
0	-	-	-	-
1-49	-	0.9*	0.9*	0.0
50-99	-	-	-	-
100-149	-	-	-	-
150-199	2.0*	4.5*	6.5	30.8
200-299	9.1	26.9	36.0	25.3
300 and over	8.5	29.3	37.8	22.5
<b>Estimated FIS entitlement</b>				
Less than \$10	2.6*	21.1	23.7	11.0
\$10-\$19	4.6*	18.7	23.3	18.5
\$20-\$29	3.3*	8.9	12.2	27.0
\$30-\$49	5.2	10.1	15.3	34.0
\$50 and over	3.8*	2.9*	6.7	56.7
<b>Birthplace</b>				
Australia	13.9	41.4	55.3	25.1
UK/Ireland/Oceania	0.6*	5.1	5.7	10.5
Other	5.2	15.1	20.3	25.6

**Note:** \* Subject to very high relative standard error.

**Source:** Estimated from Australian Bureau of Statistics, **1986 Income Distribution Survey**, unit record tape.

On a somewhat different issue, further analysis revealed that among recipient families, 13.7 per cent of wives were in the labour force and 37.0 per cent of these were unemployed. In total, only 8.6 per cent of wives of wage and salary FIS recipients were in some form of employment. Among eligible non-recipients, the labour force participation rate of wives was 33.8 per cent, with 50 per cent of these unemployed, giving a total of only 16.9 per cent in some employment. The labour market status of wives of actual and potential FIS recipients is therefore broadly similar to that of the wives of unemployed men with children (see Whiteford, 1987, p.352.).

## CONCLUSION

The conclusions of this paper should be regarded as heavily qualified. Using the **1986 Income Distribution Survey** we estimate that overall 13.6 per cent of eligible families with 17.3 per cent of eligible children were receiving the FIS payments to which they were apparently entitled. We also estimate expenditure take-up to be just over 16 per cent. Take-up appeared to be higher among couples with children than among sole parents, and was also much higher among the small number of families with five or more children and was lowest among families with only one child. Take-up was highest for families where the head was a wage and salary earner, but appeared very low among the self-employed. In general terms the level of take-up appeared to increase both with the level of family income, and to a somewhat lesser extent with the level of estimated FIS entitlement.

The level of FIS take-up estimated here is extremely low, and is much below take-up estimates from the United Kingdom, but about the same as estimates made in Ireland. This may suggest a further explanatory factor; FIS has existed in the United Kingdom since 1971, but was introduced in Australia and Ireland only two to three years before both take-up estimates. It may be that take-up could increase over time, as potential recipients became more aware of the program.

In this context, it should be emphasised that these estimates of FIS take-up cannot be used to judge the likely take-up of family allowance supplement currently. This is because the parameters of the FAS system are significantly more liberal than the conditions applying to FIS in 1986, and there have been many changes to the general labour market over the period. The very large increase in the number of families assisted since 1987 suggests that take-up has probably improved significantly, although the current level of take-up cannot be estimated because of the lack of suitable data. It might be noted, however that the level of expenditure take-up estimated for FIS in 1986 was

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around 16 per cent, while in modelling trends in family disposable incomes up to 1989-90, Bradbury, Doyle and Whiteford (1990) actually allocated about 58 per cent of estimated FAS entitlements to families in 1989-90.

The paper suggests that the estimates of take-up among wage and salary earners are probably more meaningful than those for the self-employed. Take-up of FIS among wage and salary earner families is estimated at 24.3 per cent in 1986, with 32.3 per cent of apparently eligible children receiving assistance, and expenditure take-up being around 36 per cent. While these estimates are considerably higher than the overall take-up estimate, they are still quite low.

Having said this, the main conclusion of the paper is that estimates of take-up using **Income Distribution Survey** data should only be regarded as rough approximations. Conventionally, such a conclusion usually leads to calls for further research and improved data that could be used to develop more reliable estimates. A number of improvements are possible. The discrepancy between the number of recipients of other pensions and benefits in the survey and those actually being paid requires further attention from the ABS in future income surveys. But there are limitations to the use of existing data sources. While it is clear that it would be very interesting to estimate and analyse take-up of FAS from the **1990 Income Distribution Survey**, there are a number of factors that may make that more rather than less difficult. In particular, changes to the income test on the introduction of FAS and the introduction of the assets test for FAS from January 1989 will make it more difficult to determine whether low income families are eligible for and receiving FAS. This is because the **ABS Income Distribution Surveys** do not collect information relevant to the operation of the assets test, while the annual income data collected refer to the financial year immediately preceding the conduct of the survey. In the case of the **1990 Income Distribution Survey**, this will be the 1989-90 financial year. FAS entitlements in the 1990 calendar year will, however, be generally determined on the basis of family income in the 1988-89 year, for which no data will be collected.

This in turn suggests that an appropriate approach to understanding and analysing take-up of FAS in the future may involve developing a survey specially designed to monitor take-up, perhaps based on a sample of family allowance recipients. Such an approach is potentially quite expensive, but would seem to be required if reliable estimates of FAS take-up are to become available.

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