

Poverty in Australia: Dimensions and Policies

Author:

Bittman, Michael

Publication details:

Working Paper No. 135
Reports and Proceedings
0733415520 (ISBN)

Publication Date:

1997

DOI:

<https://doi.org/10.26190/unsworks/936>

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**POVERTY IN
AUSTRALIA:
DIMENSIONS AND
POLICIES**

edited by Michael Bittman

SPRC Reports and Proceedings

No. 135

May 1997

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The Publications and Information Officer, SPRC,
University of New South Wales, Sydney, NSW, 2052, Australia.
Telephone: +61 (2) 9385 3857 Fax: +61 (2) 9385 1049 Email: sprc@unsw.edu.au

ISSN 1036 2835
ISBN 0 7334 1552 0

May 1997

The views expressed in this publication do not represent any official position on the part of the Social Policy Research Centre (formerly the Social Welfare Research Centre). This report was produced to make available the research findings of the individual authors, and to promote the development of ideas and discussions about major areas of concern in the field of social policy.

Foreword

What is an adequate level of income in Australia today and how might we determine what this level should be? What does this imply for setting the levels of social security payments for different groups and deciding how these should be adjusted over time? Are some workers paid wages that are so low that they (and their dependants) are forced to live in poverty? Often, the lowest incomes in Australia are found among the self-employed: does this mean that, on the whole, those who work for themselves are the poorest members of the population?

In the 1960s, poverty was 'rediscovered' and found to be widespread among several groups, including older Australians, the unemployed and sole parent families. How are these groups faring now, after thirty years of policy aimed at alleviating their poverty? What is the role of industry policy in the standard of living found among the various regions in Australia? Who lives in poverty in Queensland? All of these issues, and more, are addressed in *Poverty in Australia: Dimensions and Policies*.

This publication reports the proceedings of a one day conference, jointly organised by the Social Policy Research Centre and the Department of Social Work and Social Policy at the University of Queensland, held on the 26 November 1996 in Brisbane. The conference was organised to mark the fact that 1996 was designated by the United Nations to be The International Year for the Eradication of Poverty. Papers presented dealt with current issues surrounding the measurement and incidence of poverty, with emphasis on the regional dimension, especially the extent of poverty in Queensland.

Although attention during the year focused on severe forms of poverty in developing countries, it also served to draw attention to the need for rich countries like Australia to continue to be diligent in pursuing effective anti-poverty policies. This requires the extent of poverty to be determined using research methods that have meaning and legitimacy in the community. The publication of this report will hopefully contribute to the on-going debate over these important issues.

Peter Saunders
Director

Acknowledgements

This volume owes its existence to a collaboration between the Social Policy Research Centre and the Department of Social Work and Social Policy at the University of Queensland. Many thanks are due to Dr. Paul Symth (a contributor to the volume), who first proposed the idea of a conference to mark the International Year for the Eradication of Poverty and played a major role in developing the program and organising the details of the conference, *Poverty in Australia: Dimensions and Policies*. The success of the conference is in no small part due to his charm, enthusiasm and hard work, and the generous support provided by the Department of Social Work and Social Policy.

For its part, the Social Policy Research Centre is particularly indebted to Professor Ian O'Connor, Anne Coleman and Jenni Warbuton, whose efforts contributed greatly to the financial feasibility of the conference. Julia Martin, formerly of the Social Policy Research Centre, produced a memorable conference poster and flier, and Sharon Hancock has been responsible for organising the technical production of this volume.

All the contributors took time out of their busy schedules to prepare and refine their contributions. Their activity is a mark of their dedication to tasks of analysing the nature of poverty in Australia and developing policies to eradicate it. The editor and the Social Policy Research Centre express their appreciation to the contributors for their co-operation.

Thanks are also due to Diana Encel, who has patiently and expertly guided this manuscript into publication. Gil Srzednicki, Lynda Pawley and Luke Metcalfe all played a significant part in preparing the manuscript for publication.

Contents

Foreword	i
Acknowledgements	ii
Michael Bittman	
<i>Calculating the Cost of Living Modestly and 'Barely Making Do': The Development of Indicative Budget Standards</i>	1
John Buchanan and Ian Watson	
<i>The Living Wage and the Working Poor</i>	17
Tony Eardley and Bruce Bradbury	
<i>Not Waving But Drowning? Low Incomes and Poverty Amongst the Self-employed</i>	39
Sheila Shaver	
<i>Sole Parent Poverty: How Does Australia Compare?</i>	67
Peter Walsh and Natalie Mengede	
<i>Poverty in Queensland: Putting a Human Face to Debates About Poverty</i>	83
Paul Smyth and Tim Reddel	
<i>Responding to Poverty in Queensland: Social Policy and Administration at the Regional Level</i>	97
Bettina Cass	
<i>Policy Making Against the Odds: Preventing and Reducing Poverty in Multicultural Australia</i>	115

Calculating the Cost of Living Modestly and 'Barely Making Do': The Development of Indicative Budget Standards

Michael Bittman
Social Policy Research Centre
University of New South Wales

1 Introduction

1.1 The Problem

Over three millions Australians are dependent for all or part of their income on some form of pensions or benefits paid by the Department of Social Security (DSS, 1996). There are 1.6 million persons in receipt of the age pension representing 64 per cent of all those of pension age (DSS, 1996; ABS, 1996). Nearly three-quarters of single parent families in Australia rely on the sole parent pension (DSS, 1996; ABS, 1994). The number of Australians receiving the Disability Support is approaching half a million and to this can be added 33 000 receiving Sickness Allowance and 25 000 receiving the Carer Pension. More than 800 000 Australians rely on some form of government allowance to compensate for their lack of paid employment (DSS, 1996).

One of the most fundamental questions, therefore must be: is the level of these payments adequate? As Bradshaw, Mitchell and Morgan pointed out the adequacy of benefit income is the most neglected problem in the whole area of social welfare research (1987: 165). A similar problem ought properly to lie at the centre of the current Australian Industrial Relations Commission hearing about 'a living wage': what is an adequate income?

1.2 What are Budget Standards?

One way of approaching this central question is through developing budget standards. Budget standards are an attempt to return to basics in determining a standard of living. The term 'standard of living' refers to a standard of *consumption*. People achieve a particular standard of living when their total consumption reaches a specified level. When people want to characterise the high standard of living among the wealthy they usually do this by describing commodities only rich people can afford to purchase: a luxury car; a yacht; a house with absolute waterfrontage, many bedrooms, multiple bathrooms and more than one garage. In a market society like Australia practically everything can be bought with money and the value of this consumption can be expressed in money terms. Thus, having sufficient money or, speaking a little more imprecisely, having sufficient income to sustain a standard of living comes to be seen as the important issue. In other words income is taken as a proxy for the standard of living.

However, the level of income, rather than the level of consumption, in the minds of many people, has become the standard of living. This view is found among specialists as well as the laity. A commonly accepted method for determining poverty is to study the distribution of income and to determine a point in the distribution below which people are said to be living in poverty. Half median income is a standard of poverty used widely in international comparison. The Henderson poverty line relies on a measure of average disposable income in setting the level of poverty under current circumstances. In logical terms, this method of studying poverty assumes that it is possible to determine poverty by studying the level of income relative to itself, that is, by comparing a level of income with the distribution of income. Without any external point of reference, this is a bit like trying to push the bus you are riding in.

The budget standards approach is to *study consumption directly*, by specifying a basket of goods and services that correspond to a particular standard of living. This is more concrete and, of course, a more complicated (perhaps, even more tedious) business than describing income distributions and income inequality. The budget standards approach asks: what goods and services must those working for wages, those living on benefits and pensions and the self-employed be able to consume to achieve a given standard of living?

In 1899. Almost one hundred years ago, Seebohm Rowntree, heir to a confectionery fortune, conducted his famous study of poverty in the English city of York.

Rowntree set out to demonstrate that a significant proportion of the families of the working population of York were living on wages which were so low that were not sufficient 'to obtain the minimum necessities for the maintenance of merely physical efficiency' (Mack and Lensley, 1985: 17). What Rowntree meant by this phrase is that the incomes of these poor workers were so miserably small that they either faced starvation, or they had inadequate clothing, shelter and fuel to survive the winter, or both. He called this condition 'primary poverty'.

1.3 The Cost of a Basket of Goods

To determine just who lived in primary poverty Rowntree put together a basket of the basic commodities necessary for survival. Having selected these essential goods the next step was to determine the quantity of these goods that were needed and what these quantities cost. For his food allowance he relied on contemporary developments in dietetic science. The costs of fuel, rent and clothing came from his research into actual working-class expenditure. Since Rowntree's day there has been less emphasis on sheer survival (although this is naturally the centre of concern in the third world) and subsequent researchers have expanded the approach to describe other, less deprived standards of living. When the University of York repeated Rowntree's exercise in the 1990s they were primarily interested in higher, more typical, standards of living (Bradshaw, 1993). However, the organising principles of Rowntree's budget standards research have continued this: first specify needs, then assemble sufficient goods to meet these needs, then price this basket of goods. The total cost of these goods represents the income necessary to sustain the standard of living specified.

2 Why do we Need Budget Standards?

Speaking about his 1899 budget standard Rowntree said :

A family living upon the scale allowed for in this estimate must never spend a penny on railway fare or omnibus. They must never go into the country unless they walk. They must never purchase a halfpenny newspaper or spend a penny to buy a ticket for a popular. They must write no letters to absent children, for they cannot afford to pay the postage. They must never contribute anything to their church or chapel, or give any help to neighbour which costs them money. They cannot save, nor can they join a sick club or trade

union, because they cannot pay the necessary subscriptions. The children must have no pocket money for dolls, marbles, or sweets. The father must smoke no tobacco nor drink beer. The mother must never buy pretty clothes for herself or her children, the character of the family wardrobe, as for the family diet, being governed by the regulation: 'Nothing must be bought but that which is absolutely necessary for the maintenance of physical health, and what is bought must be the plainest and most economical description'. Should a child fall ill, it must be attended by the parish doctor; should it die, it must be buried by the parish. Finally the wage earner must never be absent from his work for one day. (Rowntree 1901: 133-4)

Clearly Rowntree's idea was to show that his budget was an irreducible minimum and that any expenditure below this level would lead to starvation, ill health, perhaps even death. The idea that poverty is a condition when consumption falls below subsistence level has had a wide appeal because this seems to be such an objective, factual standard rather than judgement based on personal values. Following this kind of reasoning, it does not matter whether you are naturally a compassionate person or you have a harsh demeanour; people below subsistence are demonstrably poor. This standard of poverty has come to be known as 'absolute poverty'.

The concept of absolute poverty is often invoked by conservative governments. Sir Keith Joseph, Secretary of State for Education in the original Thatcher Government and amongst those who set the intellectual tone for its political agenda declared that:

An absolute standard means one defined by reference to the actual needs of the poor and not by reference to the expenditure of those who are not poor. A family is poor if it cannot afford to eat. (quoted in Mack and Lansley, 1985: 16)

Drawing on a similarly absolute conception, the current New Zealand Government maintains that while there is income inequality in New Zealand there is no poverty and has taken steps to ensure that no personnel in the New Zealand Department of Social Welfare ever talks about 'poverty in New Zealand'. The department, however, is allowed to talk about 'low income' families.

Because people used this absolute idea of poverty, many felt that in the period following World War II that rising living standards and the growth of the welfare state had eradicated poverty in the industrial countries of the First World. Poverty in the First World became a forgotten problem. It was not until the 1960s that poverty

within the boundaries of these societies was 'rediscovered'. However, this wave of poverty research put the emphasis on 'deprivation'. Poor people were people deprived of the resources that others took for granted: they cannot afford to visit or be visited, they cannot give their children presents to take to a birthday party, too many children of varying genders and age share a shedroom (or maybe even a bed), they cannot buy their school age children branded running shoes, they could not afford to take a holiday or eat meat once a week (Townsend, 1979). All these examples are examples of deprivation, usually experienced as painful, when compared to the prevailing standards of the community. This deprivation and this kind of poverty has become known as 'relative poverty'.

This buzz-word that is used in relation to poverty is *participation*. Participation is the ability to join in the mainstream activities which are considered normal in the society in which one is living. People unable to participate in this way are said to experience 'exclusion' as a result of their 'relative deprivation'. T.H. Marshall (1950), in text dating from the birth of the British welfare state, used the idea of participation to argue for a trend of historical progress in citizenship rights. Political citizenship, through spread of democratic institutions like the franchise, had become universal. Similarly, economic citizenship was no longer the preserve of the land-owning classes or craft guilds, since all now had the right to own property, especially their own labour and could freely directly participate in market exchanges. Marshall argued that the second half of the twentieth century would be the era which established rights associated with social citizenship. Following the logic of T.H. Marshall, it has recently been argued that such conditions deny excluded groups basic citizen rights.

Some have argued that there is only ever *relative* poverty (Saunders, 1994: 225). Even in Ethiopia many people survive the famine; although they experience nutritional levels below subsistence they somehow survive. Conversely some people, for example celebrated Australian explorers, have starved because they would not eat what indigenous Australians regarded as food. Rowntree, it has often been pointed out, included in his subsistence budget, tea, a commodity with no nutritional value, but one which social custom deemed a necessity in England at the turn of the century (Saunders, 1994: 224). Few would be brave enough to argue that 'one pair of boots, two aprons, one second hand dress, one skirt made from an old dress, a third of the cost of a new hat, a third of the cost of a shawl and a jacket, two pairs of stockings, and some unspecified underclothes, one pair of stays and one pair of old boots worn as slippers' provided for all the clothing needs of a young girl at the end of the twentieth century in Australia (Townsend, 1979: 50). Rowntree

himself revised his list of necessities in 1936 and the result was a poverty line approximately 40 per cent higher in real terms than the original 1899 poverty line (Ringén, 1987: 151).

3 The Adequacy of Income

In an era when it is generally argued that any poverty is unacceptable and there is wide agreement about the socially undesirable social effects of poverty, there is strong interest in having some means of identifying those groups either living in poverty or at risk of living in poverty. Unfortunately for the Federal Government, the most respected measuring stick for poverty in Australia -the Henderson poverty line - shows that a high proportion of those living in poverty are people living on government benefits. Analysis of the most recent (1990) Income Survey conducted by the Australian Bureau of Statistics shows that, once the self-employed and young people living at home with their parents have been excluded, 68 per cent of those who are below the Henderson poverty standard (an estimated 681 500 people) stated that their principal source of income was government pensions and benefits. In 1990, the annual income of 38 per cent of those whose principal source of income was pensions and benefits fell below the Henderson poverty line, a rate more than double that for the average for all sources of income¹.

However, it is difficult to avoid the suspicion that the numbers of pensioners and beneficiaries falling below the poverty line may be more a function of the methods used to measure poverty by Henderson, his co-workers and his successors than an indication of a serious hardship. An indication of the apparently 'artificial' character of the Henderson 'head count' measure of poverty can be gathered by considering the situation of aged pensioners. Bradbury and Saunders (1990) calculated that poverty among single people over the pension age rose from an estimated 10 in 1981-82 to almost 28 per cent in 1989-90. However, the pension was indexed to prices for much of the 1980s, while the Henderson poverty line is adjusted according to movements in an average income measure. Economic growth over this period caused income to rise faster than prices and as a result many of those reliant on the aged pension moved from just on the poverty line to just below it 'not because their

1 My thanks to George Matheson, of the Social Policy Research Centre, who kindly supplied this analysis of the 1990 Income Survey data.

real income was falling but because the poverty line was rising in real terms' (Saunders, 1994: 272).

An even more fundamental issue, but one that is rarely given much attention, is that the Henderson poverty line is tethered to the standard of the basic wage. The Henderson poverty line takes a reference family (a man in work, a wife at home and two dependent children) assumed that if this family is living on an income less than the modern equivalent of the 1996 basic wage plus child endowment, then this family lives in poverty. While this is generally an improvement over arbitrary selection of a point in the income distribution (such as half the median income), it is itself a distorted budget standard. The basic wage is derived from the famous Harvester decision of 1907. The newly established Arbitration Court heard incomplete evidence about the costs of feeding, housing and clothing and otherwise supporting a family in 'frugal comfort'. The award contained a large proportion of unexplained 'miscellaneous' expenses and passed through an exceptionally tortuous process of modification by state and ultimate federal industrial tribunals in the light of employers 'capacity to pay'. Just what this standard represented in 1966 is not quite clear.

Of course, the basic wage judgement was supported by a survey of 'committed expenditure' in selected areas of Melbourne and a more detailed record of food expenditure among a sub-sample of these respondents (Henderson, Harcourt and Harper, 1970: 40-6). Interviewers were asked to assess the standard of housing on a five-point scale ranging from very good to very poor, after collecting information on the numbers of rooms, provision of hot water and whether bathing, toilet or laundry facilities were shared but in the end none of this information was systematically compared to with the basic wage. Only food expenditure was compared to any externally anchored standard of adequacy - in this case hospital dietary advice (Henderson, Harcourt and Harper, 1970: 54)².

The problems alluded to above have led the successive Federal cabinets and the Department of Social Security to be distrustful of the Henderson poverty line (DSS, 1995) and, ultimately, to commission the Social Policy Research Centre (SPRC) to develop some indicative budget standards for Australia. A special unit - the Budget

2 A fascinating account of the development of the Henderson poverty line can be read in Stewart (1995)

Standards Unit- has been established at the SPRC to develop these standards by late 1997.

4 How Should Budget Standards be Determined in Australia?

The Budget Standards Unit has been commissioned to develop two distinct standards: a 'modest-but adequate' standard and a 'low cost' standard. The modest but adequate standard represents an attempt to describe the 'prevailing' standard of living in Australia. In the specifications of the tender brief, a modest but adequate standard of living 'affords full opportunity to participate in contemporary Australian society and the basic options it offers' and lies 'between the standards of survival and decency and those of luxury, falling somewhere around the median living standards experienced within the Australian community'. It is intended to capture a snapshot of the living standards of middle Australia. As such, it provides a point of reference from which to judge the privation of the low cost standard.

The low cost budget is defined as one which may require frugal and careful management of resources but still be enough to allow social and economic participation. It represents a lower bound, below which it would become increasingly difficult to maintain an acceptable living standard because of the increased risk of deprivation and disadvantage. The low cost standard is a minimum standard, like the analogous concept of a 'basic wage'. It is the standard of greatest relevance for those interested in poverty.

The difference between the modest but adequate and low cost standard is the result of (a) excluding items in the modest but adequate from the low cost budget, (b) lowering the quality of some items, (c) lowering the lifetimes of some items, and (d) pricing items at cheaper outlets. Following this reasoning, people living on the low cost standard are not allocated a yearly holiday, rent less desirable accommodation, keep their furniture for longer periods, always buy generic rather than leading brand variants at the supermarket to name but one example of each of these methods of reducing the standard.

At the heart of any budget standard judgements about what goods and services should be considered necessities. The need for food, shelter and warm clothing are typically at the core of budget standards (Citro and Michael, 1995). Simplifying a little, the US poverty line is based on Orshansky's method of specifying a nutritious food budget, determining the share of food in total expenditure and multiplying the

cost of the inverse of this food share fraction ; in 1955 this meant multiplying the cost of the low cost food plan by three (Orshansky, 1965). This method has the advantage that it creates the comforting impression of an objective scientific standard. Renwick and Bergmann's 'Basic Needs Budget' includes expenditure on utilities, transport, health, child care and personal care but not leisure or household goods and services (Renwick and Bergmann, 1993). So the first issue that arises is coverage, that is, what expenditure can reasonably be regarded as necessary.³

The weakness of the Orshansky multiplier method is that firstly expenditure on food as a share of all expenditure has been falling as the standard of living rises and secondly, it ignores the issue of economies of scale. The falling food share illustrates the relative nature of poverty standards and unmasks the illusion of scientific objectivity. A further problem is that one can derive food plans that are exceptionally economical but culturally inappropriate. A diet based on lentils may well be acceptable on the Indian subcontinent but is not generally culturally appropriate among barbecue-loving Australians. The consequences of ignoring the possible economies of scale can be illustrated fairly simply. To feed three people a banana you need three bananas but to house three people you do not necessarily need three houses. The multiplier method is not a reliable way of putting households of differing size and composition on an equal standing.

By excluding expenditure of household goods and services, the implication of Renwick and Bergmann's 'Basic Needs Budget' is that people can live in Australia in the 1990s without furniture, light globes, cleaning aids, an iron and sundry other goods and appliances and still not be poor. Taking the view that leisure expenditure is a luxury would no doubt be praised by 17th Century Calvinists, but goes against the modern emphasis on healthy recreation and the importance of social participation. These very social participation items, such as being unable to provide birthday parties for children, being unable to visit or receive visitors, form the core of Townsend's index of deprivation (1979: 250). As Piachaud has noted in relation to these kinds of deprivations:

3 The widely respected estimate of the costs of children done by Kerry Lovering (1984) for the Australian Institute of Family Studies, is the only recent major research based on budget standards methodology. Lovering's budget, however, is a budget for a child only and does not attempt to cover all areas of expenditure, omitting in particular, the cost of transport and health.

to choose not to go on holiday or eat meat is one thing: it may interest sociologists, but is of no interest to those concerned with poverty. To have little or no opportunity to take a holiday or buy meat is entirely different. (quoted in Mack and Lansley, 1985: 34)

Bradshaw and his co-workers at York have, sensibly, included all areas of expenditure (Bradshaw, 1993). We have followed the lead of the York group on this issue.

The Budget Standards Unit (BSU) at the SPRC employs a variety of means in determining items that should be included in the budget standard. Wherever possible these decisions are based on the recommendations of experts. The normative judgements of these experts is tempered by information about Australian cultural values and behaviour drawn from a variety of published information and original research. This can be illustrated with reference to two very different area of expenditure: food and leisure.

In preparing the food budget the BSU has taken the advice of nutritionists and has recommended levels of energy intake and correct balance of nutrients, fibre etc. following that advice. Mass surveys of what Australians typically eat provide the ingredients from which a healthy, nutritious diet can be chosen. Although many Australians eat unhealthy food, the BSU food budget is composed of appropriate foods for Australians and is not purely a description of what Australians eat. Having determined the cost of this diet we have established an amount of money which would permit Australian households to have the capacity to live healthy lifestyles.

One of the characteristics of leisure is its discretionary character. Although experts have laid out guidelines for exercise conducive to health, child development and social participation, a key element of leisure is that it is 'free time' in which the individual can express their interests and preferences. So the principle guiding the development of a budget standard for leisure is that there should be sufficient money available to permit healthy exercise and social participation without prescribing a rigid set of activities for achieving these goals. In particular, information about the availability of free time and leisure activity preferences by sex and age have been used to estimate the appropriate leisure costs for particular segments of the population.

Every effort is made to avoid making allocation decisions arbitrarily and to ground these decisions in expert recommendations or information about community norms and community behaviour. A rule of thumb developed by the York group (following

the footsteps of Mack and Lansley) is used to help determine which items to include in the basket of goods. This rule is that if more than 50 per cent of the households consume a particular item then it should be incorporated in the modest but adequate standard and if more than 75 per cent of households consume the item then it is also included in the low cost standard. On this basis the low cost standards incorporate a television set (since more than 97 per of households own one) but not a clothes drier. Following the same rule there are no cappuccino machines in either standard.

The BSU has also incorporated a variety of processes to ensure that the standards it develops achieve broad acceptance in the community. Firstly, the budget standards will be compared with information from the analysis of the Australian Bureau of Statistics' Household Expenditure Survey, which will provide a crude check of whether the standards developed correspond to typical behaviour. In addition to the processes described to this point, the BSU produces a Newsheet, a series of Working Papers and has convened a panel of focus groups, representing a variety of household situations, to facilitate the processes of community consultation. The comment and advice offered through these processes is used in revising and refining the standards. A panel of experts - the Budget Standards Steering Committee - oversees the entire process.

5 Equivalent Incomes: Relativities Between Households

Australians live in a variety of household situations, in which individuals, at least to some extent, share their income and their consumption goods. Economists believe that there is some truth in the old saying: 'Two can live as cheaply as one'. The savings due to household size and composition, economists put down to economies of scale generally in the *purchasing* of items, joint *consumption* and the fact that children's needs may be less than those of adults.

Economies of scale often result from the high cost of fixed capital (or machinery); the cost of fixed capital per unit of output is decreased when the scale is increased: an electric orange juicer makes more economic sense when eight people sit down to a breakfast including freshly squeezed orange juice each day than it would in a single person household. The advantages of joint consumption can be seen with appliances like a television. In multi-person households there should be no need for a separate television set for each member of the household because the one set can be jointly viewed by many and an extra television set in the child's bedroom may be

sufficient to diffuse any serious family disputes. A child aged four years eats less than an adult and costs less to clothe, and since the number of children vary with family size, economies of scale arise.

Not all items embody economies of scale or are capable of joint consumption: all the members of the household cannot each eat the whole of the same banana. Just what are the relativities among the various types of households? What cash needs to be outlaid to achieve the same standard of living for households of different compositions? These have been amongst the most urgent and enduring questions in social policy research.

There have been a variety of different approaches to this problem but broadly they can be grouped into two approaches: an observed difference approach and a budget standards approach. The cost of children is perhaps the most celebrated problem for these two approaches. In what follows we will contrast these different methods of calculating the cost of children.

The observed difference approach has the advantage of being descriptive rather than prescriptive. This approach uses survey data to compare the expenditure of couples (or individuals) without children with couples (or single parents) who have children. The cruder version of this comparison can produce anomalous results, because unless the monetary resources of couples are expanded the extra expenditure on some goods (for example, furniture and clothing) is offset by falling expenditure on others (restaurant meals), so that the cost of children may appear to be negative (Douthitt and Fedyk, 1988). A more sophisticated approach seeks to find a standard of equivalence by analysing expenditure within the framework of neoclassical economic choice theory.

One version of these approaches (of which there are many) addresses the problem by seeking an equivalence standard by maintaining similar levels of consumption of adult goods, often operationalised as consumption of tobacco, alcohol and adult clothing (Henderson, 1950; Nicholson, 1949). Quite apart from the peculiarity of asserting that a positive increase in a household's welfare is signalled by a greater consumption of health threatening substances (tobacco and alcohol), this approach can only ever provide information about the welfare of adults. The living standards of children, the extent to which their material needs are met, does not enter directly into the measure.

After a comprehensive review of the neo-classical techniques for establishing the relativities between households, the Social Welfare Policy Secretariat found that this

resulted in 'detailed scales but it is not entirely clear whether and how they can be applied to the situation of those with low incomes' (1981: 139).

In the effort to avoid being prescriptive, a key welfare concern - that household income should be sufficient to ensure that no child, through a mere accident of birth, is forced to live in poverty - is abandoned.

The budget standards approach has the advantage of stating explicitly what would be required to ensure that no child (or adult) lives in poverty. It attempts to lay out what goods and services would be needed to avert poverty. The goods needed by a household with children will be different from those of a household without children. A household with two children will, in addition to the requirements of the adults, need more bedrooms, extra food, energy, clothing, more sporting equipment, more child care, etc. Since budget standards are developed by specifying a basket of necessary goods and then by costing this basket rather than by investigating directly how households spend their income, it avoids the problem of misrepresenting the cost of children by inadvertently capturing the effects of income constraints. Interestingly, in determining the relativities between households, the Henderson poverty line relies heavily on budget standards developed for New York city in 1954 (Henderson, Harcourt and Harper, 1970: 26).

The Indicative Budget Standards Project is calculating budgets, at both standards of living for twelve basic household types, below in Table 1. The choice of these hypothetical households allows comparisons that can help establish the relative cost of acquiring necessities at the low cost standard. It should, incidentally, also provide the estimates of the economies of scale in household consumption; costs of children, according to their number and their age; the costs of sole parenthood; the costs of the aged; and by varying some assumptions about employment status, provide some idea of the cost of (paid) employment and costs of searching for a job.

6 Conclusion

At the end of the International Year for the Eradication of Poverty, the question of whether income, especially income from government pensions and benefits, is adequate is one of the most important questions facing Australians, affecting the lives of millions. Just what opportunities does any level of income provide and at

Table 1: Basic household types

H1	Single female
H2	Couple
H3	Couple, girl 6 , boy 14
H4	Single female, girl 6
H5	Aged female (retired)
H6	Aged couple (both retired)
H7	Couple, girl 6
H8	Couple, child 14
H9	Couple, child 3
H10	Couple, children aged 3, 6 and 14
H11	Couple, children aged 3, 6, 10 and 14
H12	Single female, children aged 3 and 6

what level of income do people become excluded and socially disabled by their lack of financial resources? Income is a proxy for 'standard of living'. The standard of living refers to the capacity to consume.

The development of indicative budget standards is an important step in finding a solution to problems of how to describe an adequate living standard and how this compares with the standard prevailing in the community. In constructing budget standards every effort must be made to reflect the community standards, to reduce arbitrary judgements and to make assumptions as explicit as possible. Budget standards will also be an invaluable aid in determining what is an adequate equivalent income in differing circumstances, for single people, couples, couples with children, sole parents and the aged. Comparing the same household type at the two distinct standards should give a clearer idea of the cost of living modestly and barely making do.

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The Living Wage and the Working Poor

John Buchanan and Ian Watson¹

Australian Centre for Industrial Relations Research and Training,
University of Sydney

1 Introduction

In recent times industrial relations researchers have rarely contributed to workshops on poverty. Poverty was regarded as a social and not as an industrial relations policy issue. This, however, is now changing. Previously, poverty was primarily regarded as a product of joblessness. Persistently high levels of unemployment over the last two decades, however, have changed the structure of the labour market. High levels of casual and involuntary part-time employment mean it is now possible to be both poor and to be employed. This development has prompted the Australian Council of Trade Unions (ACTU) to launch a campaign to improve basic wages for all workers but especially the low paid. This paper summarises preliminary research that has been undertaken at our Centre into what is occurring on at the bottom of the Australian market.²

1 In preparing this paper we received valuable research assistance from Toni O'Loughlin and Gabrielle Sullivan of ACIRRT. Professor Patrica Apps of the University of Sydney Law Faculty and George Matheson at the Social Policy Research Centre at the University of NSW also offered valuable advice at various stages. Nixon Apple of the Australian Manufacturing Workers Union was very helpful in assisting with the analysis of recent developments within manufacturing. Michael Bittman and the administrative staff at the SPRC provided considerable assistance in turning an oral version of this paper into the written form. All errors of fact and judgement are the author's alone.

2 The research reported in this paper was sponsored by four unions: the Australian Manufacturing Workers Union, the Australian Liquor, Hospitality and Miscellaneous Workers Union, the Textiles, Clothing and Footwear Union of Australia and the Australian Services Union. Full details of the research were presented to living wage case in a document entitled: *A Profile of Low Wage Employment*, November 1996.

The theme of the paper is the 'living wage and the working poor'. It begins by outlining the key elements of the Living Wage Claim. The rationale for the claim is then considered. The paper then examines who is most likely to be affected by the claim. An assessment of what the working poor do without because they do not have a living wage is then provided. The paper concludes by considering whether the claim should be supported.

2 The Living Wage: What is Being Claimed?

Much of the debate about the 'Living Wage' is conducted as if there is one simple claim to raise basic rates of pay for the working poor. It is important to recognise, however, that there are three stages to the claim and within each stage there are a number of elements. The key features of the claim are summarised in Table 1.

Table 1 : Key Features of the ACTU's Living Wage Claim

Stage 1	minimum \$10 per hour/\$380 per week maintenance of relativities a minimum \$20 increase for those without agreements
Stage 2	\$11 per hour/\$418 per week maintenance of relativities a minimum \$20 increase for those without agreements protections for those working few or occasional hours per week
Stage 3	minimum of \$12 per hour/\$456 per week maintenance of relativities a minimum of \$20 increase for those without agreements consider reducing standard hours of work

Source: ACTU, 1996 New Living Wage Case: Speakers Notes, July 1996

As is evident from that table, Stage One of the claim involves proposals for

- a minimum \$10.00 per hour or \$380.00 a week for all workers operating in the Federal Industrial Relations System;
- the maintenance of award relativities for all other workers involved in the award system linked to this movement in the lowest rate; and

- those who have not had an increase based on enterprise agreement should get a minimum increase of \$ 20.00 a week.

Stage Two builds on each of the elements in the First Stage and takes them a bit further by raising the issue of working time and in particular insecure hours of work. As Table 1 shows, there are four parts to this element of the claim which proposes:

- a minimum \$11.00 per hour or \$418.00 a week for full time workers;
- maintenance of award relativities above that minimum;
- a minimum of \$20.00 a week for employees who have not had an enterprise agreement; and
- protections for those who work very few or occasional hours of work.

The last point of Stage 2 is primarily directed at the growing number of employees who are working on a casual and/or part-time basis. Currently 24 per cent of employees work casually and a similar proportion work on a part-time basis (Buchanan and Bearfield, 1997: 67). To date the award system has not been very effective in protecting the rights of these people and this stage of the living wage claim is directed at addressing their needs.

Stage Three of the claim is more ambitious. It too has four elements and proposes:

- a raise in minimum rates to pay in the Federal Award System to \$12 per hour or \$456 a week;
- maintenance of award relativities above that;
- a minimum of \$20.00 week for those who have not had an increase under enterprise agreements; and
- that the issue of standard hours of work be reconsidered.

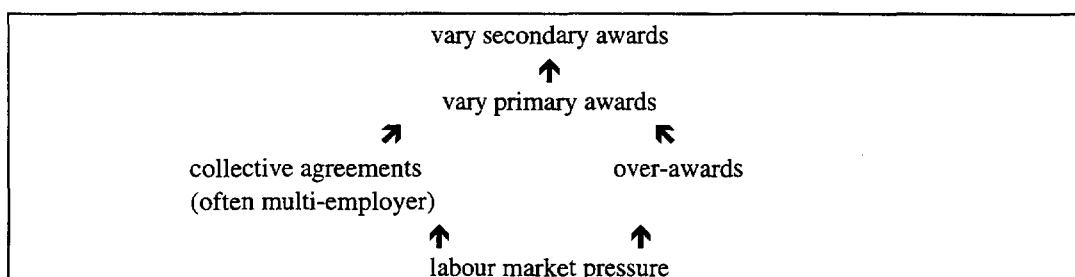
The introduction of debate on the question of standard hours marks the first time the union movement has taken up this issue in over 15 years.

3 What is the Rationale for the Claim?

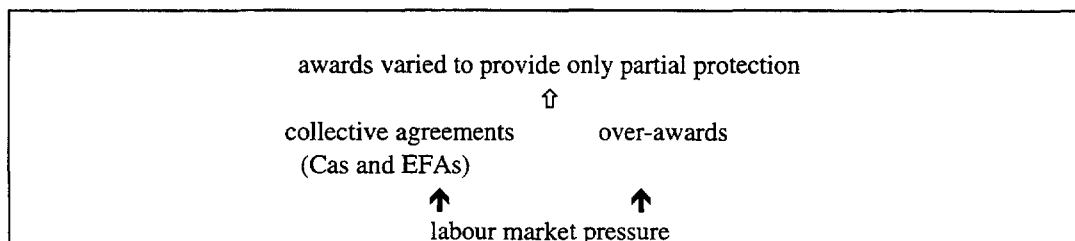
The living wage claim is a comprehensive proposal for reforming the labour market in general and protecting the working poor in particular. A claim of this nature has not been considered for many decades. Why has this claim emerged now? There are three rationales for the claim.

The first is that a new principle of wages policy is needed to accommodate the massive changes that have occurred to our system of wage determination in recent years. Figure 1 shows in diagrammatic form how our system of wage determination has evolved from the late 1980s through to the late 1990s.

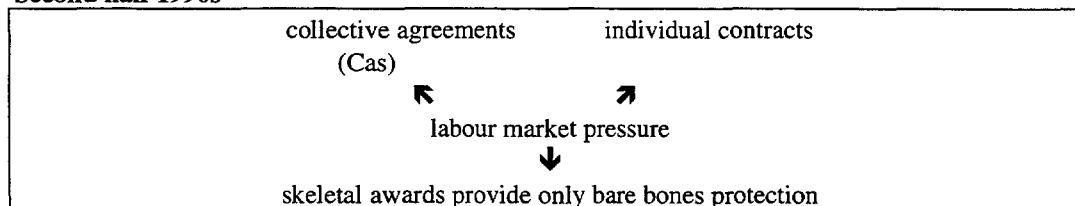
Figure 1: Recent Changes in the Australian System of Wage Determination
Up to late 1980s



First half 1990s



Second half 1990s



Up to the late 1980s, the transmission mechanism by which wages moved in Australia were, generally, speaking as follows. Labour market pressure, often arising from skills shortages in key sectors of the economy, resulted in an increase in pay for those workers whose skills were in short supply. These increases either took the form of multi-employer agreements or over-award payments. These developments in the field were then used as a basis for varying awards. Within the award system there were primary awards which were usually adjusted fairly early on in the process. The classic awards in this regard were the metal industry award, the construction industry award, the transport workers award and the storemen and packers awards. Once these primary awards were varied, all the other secondary awards that were linked indirectly to them were then adjusted. This system basically meant that labour market pressure in one part of the economy was ultimately transmitted to everyone to ensure some kind of fairness in relative pay structures.

In the late 1980s and early 1990s, however, there was a major push to change the institutional arrangements in the Australian industrial relations system to reduce the role and importance of awards and to increase the relevance of bargaining at enterprise level. A key objective of this reform process was to ensure that wage increases achieved in particular enterprises were not transmitted throughout the system. The argument was that if large wage increases in some parts of the economy were transmitted to every workplace there would be major inflationary pressure. One of the major legacies of the 1993 Federal Industrial Relations Reform Act was to ensure that award rates of pay were quarantined from movements in collective agreements and over-award pay movements. This development is summarised in the second part of Figure 1. As a result, labour market pressure could raise wages for workers covered by collective agreements and over-awards, but this would not necessarily affect award rates as such.

In the mid-1990s there has been a further move to weaken the role of the awards. Now it is possible, in some jurisdictions (notably Western Australia) for labour market pressure to actually undercut award conditions and entitlements. Consequently, labour market pressure can precipitate reductions as well as improvements in working conditions. Under the Federal Coalition's new industrial law, awards are to be stripped back to only 20 allowable matters: everything else is to be settled by either individual or collective agreement or where there is no agreement by management prerogative. This means that labour market pressure can both reduce as well as increase conditions of work for some workers and the capacity of award system to protect all workers has been reduced.

All these changes provide the first rationale for the living wage claim: namely restoring social justice as a central feature of wage determination in Australia. The old transmission mechanisms which used to ensure some kind of equity across the board are no longer there. A new general, all encompassing principle of wage determination is needed to ensure that basic principles of fairness inform wage determination, especially to the lower paid.

The second rationale for the claim is that enterprise agreements do not cover as many workers as was anticipated. Data on this issue is hard to get. Table 2 summarises the best that is readily available. It gives information on the number of employees covered by enterprise agreements.

It is clear that in 1989, before the system was formally decentralised, only 23 per cent of the workforce was covered by some kind of workplace or enterprise agreement. By 1995, this had risen to around 35 per cent. While this constitutes an increase of around 50 per cent of the number of people covered by enterprise agreements, it means a large proportion of the workforce remains 'agreement free'. The implications of this are summarised in Table 3. It shows the proportion the workforce covered by different types of labour market regulation and the average annual wage increase associated with different forms of regulation in recent years.

It reveals that about 35 per cent of employees who still rely totally on awards, around 35 per cent are covered by a registered agreements or a combination of awards and registered agreements and around 30 per cent are covered by an individual contract of employment. What is more instructive, however, is to consider the level of wage increase associated with the different forms of industrial regulation. Those totally dependent on awards only had wage increases in the order of 1.3 per cent over the last few years. Those covered by awards combined with agreements had wage increases in the order of four to five per cent and those covered by individual contracts had their wage increases ranging from 0 per cent per year up to eight or nine per cent. Clearly, those dependent on awards have been the most disadvantaged in terms of average wage increases in recent times. The living wage claim is fundamentally about ensuring these people achieve some kind of 'catch-up' because they have clearly slipped behind the field.

Table 2: The Spread of Enterprise Agreements: 1989, 1992, 1994, 1995

Year	% of employees covered
1989	23(a)
1992	28(b)
1994	35(c)
1995	35(d)

- Notes: a) This estimate is derived from unpublished information available in the Australian Workplace Industrial Relations Survey (AWIRS). That survey collected data on the situation prevailing in Australia workplaces in late 1989. The statistic refers to the proportion of employees covered by what were then known as 'Certified or Registered Agreements'. Data on unregistered agreements have been excluded because at that time they generally did not contain wage increases. The population for this estimate is all employees working in locations with 20 or more workers in all industries other than agriculture and defence. The sample was 2004 locations. For more details on AWIRS see Callus et al., 1991.
- b) This statistic has been taken from Short et al., 1993, Table 6. It refers to the proportion of employees covered by local written agreements, both ratified and unratified in late 1992. The population for this survey was the same as for AWIRS. The sample was 700 workplaces.
- c) This statistic is taken from data collected from DIR's 1994 workplace bargaining survey. It refers to the proportion of employees covered by registered and written unregistered agreements. The population was employees working in locations with 10 or more employees. The sample size was 1060 workplaces. More details about this source can be obtained from Department of Industrial Relations, 1995. See also *Agreements and Data-base Monitor (ADAM) Report No. 7*, December 1995: 10 and *ADAM Report No. 9*, July 1996: 20.
- d) Details similar to those for note (c) above. See especially DIR report on enterprise bargaining for 1995. A summary of all relevant material is provided in Buchanan et al., 1997.

Table 3: Labour Market Coverage of Different Forms of Industrial Regulation and Average Annual Wage Increases, 1996

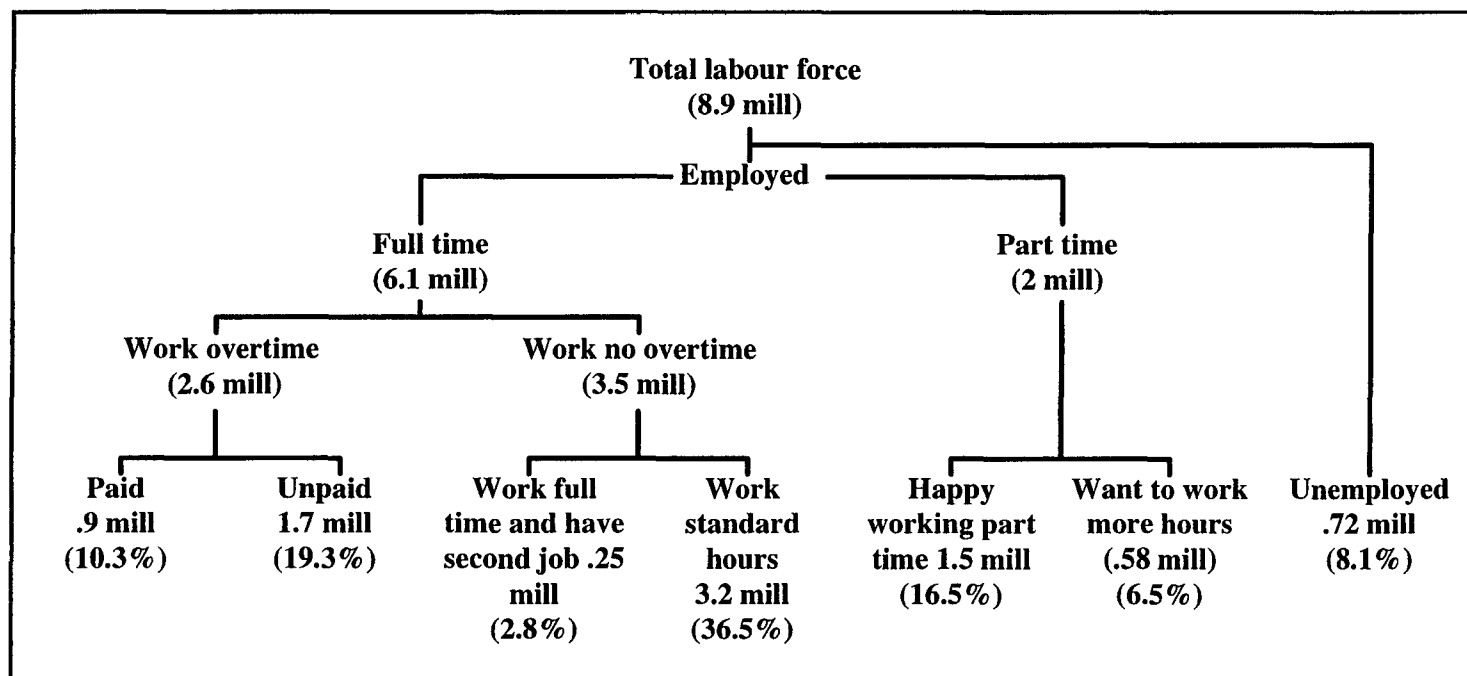
Form of labour market regulation	Employees percentage	Estimate Average Annual Wage Increase (%)
Awards only	35	1.3
Awards and Registered Enterprise Agreements	30	4 - 6
Registered Enterprise	5	4 - 6
Individual Contracts	30	0 - 8

Sources: Note that these estimates have been obtained by splicing together information obtained from a number of sources. The last ABS estimate of award coverage was provided in *Award Coverage*, Australia, Cat. No. 6315 in 1990. We have assumed that the secular decline in award coverage that has been evident for some time and which accelerated between 1985 and 1990, has continued. This would put award coverage at around 75 per cent of employees. Estimates for employee coverage of registered enterprise agreements have been obtained from the Department of Industrial Relations, 1996. The proportion reliant on awards is obtained from an estimate of those who received a safety net adjustment in 1995 reported in the same DIR Report: 147 combined with the residual of those estimated to be covered by awards. Those covered by individual contracts is by definition the residual of all of the above. Estimates of average annual wage increases have been derived from the following sources: ABS, Cat. No. 6312.0, ADAM for enterprise agreements, Cullen, Egan Dell for estimates of executive remuneration for the upper range and ADAM No 8: 18-19 for non-managerial individual contracts.

The third rationale for the claim concerns the changing distribution of work in Australia today. Figure 2 summarises the current situation.

It shows how people are divided between those working no hours per week (i.e. the unemployed), those working part time and those working on a full-time basis. It highlights the strong differences within the labour force of those falling into different categories of hours worked per week. The unemployed currently constitute around 8.5 per cent of the workforce. At the other end of the spectrum, around 30 per cent of the work force works overtime. As the figure shows 10.3 per cent of the labour force work overtime on a paid basis and a staggering 19.3 per cent perform it regularly on an unpaid basis. It is also important to note, that around 25 per cent of the work force are part-timers but 6.5 per cent of the labour force is working part time but would prefer to work more hours. The end result of this distribution of

Figure 2: The Current Distribution of Working Time: Proportions of the Labour Force Working Overtime, Standard Hours, Part-time and Who are Unemployed: 1995



Sources: ABS, *Labour Force Survey, Australia*, Cat. 6203.0, February and November 1995
 ABS, *Working Arrangements, Australia*, Cat. 6342.0, August 1995

working time is that just over a third, 36.5 per cent of the work force is working standard hours. This means that only a minority of the work force actually fits in with the standard model of working time arrangements. It is for these reasons that the ACTU has argued that it is now time to reconsider entitlements and rights for casual and part-time workers and to reconsider the whole notion of standard working time.

4 Who is Likely to be Most Affected by the Claim?

This is a difficult question to answer. Most ABS wages data provide information on either wage levels and their distribution or numbers of people employed in particular industries and occupations. There is no published ABS information on the distribution of various wage levels *within* industries and occupations. This makes it difficult to ascertain where in the labour market workers are in most need of an increase in their basic rates of pay. Fortunately, however, the Australian Manufacturing Workers Union has bought many thousands of dollars worth of data from the ABS to help to shed light on this issue for the living wage case. Some of this is summarised in Table 4.

These data show that the people most likely to be affected by the living wage claim are blue collar female workers. It does this by comparing earnings for the bottom and top 25 per cent (quartiles) for both trades and labouring occupations over the period May 1986 to May 1995. Column 1 reports average hourly ordinary time earnings for different occupations within manufacturing as at May 1995. Columns two and three provide information on what the rate of pay is for those in the bottom quartile and what the rate of pay is for those in the top quartile. If you take male trades persons, for example, the average hourly rate is \$14.99 per hour; those in the first quartile, however, are on \$11.44 and those in the top quartile are on \$18.89.

The figures in brackets below report on how rates of pay have moved for people falling into these categories of employment. On average since 1986 they have increased by 56 per cent, but for workers in the bottom quartile they have moved at the slower rate, only 49 per cent, and in the top quartile by 66 per cent. These developments are most stark when one considers the situation of female laborers within manufacturing. In May 1995 they were on a mean ordinary time hourly rate of pay of \$11.00. Those in the bottom quartile were only on \$9.07 and those in the top quartile on \$13.80. Differences in the rate of change since 1986 for these people was quite significant. On average, a female labourer's wages had increased by 56

Table 4: Trades and Labourers Working in Manufacturing, Ordinary Time Hourly Earnings: May 1995; and Movements in Those Earnings: 1986-1995(a)

	Mean - ordinary time hourly rate (\$)	Quartile mean - ordinary time hourly rate (estimates)	
		1st Quartile (\$)	4th Quartile (\$)
Male Trades Persons	14.99	11.44	18.89
(% change since 1986)	(56%)	(49%)	(66%)
Male Labourer	12.94	10.07	16.21
(% change since 1986)	(52%)	(45%)	(58%)
Female Labourer	11.00	9.07	13.80
(% change since 1986)	(56%)	(43%)	(69%)

Source: Unpublished data from ABS, 1993, Survey of Training and Education, confidentialised unit record file. Population: Adult employees in the manufacturing industry.

Note: a) The validity of the data has been cross-checked with a number of sources. Time series of overall means have been cross-checked with data on key four digit occupations from ABS Cat. No. 6306.0. The validity of the dispersion data has been cross-checked for 1989 and 1993. The 1989 cross-check was done using information generated for the 1989 Minimum Rates Adjustment process. The survey involved responses from 3516 metal and engineering establishments. The 1993 cross-check was done using unpublished information from the Survey of Training and Education (STE). The cross-checking revealed that in both years the relativities between the quartiles were fairly similar between the different series even though the estimates of the absolute amounts were not identical. These differences in absolute levels arise from (1) different data collection methods and (2) different levels of aggregation used for reporting occupational wage information.

per cent. But for those in the bottom quartile they had only increased 43 per cent while those in the top quartile had increased by 69 per cent. It is quite clear, that within the manufacturing sector the people who have lost out most in the changes of the industrial relations system over the last ten years have been blue collar women.

It is also important to remember that manufacturing is not the only industry with low wage workers. While some of the best information available primarily concerns manufacturing, many of the working poor are working in other industries. Their

distribution is outlined in Table 5. This table shows what proportion of a particular industry has employees earning under \$9.00 hour in 1993.³

It is quite clear from this that some industries would be more significantly affected by the living wage claim than others because they have a large number of workers earning below \$10.00 per hour whilst in other industries most workers earn well above \$10.00 per hour. For example, only a small number have more than 25 per cent of the work force earning less than \$10.00 hour. These are private households employing staff where 80 per cent of the work force earned less than \$9.00 per hour in 1993. These are primarily people involved in private cleaning arrangements with individuals or private child care arrangements. In agriculture, 48 per cent of employees earned less than \$9.00 per hour. Many of these are farmhands. In the personal services industry around one-third of the work force earns less than \$9.00 per hour. This is the industry that covers people like fitness workers and the like. Textile clothing and footwear is a sector that will be very much affected by the claim with 29.4 per cent of the work force earning less than \$9.00 per hour in 1993. Restaurants, hotels and clubs had around a quarter of the workforce earning less than \$9.00 per hour. Welfare and religious institutions have a similar proportion of low paid employees. Retail trade is a very large industry which had around one worker in four currently earning less than \$9.00 per hour.

On the other hand, there are large numbers of industries which are unlikely to have many people affected by the bottom end of the claim. These are usually union strongholds and industries where there is a high proportion of male workers. There are also industries where employers have traditionally run high wage strategies to attract the quality labour needed for the job. These industries include electricity, gas and water, mining, communications, metal manufacturing, finance, public administration, health and education. It is important to recognise that when we are considering who is most likely to be affected by the claim, it is going to be workers concentrated in a very limited number of industries, especially retail trade, restaurants, hotels and clubs and textiles, clothing and footwear. This is where a large number of workers work and where a large number of them are low paid. Collectively these industries account for about one job in five.

3 We report on proportions of workers earning \$9 an hour in 1993 on the assumption that they were earning that rate then chances are that people doing that type of work today would still be earning under \$10 an hour.

Table 5: Proportion of Low Wage Employees by Industry: 1993

Industry ^(a)	% of employees earning less than \$9 ^(b)
Agriculture etc.	48.0
Mining	2.6
Food, Beverage and Tobacco	15.4
Textiles	20.5
Clothing and Footwear	29.3
Wood, Wood Products and Furniture	12.6
Paper Products, Printing and Publishing	10.1
Chemical, Petroleum and Coal Products	9.1
Non-metallic Mineral Products	8.7
Basic Metal Products	5.6
Fabricated Metal Products	8.4
Transport Equipment	10.3
other Machinery and Equipment	9.0
Miscellaneous Manufacturing	15.9
Electricity, Gas and Water	2.1
Construction	9.4
Wholesale Trade	11.0
Retail Trade	23.7
Transport and Storage	8.6
Communication	4.5
Finance and Business Services	7.5
Public Admin and Defence	7.9
Health	8.6
Welfare and Religious Institutions	27.5
Entertainment and Recreational Services	14.6
Restaurants, Hotels and Clubs	27.8
Personal Services	34.1
Private Household Employing Staff	81.0
Total	12.4

Source: Unpublished data from ABS, 1993, Survey of Training and Education, confidentialised unit record file. Population: Adult employees working 16 hours a week or more.

Notes: a) Industries are based on a mix of one and two digit ASIC categories.
b) Estimates of hourly wage rates have been generated by taking the mid points in reports of hours worked e.g. workers reported as falling in the 35-40 bracket were assumed to work on average 37.5 hours per week. Note that for employees working 15 hours a week or less, reports of hours worked were based on excessively large intervals and were therefore excluded from these calculations. Estimates of overtime were based on the assumption that overtime was paid at a penalty of 1.5 times the normal hourly rate.

5 What are the Working Poor Missing Out On?

What consumption have low wage workers missed out on because of their limited earnings? This is not an easy question to answer. The best available statistical material on household consumption patterns is collected in the ABS's Household Expenditure Survey (HES). A limitation of the published material from this survey is that tables concerning consumption patterns by level of household income lump together home owners and social security beneficiaries along with low wage income earners. When examining the consumption patterns of the lowest 20 per cent (i.e. lowest quintile) the published tables reveal that the lower quintiles contain large proportions (in excess of 20 per cent) of home owners and social security beneficiaries. This information is obviously of limited use for studying the effects of low wages on consumption. To get around this problem we obtained access to unpublished data from the HES and separated out the low wage earners from home owners and welfare recipients. This allowed us to examine the consumption patterns of the people at the heart of the living wage claim.

We have generated data for two types of households: a wage earner living in a single person household and what we call the 'harvester household'. The latter household is based on the one that formed the basis for the Harvester case in 1904, i.e. a household containing one working income earner with a dependant and several children. To ascertain what low-wage households are missing out on, within each of these groups we separated out those who earn under \$400.00 a week from their employment-based income and compared their consumption patterns with those in the next earnings category and those with average earnings for the group. The results of this method are summarised in Appendix Tables 1 and 2. This information can be used to see how consumption patterns of wage earners changes as their income rises. On the basis of the data available we can draw the following conclusions.

Amongst single income families with dependants who were paying for their homes on mortgage, the effect of low wages was felt in both discretionary and non-discretionary areas of expenditure. As the Appendix Table 1 shows, food expenditure was about \$30 per week less than a similar family on average income, and over \$10 per week less than families in the next income bracket above. Clothing and footwear expenditure was about half that of similar families on the average income, as was transport and medical expenditure. Both medical and transport expenditure appear to be particular sensitive to low incomes, since expenditure rises steeply when moving into the next two income brackets above. As for discretionary

expenditure, recreation and entertainment receive only about half that of similar families on average income. The higher expenditure on alcohol and tobacco by low-income households compared with the next income household may partly reflect social or cultural factors, but it may also reflect 'compensatory spending'. These items become major forms of recreation in the absence of access to other activities. Insurance and savings were also badly affected by low income, with the amount spent on superannuation and life insurance less than one-quarter the amount spent by similar families on average income. This expenditure appeared to rise steeply in the next income bracket above. *In summary, for areas like clothing and footwear, medical health and care, transport, recreation and entertainment, and personal care, low-income households spent only about half as much as other comparable households. In the less negotiable areas like housing costs, fuel and power, food and beverages, the difference ranged between 70 per cent and 96 per cent.*

Amongst this category of household, the effect of paying off a mortgage impacts heavily on the expenditure patterns of low-income families. The average proportion of the family's gross income consumed by the mortgage (partly shown here) is about 35 per cent for low income families. This is about twice the proportion of family income spent on the mortgage by comparable households on average incomes. Naturally, because it is an average, there will be a considerable number of low-income families who spend over 40 per cent of their weekly income on their mortgage.

The data from the household expenditure survey provides useful insights into the impact low earnings have on the capacity of people to function in society. Statistics, however, present a very sanitised picture. In helping the unions with their research associated with the living wage claim researchers at my centre conducted focus groups with low-wage earners. We also had access to the material prepared by the Brotherhood of St. Laurence on what life is like for the working poor (Brotherhood of St. Laurence, 1996). This material provides additional insights into what it means to say that those on low-wage incomes spent \$30 a week less than average on food, for example. According to the focus groups it means rarely, if ever, eating out. In particular, it means, rarely, if ever taking the children to McDonald's. When it comes to clothing and footwear the statistics reveal that low-wage earners spend half the average, but as one metal worker delegate noted he has been approached by members to see if they could get cash advances from the union to allow them to buy their children new shoes when the soles wear out. One of our most interesting findings was on transport. A focus group of manufacturing worker delegates was asked 'what would you do if you had an extra \$30 to spend each week?' After

considerable discussion amongst themselves they reported that this was not an easy question to answer. They indicated, however, that their main response would be to fill up the petrol tank in their cars. As real wages have declined they have run down the 'inventories' in their petrol tanks so that they are running a kind of 'just-in time' inventory control system to ensure they never have much money tied up in petrol. The Brotherhood of St. Laurence also had some interesting data on how transport costs are saved. They noted that amongst some of their focus groups, people reported that as real wages have declined their capacity to visit friends and relatives has been significantly impaired. Putting it bluntly, some families just simply cannot afford the cost of driving across the city to visit family and friends and they do this about half as frequently as they used to do. The Brotherhood also had some very interesting evidence of how low-paid people are responding to increased medical costs. It had some quite harrowing data on people with chronic conditions, such as asthma, being unable to afford the co-payment that they are now expected to make for their basic medication. As a result they are suffering considerable discomfort. It is also interesting to note, that many people in the focus groups indicated that if they could possibly do so they would love to save a bit more either in the form of taking out private medical health insurance or contributing more to their superannuation. These issues were, however, regarded as complete luxuries and were things that just could not be contemplated in the short run.⁴

6 Should the Claim be Supported?

To date, most attention in the press has focused on the likely inflationary impact of the living wage claim. Controversy rages over different estimates but it appears that if the ACTU claim was granted in full, the impact on average weekly ordinary time earnings would be in the range of 1.2 per cent and 2.2 per cent. The Reserve Bank estimates that it would be somewhere in the order of 1.6 per cent of average weekly ordinary time earnings (Reserve Bank, 1996: 1-5). Given that movements in enterprise agreements are in the order of four to six per cent and that in the individual contract sector they are probably hovering around a similar level, the living wage case could, potentially have some inflationary impact because the Reserve Bank is operating with a wage target of around 4.0 to 4.5 per cent. If one

4 We also provide data on what single person households are missing out on as a result of being on low rates of pay, using the same method. Data for this type of household are summarised in Appendix Table 2.

was to simply adopt a narrow 'control inflation first' view then there may be some questions about whether the claim should be supported. I believe, however, that it is important to consider four other issues when weighing up whether the claim is worthy of support.

Firstly, it is vitally important to remember that in any wages system there is a strong moral or ethical element. If one goes back to the economists, such as John Stuart-Mill, Marx, Ricardo and even Adam Smith, there is a recognition of the importance of understanding 'customary' notions of a decent standard of living as this affects going rates of pay (Dobb, 1928). These economists saw this as an essential part of the wages and it was recognised as a legitimate factor in wage determination. If we let that moral element slip we are basically saying that we are happy to countenance people living in poverty and having them work full time for such a meagre existence. As John Stuart-Mill so eloquently put it last century, 'under conditions of competition standards are set by the morally least reputable agent' (Mill in Korczynski 1996: 801). If we are to have a wages system that has a morally sound basis then we cannot simply leave it to the forces of competition. Outside intervention of some kind is necessary to keep the 'morally less reputable agents' at bay. It is also important to recognise that neo-classical economics is quite weak in offering any guidance as to setting of basic wages. Neo-classical economics is fundamentally a theory of relative prices. One of its great weaknesses is that it provides no insights into what absolute levels of wages or any other price should be. There is, therefore, a gaping hole at the base of this theory of price and wage determination. Given that the market cannot be relied on in theory or practice to set a decent wage it is vital that some social agency does the job. In Australia we are lucky to have an Industrial Relations Commission to perform such a function.

The second reason for supporting the claim is that it is important to recognise that wages policy sets a benchmark for social policy. Wages, and especially the wages paid at the lower end of the labour market are used as a norm by which levels of income support are set for pensions and unemployment benefits and the like. In a sense, the hallmark of a civilised society is derived from the base of its wages system. If we are to have a civilised society it is very important that we set a good benchmark because it has flow-on affects for social policy at large.

The third reason for supporting the claim is a pragmatic one. Unless intervention of a kind proposed by the living wage occurs, it is highly likely that over time Australia will end up with a large segment of the population that have to work full time to simply earn a poverty level of income. Currently, the proportion of the working

population that falls into this category is around three or four per cent. In the US it is around 15 to 20 per cent and this is a cause of major social instability (Michels and Burnstein, 1994). In fact, it appears, that where people have to work to live in poverty you get all kinds of social dislocations and pathologies. Currently, for example, two per cent of all US males are behind bars in prison (Freeman, 1996). It appears that for many US males it has become a rational choice to get arrested and then get looked after rather than to work full time to live in poverty.

The final argument is that it is essential to have a decent rate of pay at the bottom of the wages system to provide a spur for productivity improvements. If wages at the bottom of the labour market decline dramatically, entrepreneurs will devise projects and mobilise capital to use that labour. Capital attracted to the low-wage sector is denied to other sectors that could use it more productively because greater profits can, in the short run, be made with cheaper labour (Brosnan and Wilkinson, 1988). In the long run, however, this can retard productivity growth overall because cheaper wages usually result in more labour intensive forms of production. The living wage claim therefore not only has a strong moral basis but a strong efficiency basis as well.

Appendix

Table 1: Consumption of 'Harvester Households' by Level of Income: 1988-89

Couple, single income, with dependants, buying their home	Earning under \$400 per week				Earning \$400-499 per week		All households	
Expenditure items	\$pw	% gross income	% next income household	% all house-holds	\$pw	% gross income	\$pw	% gross income
Housing costs	97.03	31	89	84	109.25	24	115.97	16
Fuel and power	15.01	5	112	96	13.46	3	15.64	2
Food and beverages	75.82	24	88	69	86.41	19	109.95	16
Alcohol	9.10	3	118	80	7.69	2	11.41	2
Tobacco	11.52	4	168	166	6.86	2	6.94	1
Clothing and footwear	13.97	4	75	48	18.65	4	29.31	4
Furnishings and equipment	30.72	10	97	77	31.84	7	40.12	6
Services & operation	18.48	6	74	67	25.01	6	27.81	4
Medical care and health	13.03	4	59	49	22.02	6	26.54	4
Transport	42.29	13	68	53	62.09	14	79.50	11
Recreation and entertainment	28.67	9	84	51	34.26	8	56.19	8
Personal care	4.71	2	73	52	6.46	1	9.03	1
Misc goods and services	23.49	7	73	60	32.25	7	39.05	6
Super & life insurance	4.88	2	35	21	13.91	3	23.31	3
Gross income	318.46		70	45	455.36		707.83	
Population estimates	21 513				53 724		274 824	

Source: Australian Bureau of Statistics, Household Expenditure Survey, 1988-89, confidentialised unit record files.

Table 2: Consumption of Single Person Households by Level of Income: 1988-89

Single person household, no dependents, renting privately	Earning under \$400 per week				Earning \$400-499 per week		All households	
	\$pw	% gross income	% next income house-hold	% all house-holds	\$pw	% gross income	\$pw	% gross income
Housing costs	77.83	24	99	95	78.96	18	81.70	17
Fuel and power	7.61	2	108	102	7.07	2	7.49	2
Food and beverages	39.88	12	75	70	53.09	12	57.34	12
Alcohol	11.68	3.6	37	54	31.29	7	21.67	4
Tobacco	7.92	2	123	110	6.43	2	7.23	2
Clothing and footwear	17.81	5.5	227	145	7.85	2	12.26	3
Furnishings and equipment	16.29	5	65	83	25.13	6	19.74	4
Services and operation	10.39	3	105	91	9.93	2	11.45	2
Medical care and health	6.59	2	81	73	8.18	2	9.08	2
Transport	43.17	13	70	71	61.55	14	60.68	12
Recreation and entertainment	20.84	6	35	41	60.06	14	50.40	10
Personal care	4.45	1	128	101	3.48	1	4.39	1
Misc goods and services	13.85	4	78	67	17.82	4	20.77	4
Super and life insurance	5.85	1.8	68	53	8.61	2	11.13	2
Gross income	324.54		74	66	439.29		489.33	
Population estimates	63 024				44 424		175 958	

Source: Australian Bureau of Statistics, Household Expenditure Survey, 1988-89, confidentialised unit record files

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Not Waving But Drowning? Low Incomes and Poverty Amongst the Self-employed

Tony Eardley and Bruce Bradbury¹
Social Policy Research Centre
University of New South Wales

1 Introduction

One of the pledges made by the Coalition Government following the 1996 federal election was to support small business. They promised to remove red tape and reduce operating costs in order to allow the sector to flourish as the engine of economic recovery. Indeed, support for small business has become something of a mantra for governments of all political persuasions.

In practice, however, attitudes, both in and outside government, towards owners of small enterprises are often ambivalent. Around 95 per cent of all private sector employment is in businesses officially defined as 'small' (ABS, 1993) and their contribution to employment growth has been increasing steadily. Yet well under half such businesses normally employ anyone at all, other than the proprietor and in some cases a partner - often a wife or husband. A further two-fifths employ less than 10 people. Thus many of these businesses are very small indeed in employment terms and consist mainly of people who are generally described as 'self-employed'.

While small business is frequently presented as embodying the spirit of enterprise, the self-employed are often regarded with some suspicion. It is widely assumed that self-employed people are some of the most active participants in the informal

1 This paper is based on research commissioned by the Department of Social Security. We are grateful to Jenny Doyle for her assistance with data handling and analysis, and to DSS staff for their useful comments. Responsibility for any views expressed, and for any errors, rests with the authors.

economy and tend to under-declare their incomes, both for taxation purposes and in household surveys. Business owners have also been one of the main targets of recent reforms to the Austudy means test, aimed at reducing opportunities for income manipulation.

In Australia, as in a number of industrialised countries, the number of people engaged in forms of work described as self-employment has been rising, while recorded incomes have been falling and growing numbers of self-employed people with children have been receiving social security payments for low-income families. People with business incomes do have considerable opportunity to minimise their incomes for taxation purposes and, potentially, for social security. This makes it difficult to know how useful conventional measures of income are when applied to the self-employed.

Although self-employed people are still only a small minority of the labour force as a whole, understanding their financial circumstances is a matter of some policy significance, especially in a country like Australia where most forms of public assistance are based on an assessment of applicants' income and assets. Changes in the labour market and the structure of employment also suggest that in the future many more people may spend at least part of their working lives in some form of self-employed or quasi-self-employed work. If earnings from self-employment continue to be as low as they appear to be for many participants, and if it continues to be public policy to offer income-related assistance to the families of people working for themselves in the same way as to those of wage earners, we need to have a better understanding of how to assess and measure low incomes and poverty amongst the self-employed.

This paper examines the question of self-employed people's incomes and living standards, drawing on research commissioned by the Department of Social Security (Eardley and Bradbury, 1996) and additional work by Bradbury (1996). The next section briefly reviews data on the growth of self-employment and the characteristics of participants. The third part looks at self-employed people's use of social security payments, particularly those for low-income working people with children. The fourth section draws on analyses of household income and expenditure datasets to see how far low incomes equate to poor living standards for self-employed people compared with wage earners.

2 The Growth of Self-employment

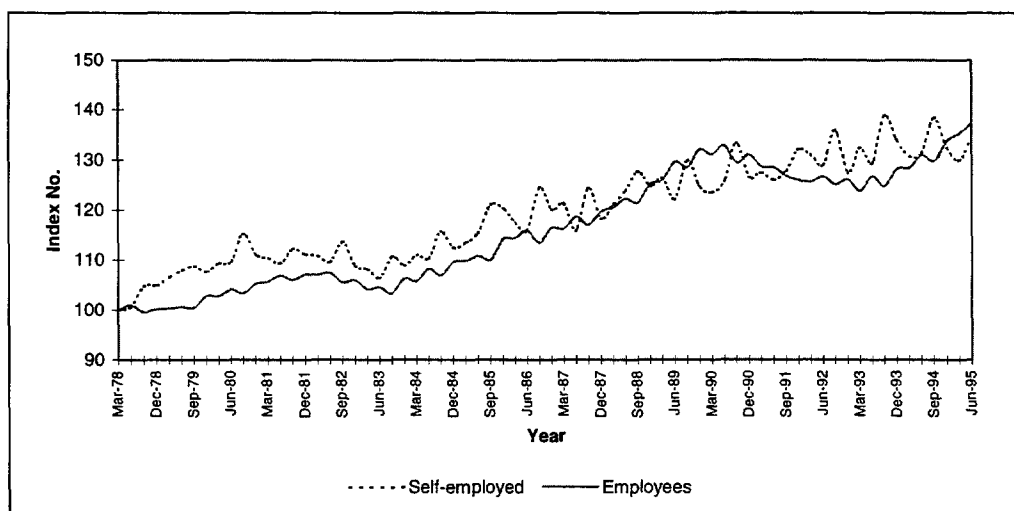
Australia has always had a relatively high level of self-employment compared to other industrialised countries, associated partly with its strong agricultural sector (Covick, 1984), but in the last two decades there has been a steady increase in work classified as 'in own business' (including both sole person self-employment and small unincorporated businesses with employees) (ABS, 1993; VandenHeuvel and Wooden, 1994).

In the postwar period, the picture in Australia, as in many industrialised countries, was one of stagnation or decline in self-employment up until the late 1960s or early 1970s. In 1949-50 there were some 648 000 people recorded as employers or self-employed, representing 19 per cent of the employed work force (Foster and Stewart, 1991). Over the next 20 years there was some small numerical growth, but by 1969 self-employment made up only 15 per cent of all employment. It was not until around 1970 that the increase in this form of work began to take off. Between August 1966² and 1995 the total number of self-employed people rose by just under 76 per cent, from 701 000 to 1 230 000³. However, the labour force as a whole also increased over this period so that the *rate* of self-employment has not changed as much as the numerical increase would suggest.

There are some difficulties in reaching a precise definition of self-employment and there are inconsistencies in the way it has been defined at different times for the Labour Force Survey (LFS). Nevertheless, LFS trend data provide a useful picture of what has happened to self-employment as a whole over time compared to waged employment (Figure 1). From the late 1970s a gap opened up between the two forms of work, but after 1981 the two lines followed each other fairly closely, including during the recession of 1982-83, until the late 1980s when job growth overtook the growth in self-employment. The recession which began in 1990-91, however, saw self-employment continue to rise as waged employment dropped.

2 The first year for which a Labour Force Survey was carried out in its present form.

3 Excluding unpaid family helpers.

Figure 1: Growth in Self-employment and Waged Employment: 1978-1994 (1978=100)

Source: ABS Time Series on AARNet Service.

Female self-employment increased faster over this period than that of men, though from a much lower base. Although men have continued to dominate the sector, women's share of self-employment grew from 19 per cent in 1966 to 31 per cent in 1995. Partly because of having an older age profile, self-employed people are also more likely than others to be married or cohabiting, and among them there is a strong correlation between the labour force status of spouses. This makes figures on women's self-employment somewhat difficult to interpret. While there has undoubtedly been an increase in entrepreneurship and small business development among women, it also seems likely that some partnerships exist more in form than in substance. More self-employed people work both longer and shorter hours than employees. Self-employed women in particular were sharply divided between those working less than 10 hours per week and those working over 50 hours. Self-employed people as a whole also tend to be less well qualified than employees, though a higher percentage of employers have tertiary qualification and self-employed women are better qualified on average than their male counterparts. As has been observed in many countries, the rates of self-employment also tend to be higher amongst some immigrant groups. In Australia, people born in Europe other than in the UK have the highest rates.

Why has Self-employment Increased?

Although the growth in self-employment in Australia in recent years has not been dramatic in relation to employment as a whole, or in comparison to some other countries, there is nevertheless a question as to what has driven the changes which have taken place. A number of explanations have been put forward. Covick (1984), for example, has discussed two hypotheses. The first was that the increases could be explained in terms of a 'market equilibrium' model. In this model, developments which could have increased the equilibrium level of self-employment include:

- increases in the level of returns from output in the unincorporated sector;
- shifts in technology favouring the employment of labour in the unincorporated sector;
- shifts in preferences in favour of non-pecuniary aspects of self-employment;
- shifts in the relative tax burden favouring self-employment; and
- a shift in lending policy favouring employment in the unincorporated sector.

The second hypothesis posited a 'disequilibrium' model, in which shifts in self-employment levels were related to problems in the employed labour market and consequent levels of unemployment. According to this theory, self-employment should tend to increase in times of recession when jobs are scarce and decrease when employment is rising again, so that 'the self-employed can be expected to play a role in Australia's labour markets similar to that played by the pool of discouraged workers' (Covick, 1984: 107).

Using data on the gross operating surpluses of unincorporated businesses over the period, Covick (1984) argued that the evidence did not support the first two elements of the equilibrium hypothesis, since relative incomes of the self-employed had been declining since 1972-73, but that both the income and employment data were consistent with the disequilibrium hypothesis. Data for years beyond those examined by Covick, provide only partial support for this view. Once seasonal fluctuation and sampling errors are accounted for, there appears not to have been a significant increase in self-employment in the 1982-83 recession, when unemployment reached

exceptional levels. Self-employment did continue rising, however, in the early 1990s, when recession hit again and unemployment climbed back to 11 per cent. More recently Covick (1996) has brought this analysis up to date, and concluded that a substantial proportion of the self-employed were 'refugees from unemployment'.

While this may be true, much of the increase in work recorded as in self-employment can also be explained by industrial change. Vandenheuvel and Wooden (1994, 1995) have shown how the number of people working as dependent contractors has grown in recent years. Table 1 suggests that this may be mainly because of a shift in the distribution of employment across the economy as a whole towards industries with greater propensity to generate self-employed or subcontracted work. A simple shift-share analysis is used for the period between 1985, when the growth of non-agricultural self-employment was more or less tracking that of waged and salaried employment (see Figure 1), and 1994, when the two trend lines had diverged and self-employment peaked. Between 1985 and 1990 the overall rate of self-employment fell slightly, in spite of an industrial shift towards sectors where self-employment tends to be more common. After 1990, most of the overall increase (and more than the actual increase for women) can be explained by this continuing shift in the industrial mix.

Table 1: Shift-share Analysis: The Effect of Shifts in Employment Between Industries on the Total Non-agricultural Self-employment Rate: 1985-1994(a)

	Men	Women	All
1985 rate of self-employment	13.8	9.7	12.2
1990 rate of self-employment	13.7	9.0	11.7
Increase/decrease of which:	- 0.1	- 0.7	- 0.5
Industry shift effect ^(b)	0.5	0.2	0.5
Residual	- 0.6	- 0.9	-1.0
1994 rate of self-employment	15.3	9.5	12.8
Increase/decrease (from 1990) of which:	1.6	0.5	1.1
Industry shift effect ^(b)	1.4	0.6	1.0
Residual	0.2	- 0.1	0.1

Notes: a) Based on mean for quarters December 1984 - September 1985 and December 1993 - September 1994.

b) The change in the overall self-employment rate that would have occurred if the self-employment rates within each industry had remained unchanged from the previous period.

Source: ABS Labour Force Surveys

3 Self-employment and Social Security

Although the previous section of this paper suggested that there has not been a dramatic increase in the rate of self-employment in Australia, the numbers of people involved have nevertheless grown. Trend data on the use of social security payments by self-employed people are hard to come by, partly because for many payments it has not been a requirement that the employment status of income unit members be recorded. However, it has been the experience of DSS staff that the number of cases involving self-employment income has been growing, and the complexity of income arrangements for some self-employed people is reflected in the difficulties faced by staff charged with assessing incomes. Self-employed cases often require greater expertise, take longer to process and may impose higher compliance costs on the client. In some areas of administration, including those of family payments, there has also been a significantly higher level of overpayments and reviews of assessments in cases involving self-employed clients.

Table 2 shows the amounts of social security income received in 1990 by income units with a head or spouse working in their own business (including company directors). The main forms of transfer income were Family Allowance (FA) and Family Allowance Supplement (FAS), which together made up 57 per cent of the total. The next most important was Unemployment Benefit (11 per cent).

Further analysis also shows that in 1990, among families with children of eligible ages, a higher percentage of families with self-employed earners were receiving Family Allowance Supplement as well as FA than families with waged or salaried earners (Eardley and Bradbury, 1996, Table 6.2). However, doubts are often raised about whether the standard social security measures of income are the best way of targeting assistance to families containing self-employed people. Typically, self-employed people have a more complex variety of income arrangements than employees: their earnings may fluctuate over time; they may have access to various forms of non-cash resources; they may be sustaining losses and living on savings or bank overdrafts; and, in smaller enterprises, domestic and business economies may be closely intertwined. Overall, the taxable income measure may have a more attenuated relationship to immediate income needs than exists for other clients.

In order to explore in more detail the question of receipt of family payments by the self-employed, analysis was carried out of a specially constructed sample of people receiving Additional Family Payment (AFP). AFP (Workforce) was then equivalent

Table 2: Current Income from Government Transfers: of Income Units with Head or Spouse Working in Own Business, 1990

Payment Category	Total \$m per annum received from each payment	Percentage
Family Allowance (only)(a)	373.0	35.2
Family Allowance plus Family Allowance Supplement	230.6	21.7
Unemployment Benefit	119.5	11.3
Age Pension	73.5	7.0
Service Pension	60.6	5.7
Sole Parent Benefit	37.2	3.5
Overseas Pension/Benefit	33.2	3.3
Disability Pension	28.1	2.7
Invalid Pension	19.0	1.8
Widows Pension	15.2	1.4
War Widows Pension	12.7	1.2
Secondary Austudy	12.5	1.2
Government Pension or Benefit not included elsewhere	12.0	1.1
Tertiary Education Austudy	11.1	1.0
Sickness Benefit	10.6	1.0
Special Benefit	8.4	0.8
Wife/Carers Pension	3.9	0.4
Total	1 061.1	100.0

Note: a) Family Allowances are included with FAS payments in the second line of the table if the income unit received any FAS, otherwise they are included in the first line (because of an ABS processing error).

Source: Eardley and Bradbury, 1996, using ABS 1990 Survey of Income and Housing Costs and Amenities, unit record file.

to what used to be FAS and is currently known as 'more than minimum rate of Family Payment - work force'. The clientele of payments for children in families in the work force but with low incomes has grown rapidly since the introduction of Family Income Supplement in 1983, rising from just over 20 000 to over 300 000 by 1985 - largely as a result of changes in the value and criteria of entitlement for the different payments.

Table 3 shows the distribution of two-parent AFP (Workforce) families in September 1995, by the employment status of the spouse. Family payments are normally paid to

mothers as the main carers and relatively few are in paid work, so the employment status of the man provides a better indication of the family's circumstances.

Table 3: AFP (Workforce) Client Population: 15 September 1995 (Couples Only)

Spouse's Occupation	AFP Type		Total
	Workforce AFP Only	Low-Income Parenting Allowance	
Self-employed: landowner	16 073	2 044	18 117
Self-employed: other	63 857	13 342	77 199
Not self-employed	147 788	27 592	175 380
Not coded(a)	.	2 826	2 826
Total	227 718	45 804	273 582

Note: a) Some Parenting Allowance recipients did not have a spouse's occupation recorded as they became clients before the requirement for occupation to be coded came into force.

Source: Department of Social Security administrative data

Among those not recorded as having a self-employed spouse were nearly 43 000 sole parents, six per cent of whom were themselves self-employed. Since the circumstances of sole parents tend to differ from couples for other reasons, the following analysis focuses only on the two-parent families. Excluding sole parents, clients who had a self-employed spouse made up 35 per cent of the clientele, and just under one-fifth of the self-employed were landowners. This suggests that the assessment of self-employed income for AFP is likely to be a significant issue within the administration of family payments.

Although the sample was drawn on the basis of the spouse's occupation, some of the clients themselves were also recorded as having paid work. Clients' occupations were strongly correlated with those of their spouse. Three-quarters of women with waged spouses did not have paid work and only a handful of those that did were self-employed. By contrast, around three-fifths of women whose spouses were self-employed were also self-employed themselves. It seems probable that many of these couples were involved in partnerships, either actively or for taxation purposes, but this information is not available.

So how did waged and self-employed families compare in terms of payment levels? On average, self-employed parents, particularly farmers, received higher weekly payments than waged parents. The mean difference between payments to farmers and wage earners was nearly 26 per cent, and for other self-employed just under 15 per cent (Table 4).

Table 4: AFP (Workforce) Payments to Two-parent Families, by Spouse Occupation: September 1995 (\$ per week)

	Waged and Salaried	Self-employed (land)	Self-employed (other)	Other
Mean	62.85	79.11	72.19	71.74
Median	66.52	67.20	67.20	67.20
Maximum	268.00	315.85	262.10	302.40
Percentages in payment bands ^(a)				
\$0.00-50.00	42.3	28.3	32.7	39.3
\$50.01-100.00	36.7	36.9	39.6	35.3
\$100.01-150.00	18.3	30.5	24.8	19.7
\$150.01 +	2.7	4.3	2.9	5.8

Note: a) 162 cases are recorded as having zero payments. This is likely to be because of retrospective adjustments following a change in income

Payment calculations are based on the numbers and ages of children, so one hypothesis is that the difference in payment rates between employment groups results from differences in family composition. However, self-employed families actually had slightly fewer children and even controlling for age differences had little effect on the payment differential.

The main driving force behind the difference in payments between waged and self-employed clients was the combined income levels of client and spouse, as assessed for the income test. Table 5 shows that the mean combined taxable incomes of waged and salaried families were substantially higher than those of the self-employed families, especially the farmers. Thirty four per cent of families with a self-employed spouse were recorded as having zero annual incomes in the previous tax year and 28 per cent also had zero client income. Only a handful of self-employed families had any other income, so nearly 28 per cent in all had zero

combined income (33 per cent of landowners and 22 per cent of other self-employed).

Table 5: Mean Levels of Annual Taxable Income, by Spouse's Occupation (AFP Workforce Clients)

Spouse's Occupation	Spouse \$	Client \$	Combined Income ^(a) \$
Waged and salaried	17 645.31	1 738.89	19 459.16
Self-employed: land	6 547.97	5 228.99	11 776.96
Self-employed: other	8 933.63	6 046.32	14 987.68
Other	6 983.96	5 755.08	12 931.82

Note: a) Differences between combined income and the sum of clients' and spouses' income result from the additional levels of other income accruing to a small number of clients.

Source: DSS administrative sample

The respective mean earnings figures also highlight the greater participation in self-employed enterprises by female clients (whether in reality or for tax purposes) compared to the paid work undertaken by those married to waged men.

Income and Housing Tenure

Another factor relevant to an understanding of AFP recipients' living standards is housing tenure. Self-employed people tend to have high levels of owner-occupation, for reasons which include age and family formation, the ability to run businesses from home and the greater availability of business loans when secured against housing.

Among the AFP (Workforce) sample, 78 per cent of farmers and over three-quarters of other self-employed couples were owner-occupiers, compared with just over half the recipients with a waged spouse. Even where the self-employed were not in owner-occupied housing, many did not have rent to pay. Of the 22 per cent of self-employed landowning couples who did not fully or partly own their own homes, only just under 23 per cent had rent to pay (amounting to less than six per cent of the total), compared with nearly 74 per cent of renting couples supported by waged work. The other self-employed couples were more similar to the waged families, but

still nearly a third of the non-owner-occupiers lived rent-free. Those few self-employed landowners paying rent mainly had payments of under \$100 per week, whereas the other self-employed were, along with the waged families, mainly in the \$100-200 per week bracket, but also had a greater proportion in the higher rent ranges.

Table 6: Rent Paid by AFP Clients, by Spouse Occupation (Couples Only)

Rent \$ per week	Waged and salaried	Self-employed: land	Self-employed: other	Other
Percentages				
0.01 - 100.00	30.7	61.8	19.3	24.1
100.01 - 200.00	66.3	33.8	66.5	69.0
200.01 - 300.00	2.5	2.9	10.8	6.5
300.01 +	0.5	1.5	3.3	0.4
Mean	\$124.45	\$104.86	\$152.61	\$136.04

Source: Department of Social Security administrative sample.

Nearly 80 per cent of those clients paying rent (weighted for sample composition) received Rent Assistance. The percentage was lower for the self-employed landowners as their rents were lower, and correspondingly higher for the other self-employed families. The DSS dataset holds only limited information about housing circumstances, but the broad picture appears to suggest that in spite of the assistance received by some renters, self-employed recipients may tend to have higher living standards.

Overall, the AFP data appear consistent with the picture of a substantial sector of low-income self-employment, although in so far as owner-occupation is an indicator of higher living standards self-employed families may have certain advantages. However, as has been suggested earlier, the assessment of income for social security purposes may not be as useful an indicator of real living standards for self-employed families as for wage earners. The next section of the paper therefore looks at a range of other indicators.

4 The Living Standards of Low-income Self-employed Families With Children

One way of testing the effectiveness of targeting for family assistance policy is to examine alternative indicators of living standards and to compare the circumstances of families supported by self-employment with those of wage earners. Here, living standard indicators are drawn from three recent national surveys conducted by the Australian Bureau of Statistics: the Household Expenditure Surveys (HES) carried out in 1988-89 and 1993-94, and the 1990 Survey of Income and Housing Costs and Amenities (SIHCA). The analyses undertaken are described in more detail in Bradbury (1996) and Eardley and Bradbury (1996).

Income and Expenditure

The central question is how far income as measured in surveys (or by the taxation office) provides a good indication of the living standards of the self-employed. If, at a given level of income, the self-employed spend more than employee families, this might suggest that self-employment income is under-recorded. While survey data on the relationship between income and expenditure for individuals may be misleading for a number of reasons, aggregated data for employment groups are more likely to provide a reliable picture. Given the relationship between incomes and expenditure for employees, it is then possible to work backwards to estimate the extent of under-recording of self-employment income.

However, under-recording is not the only explanation for a weak relationship between measured incomes and expenditures. First, the self-employed may have greater access to saving and dissaving opportunities. During periods of low income, for example, they may be able to maintain expenditure by drawing on savings or increasing business overdrafts. This was found to be the case in a qualitative study of low-income self-employed families in the United Kingdom (Eardley and Corden, 1996). A number of the self-employed earners in that study had previously had higher earnings in waged or salaried employment. In general, the extent to which current living standards reflected the amounts of income coming into the household at the time often depended on how long people had been in their current self-employed work.

A further explanation concerns the different time periods over which incomes are collected for the self-employed. Typically, household surveys record current wage

and salary incomes, but use self-employment income applicable to some previous period. While adjustment can be made for changes in average self-employment income, this cannot fully compensate for variation at the individual level. The problem is compounded by the variability in earnings over time experienced by many self-employed people. Farmers' incomes are known to vary particularly because of climatic and seasonal fluctuations, but self-employed people as a whole also experience significant income variation over the business cycle. This means that current income may be poorly correlated with income during the period recorded by the household survey, in turn implying a weaker relationship between recorded income and current expenditure.

Table 7 illustrates some basic patterns in the relationship between income and expenditure by employment status, using data from the 1988-89 Household Expenditure Survey (HES). As was described earlier, payments for working families are the main social security payment received by the self-employed, so the sample here is restricted to households containing a married or de facto couple plus one or more children aged under 16 (and no other people), not receiving any pension or benefit payment and with the head or spouse employed. Because self-employed farmers do not have a significant employee comparison group, households living in a rural area are excluded at this stage (though they are included in later analysis).

As well as total expenditure, the table also includes a 'current expenditure' variable. This attempts to exclude capital expenditures which might reflect earlier savings and investment decisions, as well as household expenditures which might be met from the business. Specifically, current expenditure excludes housing (because housing expenditures are a poor proxy for housing quality), expenditure on household appliances and furnishings (because recent expenditure might not reflect current assets held) and telephone and transport costs (because these may be paid for by the business). The remaining expenditure comprises about 60 per cent of total expenditure.

The differences between employed and self-employed families appear striking. Mean income of the self-employed was only 81 per cent of that for employees, while their mean expenditure was nine per cent higher. Using the expenditure/income ratio for employees as a benchmark, this suggests that average self-employed 'true' incomes should be about one-third higher than recorded in the survey.

Table 7: Average Incomes and Expenditures for Working Couples with Children, by Employment Status: 1988-89

		Self-employed (\$/week)	Employee (\$/week)	Ratio (SE/Emp)
Gross income	Mean	672	830	0.81
	Median	590	734	0.80
Total expenditure	Mean	673	619	1.09
	Median	586	554	1.06
Current expenditure	Mean	409	367	1.11
	Median	361	331	1.09
Sample Size		234	1 159	

Source: ABS 1988-89 Household Expenditure Survey, unit record file.

Most of this apparent under-recording of income, however, is attributable to strong growth in self-employment earnings in the years prior to 1988-89, on which HES data for the self-employed would have been based. Gross operating surplus of unincorporated private enterprises, per self-employed person, grew by 33 per cent between 1986-87 and 1988-89 (and 14 per cent from 1987-88 to 1988-89).⁴ Thus, if average self-employment incomes are adjusted upwards according to these trends (and assuming recorded income to be evenly divided between 1986-87 and 1987-88), they should be 23 per cent higher than the figures shown in Table 7 and roughly equal to the mean income of employees. The difference in expenditure levels of 6-11 per cent still remains, though some of this could be explained by a greater proportion of the self-employed reporting 1986-87 (or earlier) incomes. On the other hand, there may also be items of expenditure still included in the current expenditure definition which are paid for from the business account and yet still benefit the self-employed family. Overall, the expenditure data do suggest a general under-recording of self-employment income, but not the extent that is at first apparent.

One limitation of the above analysis from the point of view of income support policy is that it looks at average incomes across the whole distribution rather than at those in the lower deciles. If the analysis in Table 7 is replicated for households with lower

4 Calculated from Foster and Stewart (1991) and LFS data.

incomes the gap between the self-employed and employees does widen slightly. However, it is difficult to draw firm conclusions from such a sub-sample. The lag between income measurement and expenditure for the self-employed means that there will be a weaker correlation at the individual level. Hence, in addition to the problems introduced by changes in average incomes, time lags in income collection mean that it is more difficult to identify which self-employed families are poor.

Whilst household expenditures might be considered the best indicator of household consumption, these data also have several important limitations. First, household expenditure may vary from week to week. While this does not bias estimates of average expenditures, it does make them less precise. From one perspective, this 'shopping variability' is simply an example of the fact that expenditure includes both current consumption and capital goods. People may make large purchases in the survey period, but consume the good over a number of periods (when they have no expenditures). Another difficulty, mentioned above, is that some household consumption may be directly provided by the business. The consumption in this case will not be counted as either income or household expenditure. Bradbury (1996) has proposed two methods for dealing with these limitations of household expenditure data, and the results of this analysis are summarised here.

One way of identifying the extent of business purchases for home consumption is to see whether self-employed families spend less on some goods than might be expected on the basis of their consumption of other goods. To identify this expenditure distortion it is necessary to assume that there are no such 'business purchases' for employee households, and that there is at least one 'reference good' for which there is no consumption distortion. This good then serves as a benchmark against which expenditure patterns can be assessed.

An examination of the expenditure patterns of self-employed and employee families in the 1993-94 HES indicates that the only good where there appears to be a consistent under-recording of expenditure by the self-employed is the category 'other transport'. This mainly comprises vehicle running costs. On average, the self-employed appear to be consuming about \$20 per week more of transport services than their recorded expenditures would suggest, probably through private use of vehicles owned by the business. It is possible that other areas of business contribution might be identified if the analysis were disaggregated by industry, but this information is not available from the 1993-94 HES. The easiest way to correct for this difference in expenditure patterns is to simply exclude transport expenditure altogether (see Table 8).

To correct for 'shopping variability' a different approach is taken, using factor analysis to identify more accurately underlying household consumption levels. This produces a 'weighted expenditure' variable, representing the weighted sum of the different components of household expenditure⁵. Whilst this weighted expenditure measure cannot eliminate shopping variability altogether, it does reduce it. Broadly speaking, it places more weight on those items of expenditure which have strong correlations with other expenditures. Housing, for example, has a low weight because current housing costs have only a low correlation with ability to consume. Thus people with high housing wealth may have low mortgage repayments if they are near the end of their loan. For this reason, the average value of the weighted expenditure within different population sub-groups may also be more informative about living standards.

Table 8 repeats the analysis of Table 7, but for 1993-94 and with the addition of the adjusted expenditure variables introduced above. The population is also broader in two respects. Table 8 includes couples without dependent children and also farmers, since the latter cannot be identified separately in the 1993-94 HES.

The first section of Table 8 shows average net incomes and expenditures for self-employed and employee families. The problems of income timing are less severe than in the 1988-89 HES, as self-employment incomes were relatively stable in the two years prior to 1993-94. If self-employed incomes were adjusted to a current basis using trends in average incomes, it is likely that they would only be around three per cent higher than shown here.

As in 1988-89, the self-employed had lower incomes than employees, and this gap was greater for income than for expenditure. However, the gap between self-employed and employee expenditure narrows significantly as we move towards the more robust measures. Median self-employed total expenditure (using the conventional definition) was 89 per cent of that for employee households. When transport costs are excluded, this rose to 91 per cent, and when the weighted expenditure variable is used, it rose further to 96 per cent. Thus the self-employed spent almost as much as employee households on those commodities which have a strong relationship with underlying consumption, though they spent less on other commodities.

5 See Bradbury, 1996, for a detailed explanation of the methods used in this analysis.

Table 8: Incomes and Expenditures of Working Couples: 1993-94

		Self-employed (\$/week)	Employee (\$/week)	Ratio (SE/Emp)
All Households (100%)				
Net income	Mean	557	799	0.70
	Median	518	747	0.69
Expenditure: ABS definition	Mean	648	773	0.84
	Median	611	687	0.89
Expenditure: excluding transport	Mean	567	657	0.86
	Median	527	576	0.91
Weighted expenditure	Mean	604	649	0.93
	Median	574	600	0.96
Households with net income <\$500 pw (22%)				
Expenditure: ABS definition	Mean	577	548	1.05
	Median	526	511	1.03
Expenditure: excluding transport	Mean	498	459	1.08
	Median	446	417	1.07
Weighted expenditure	Mean	561	495	1.13
	Median	522	465	1.12
Households with net income <\$400 pw (10%)				
Expenditure: ABS definition	Mean	580	571	1.02
	Median	498	482	1.03
Expenditure: excluding transport	Mean	497	451	1.10
	Median	426	358	1.19
Weighted expenditure	Mean	558	496	1.13
	Median	521	454	1.15

Source: Bradbury, 1996, using ABS 1993-94 Household Expenditure Survey, unit record files.

While average consumption for the self-employed was still lower than that of employees, consumption levels for the two groups were closer than average incomes would suggest. Assuming that the relationship between income and expenditure is the same for employees and the self-employed, 'true' self-employment incomes can be estimated as 34 to 38 per cent higher than recorded incomes. As noted above, only about three percentage points of this was likely to have been caused by time lags in recording periods for self-employment income. This compares with the

estimate of six to 11 per cent based on the 1988-89 data, after adjusting for time lags.

There are several possible reasons for the discrepancy. First, the estimates here use the weighted expenditure variable, which, it is argued, provides a more accurate reflection of living standards. Using the conventional (ABS) definition of total expenditure instead, the 1993-94 estimate of under-recording drops to between 17 and 25 per cent. A second important difference is that the latter estimate includes farmers. The year 1993-94 was one of particularly low agricultural incomes and many farmers may have been living off their savings. The later analysis also includes all working married couple households of workforce age, whereas the estimates for 1988-89 only looked at families with children, and net rather than gross incomes are used, though these factors are unlikely to have made much difference. Finally, the adjustments made for income inflation are only approximate.

The next two sections examine the extent of expenditure poverty among the low-income self-employed. Two different definitions of low-income poverty are used. The first group identified are households with net income less than \$500 per week, which includes 22 per cent of the population in Table 7. The second definition lowers the threshold to \$400 per week, which reduces the size of the group to 10 per cent of the sample. For both definitions of poverty, the average expenditure levels of the self-employed were higher than the expenditure levels of employee households. The difference is greatest for the weighted expenditure variable. Depending upon the poverty threshold or average used, low-income self-employed households had an average weighted expenditure some 12 to 15 per cent higher than employee households. We also get very similar results if net income below the \$500 threshold is equivalised for family size and composition (not shown here).

The low-income self-employed therefore appear to have a higher consumption living standard than low-income employees. However, this does not necessarily mean that there is less poverty among the self-employed. Indeed, Bradbury (1996, Table 4) presents regression results which show that, using weighted expenditure as the living standard index, the poverty rate for the self-employed is around six percentage points higher than for employees. The reason for this apparent contradiction is simply that expenditure is poorly correlated with incomes for the self-employed. A

significant number of self-employed people who did not have low incomes still had very low expenditure levels in 1993-94.⁶

The policy question raised earlier is how well targeted assistance is for this group. Finding only a loose association between incomes and expenditures is of limited use in addressing this question, since organisations such as DSS use a range of measures to target assistance. While entitlement to family assistance is often based upon previous year's taxable income, some people supply estimates of current year incomes, questions are asked about changes in incomes (and subsequent notifiable events) and the assets test also acts as a restriction to payment receipt. Moreover, some self-employed with low recorded incomes, but who actually have a higher standard of living, may choose not to take up their entitlements. It could be that despite the limitations of income as recorded in surveys current policies are relatively effective in meeting their targeting goals.

Table 9 presents evidence on the living standards of self-employed and employee families receiving Additional Family Payment in 1993-94. This payment is not separately identified in the HES file, but can be calculated approximately from the amount of combined Family Payment and AFP received by the household. The population of Table 9 is those married couple households with children included in the previous tables, who were also apparently receiving \$15 per week or more AFP in 1993-94.

Although the sample size is small, the results are broadly consistent with the income patterns described above. The incomes of self-employed AFP families are much lower on average and are reflected in their higher rates of payment per child. However, the average expenditures of the self-employed are generally higher. The only exception is the mean of total expenditure, where employees have a higher expenditure level. Further examination reveals this to be due to some outlier high

6 The main caveat to the finding of high poverty among the self-employed is that it could be influenced by infrequent shopping patterns among farmers. If they shop less frequently than city dwellers - as seems plausible in a rural setting - more of them will be recorded as having low expenditure levels. Nevertheless, the possibility of high poverty rates among the self-employed cannot be discounted.

Table 9: Living Standard Indicators for AFP Recipient Families: 1993-94

		Self-employed (\$/week)	Employee (\$/week)	Ratio (SE/Emp)
Sample Size		73	191	
Net income	Mean	271	608	0.45
	Median	368	550	0.67
Total expenditure (ABS)	Mean	600	641	0.94
	Median	598	543	1.10
Weighted Expenditure	Mean	594	580	1.02
	Median	586	532	1.10
Equivalent Weighted Expenditure	Mean	554	530	1.05
	Median	542	493	1.10
AFP per child	Mean	34	28	1.21
Home owner or purchaser	%	67	55	1.22
Rent free	%	7	9	0.78

Source: Bradbury, 1996, using ABS 1993-94 Household Expenditure Survey, unit record files, weighted estimates.

expenditures on house purchase and transport costs, items which have a low (or zero) weight in the weighted expenditure variable. The most appropriate (and robust) measure for poverty purposes is probably the median of weighted expenditure, which is some 10 per cent higher for the self-employed.

Housing Tenure and Wealth

Table 10 focuses more directly on alternative living standard indicators, particularly those related to housing. As we saw earlier, self-employed AFP (Workforce) clients appeared to have higher living standards on average if housing tenure is taken as an indicator. The table shows a number of living standard indicators, mainly related to housing, from the 1990 Survey of Income and Housing Costs and Amenities (SIHCA). These are given for married couple income units with children who were receiving Family Allowance Supplement (the precursor to AFP), were not receiving any social security pension or benefit and had either the man or woman employed. Families are classified as self-employed if either the head or spouse was self-

employed. Families where the head or spouse were running their own limited liability business are identified separately.

The general characteristics of these different family types are shown in the first panel of the table. Farming families tended to have lower incomes and smaller families, whilst the small number of families running their own company had significantly higher incomes in 1989-90. Since FAS entitlement in 1990 was generally assessed on the basis of taxable incomes for 1988-89, this suggests a high level of variability in the incomes of these families.

The greatest difference between self-employed and employee families was in housing tenure. While 58 per cent of employees were owners or purchasers, 78 per cent of self-employed farmers owned or were purchasing their home, as were 80 per cent of non-farmers. The owner-occupancy rates for self-employed families were similar to the overall rate for *all* employee families with children (78 per cent), not just those receiving FAS. Living rent-free was also more prevalent among farmers. These results are broadly similar to the tenure patterns of AFP recipients in 1995, as described earlier.

Within the population of owners and purchasers, the self-employed had a higher level of housing wealth, but the difference was small. Non-farm self-employed had a mean housing wealth of \$114 300 compared to \$99 000 for employees, not a statistically significant difference. Farmers also had a higher housing wealth also, though this may be due to the incorporation of farm values into the house value. Nonetheless, when housing equity is calculated across the whole sample (including those with zero housing equity) wealth differences are more apparent. Non-farm self-employed families receiving FAS had an average housing wealth of \$91 600, compared to only \$58 200 for employee families.

Whilst housing equity takes account of both the value of the dwelling and the amount owed on it, for a measure of the actual quantity and quality of the housing services consumed by these different households, it is more appropriate to look at either the house value or the market rental of the dwelling. Among home-owners the non-farm self-employed lived in more expensive dwellings, though again the difference is not statistically significant. Similarly, among private renters the self-employed paid higher rents (again not significant).

Table 10: Housing Conditions of Married Couples Receiving Family Allowance Supplement: 1990

	Employee	Self-Employed, Not Agriculture	Self-Employed, Agriculture	Running own LLC business
Numbers in brackets are approximate standard errors				
General				
Number of cases	274	101	32	15
Population represented	120,335	40,121	11,912	5,495
Mean number of children	2.5	2.7	2.3	2.6
Mean income in 1989-90	26,930	25,398	21,624	42,204
	(926)	(1,819)	(2,480)	(4,897)
Mean age of head	35.4	37.3	37.3	33.4
	(0.4)	(0.6)	(0.9)	(1.4)
Mean age of spouse	32.6	33.9	35.4	32.4
	(0.4)	(0.6)	(0.8)	(1.2)
Mean weekly FAS per child	26.9	29.0	29.3	26.9
	(0.9)	(1.1)	(1.5)	(3.5)
Housing Tenure (%)				
Owner	19.7	34.7	34.4	33.3
Purchaser	38.0	45.5	43.8	40.0
Govt. rental	11.0	3.0	.	13.3
Private rental	23.0	10.9	3.1	6.7
Living with relatives/other	3.7	2.0	.	.
Rent free	4.7	4.0	18.8	6.7
Total	100.0	100.0	100.0	100.0
Housing Wealth				
Mean net equity for owners and purchasers (\$000)	98.9	114.2	123.6	89.2
	(5.6)	(9.3)	(24.2)	(15.9)
Mean net equity across whole sample (\$000)	58.2	91.8	84.7	65.0
	(4.4)	(8.8)	(20.4)	(15.5)
Housing Quality				
Mean dwelling sale price for owners and purchasers (\$000)	124.4	137.2	158.1	119.3
	(6.3)	(9.5)	(20.9)	(20.3)
Mean rent for private renters (\$/week)	117.8	123.7	100.0	150.0
	(5.0)	(14.6)	(-)	(-)
Mean total housing expenditure (\$/week)	101.7	98.7	122.0	132.9
	(5.1)	(8.2)	(42.5)	(29.2)
Mean bedrooms per child	0.94	0.93	1.02	1.13
	(0.03)	(0.05)	(0.14)	(0.17)
Mean bathrooms	1.15	1.18	1.08	1.35
	(0.02)	(0.04)	(0.05)	(0.12)
Mean number of lounge, living, family and dining rooms	1.45	1.58	1.35	1.48
	(0.04)	(0.06)	(0.12)	(0.20)
Mean number of rooms in dwelling	8.34	8.77	8.31	9.40
	(0.12)	(0.17)	(0.40)	(0.43)
Mean car spaces	1.15	1.23	1.10	1.70
	(0.06)	(0.10)	(0.18)	(0.23)

Source: Eardley and Bradbury, 1996, Table 7.4, based on 1990 SIHCA, unit record files.

More direct indicators of housing quality also tend to suggest somewhat greater housing consumption for non-farm self-employed families. The number of bedrooms per child was about the same in employee and self-employed families, whilst the numbers of bathrooms, living areas and car spaces was greater for the self-employed, though none of these differences is statistically significant. The picture for farm households was more mixed, whilst that for business families suggests a higher housing standard, though the numbers are small. It should be noted, however, that in other respects self-employed people may not be so well off. Self-employed people also worked significantly greater hours, with over 50 per cent of non-farm self-employed, and 84 per cent of farmers, working more than 50 hours per week.

Overall, the greatest difference between employee and self-employed FAS recipient families observed in these data was the much higher rate of home ownership among the self-employed. Indeed their rate of home ownership was essentially the same as the home ownership rate for all employee households with children, not just those receiving FAS. Differences in tenure between these two groups is not surprising. Self-employed people tend to be slightly older and thus at a later stage in housing careers, while being a home owner also makes it easier to start and to run a business. Nevertheless, these data suggest that self-employed FAS recipients were probably wealthier than employee families, since the self-employed will have had their business wealth to add to their higher level of housing wealth (though for some this may be negative).

However, while home ownership may be a good predictor of longer-term living standards, it is of less relevance to living standards in the short term. The illiquidity of housing assets may mean that they cannot easily be used to finance current non-housing consumption when self-employed people have a bad year. Although they may benefit from a higher quality of housing, they may be forced to reduce their consumption significantly in other areas.

5 Conclusions

Although self-employed people are still only a small minority of the labour force, their numbers have been increasing overall and the self-employed clientele for income-tested Social Security payments has been rising. Understanding the financial circumstances of self-employed people, particularly those in the lower levels of the income distribution, is therefore a matter of some policy significance. The paper has looked at the growth in self-employment and reviewed the explanations offered.

The main causes appear to have been changes in the labour market and the industrial mix towards areas favouring self-employed and subcontracted work, while it also seems that a proportion of those entering the sector do so as an alternative to unemployment.

Data from income surveys and from the national accounts suggest that while self-employed earnings are volatile over different business cycles, a substantial proportion of self-employed people report incomes which would place them in poverty. How accurate are these measures of income? In policy terms, the key question is how far recorded incomes in self-employment reflect living standards similar to those experienced by employees at similar income levels, and thus whether policies for targeting income support and family assistance are effective in respect of the self-employed.

We have examined this question by analysing Department of Social Security administrative data and several ABS household datasets. With the latter the emphasis has been on comparing average income with expenditure and attempting to develop robust measures of expenditure. The broad conclusions from this analysis are as described below.

- Average incomes are not in themselves a good indicator of living standards for the self-employed. 'True' mean incomes appear to be up to one-third higher than recorded, allowing for time lags between the years to which income and expenditure apply. This may reflect under reporting of income, but can also result from running down of savings and accumulation of debt.
- In 1993-94 the incidence of poverty as measured by low consumption was higher among the self-employed than among employee families.
- Nevertheless, the living standards of low-income self-employed families seem higher on average than those of low-income employees. This is not incompatible with the previous point because of the low correlation between income and expenditure for the self-employed.
- Self-employed families receiving AFP appear to have slightly higher living standards and higher housing wealth than employee families.

Overall, these findings from quantitative analysis are not dissimilar to those obtained

from qualitative interviews with low-income self-employed in the UK. That study found a number of reasons for particularly low earnings. Some people were just starting out in business, others were facing business failure and likely to return to unemployment or seek work elsewhere. Some had little control over their earnings or the amount of work available, or had personal or family circumstances which limited their time or effort. The relationship between current earnings and living standards often depended on how far previous earnings and expenditure still cushioned families from more recent drops in income. In general, the longer people had been at their current earnings level, the more direct the relationship became, as household goods deteriorated and savings dwindled. However, the link was mediated by other factors, so that in some cases expenditure exceeded net income over specific periods. Help from extended families, the use of credit and the accumulation of debt all acted in different ways to make the link more tenuous.

The absence of detailed research on how living standards are maintained by families supported by self-employment in Australia makes it difficult to say with any certainty whether the UK picture is reflected here too. If the numbers of people involved in self-employment continue to grow, there is a good argument for further research on ways of assessing their incomes and living standards more accurately and of relating these to policy goals of poverty alleviation. However, given the current complexities involved in this exercise, a finding that the living standards of self-employed recipients of family assistance are only marginally higher on the average than those of their employee counterparts could be regarded as a policy success.

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Sole Parent Poverty: How Does Australia Compare?

Sheila Shaver
Social Policy Research Centre
University of New South Wales

1 Introduction

This paper is concerned with the continuing high levels of poverty among Australian sole parents and the policy frameworks which are responsible for alleviating it. These issues are long-standing, and the paper offers no surprises. Rather it reasserts well known themes in social policy discourse. Two of these are worth restating. Firstly, poverty among Australian sole parents is high by the standards of both Australian historical experience and comparison with similar countries in Europe and North America. Secondly, income from employment must be a key element in an effective anti-poverty strategy for this group.

The substantive meaning of poverty is easily clouded by the many issues associated with measuring how many are poor, who they are and how severe is their need. The methodologies involved in defining and measuring poverty are very complicated, and the results which different investigators come up with seem to depend a good deal on the methodological choices they make. Academic debates over these issues, important as they are, sometimes take prominence over the issues themselves. In the political arena these issues can be, and have been, used to discredit the actual fact of poverty as an enduring feature of an affluent but unequal society. In this paper I want to return the focus of attention to this question of the level of poverty as it affects the group among which it has long been highest, sole parents with dependent children.

It is indeed true that choices of data and methodology make a very substantial difference to the answers one gets about the incidence and structure of poverty in a national society and among particular social groups within it. This has made discussions of poverty vulnerable to claims that the concept lacks scientific legitimacy, that it seems to mean whatever the particular researchers want it to mean.

Such charges are unfair to serious and distinguished scholars in many countries, but they have political force nonetheless.

Partly on this account, researchers have been experimenting with other ways of defining and measuring standards of living which are inadequate as an Australian community might judge this. Travers and Richardson (1993) have experimented with broader measures of material well-being when the time, functioning and material resources of the household are taken into account, and develop a measure of 'full income' on such a basis. More recently, Travers (1996) has also been re-evaluating Townsend's classic formulation of poverty as relative deprivation. This work has included a pilot project investigating the feasibility of developing indicators of relative deprivation appropriate to the present time and the Australian context. A third is the study of Budget Standards currently underway (Saunders, 1996), funded by the Department of Social Security and conducted by researchers at the Social Policy Research Centre. Bittman's chapter in the present volume describes this project. The common purpose of all these lines of work is to develop transparent concepts and rigorous measures of living conditions below socially acceptable standards in a society such as Australia.

During the 1970s Australia developed its own distinctive measure of poverty and its own methodology for calculating it. This was the Henderson Poverty Line (HPL), used first in a survey of Melbourne in the mid-1960s (Henderson, Harper and Harcourt, 1970), and then applied on a national scale in the work of the 1972-1975 Commission of Inquiry into Poverty (1975). This way of defining and measuring poverty has dominated Australian discussions of poverty ever since. But though it was groundbreaking in its day, the Henderson approach has been the subject of criticism over a long period (Saunders, 1994: 218-60). Researchers are largely agreed about a number of its weaknesses. There are widely recognised problems associated with the equivalence scales used to weigh the relative costs of families of different size and composition, including the fact that the data on which these scales were based came from another country at another time. There are also significant debates about how the poverty line drawn 30 years ago should be updated through time. There is less agreement about the significance of these problems in the absence of an equal or better alternative.

In the meantime, there have been important developments in data and methodology suitable for use in comparing levels of poverty across countries, though limited initially to advanced industrial societies such as those of the OECD. The vehicle here is the Luxembourg Income Study (LIS). This is an international project aimed at

creating matched data on income for a growing number of countries. In the LIS database, microdata from national surveys of income, expenditure or tax files have been standardised to produce definitions of income and income components which, while far from perfect, are far more comparable than have been available in the past. This project began in 1986, and the number of countries and 'waves' of data for them for similar years has grown steadily since (Smeeding, O'Higgins and Rainwater, 1990; Mitchell, 1991).

When researchers use LIS data to compare poverty in a number of countries most of them measure poverty in much the same way as we generally do in Australia. As with the HPL, they define poverty in relative terms, as a living standard unacceptably below that of others in the same society. Also like the HPL, they use equivalence scales to put households (or families or income units) of differing size and composition on a common footing. They then draw a line and deem those below it to be in poverty. The key difference is in the derivation of the poverty line against which equivalent incomes are assessed. The HPL was drawn at the level of the basic wage set in judicial wage arbitration, and so was claimed to reflect community values about a minimally adequate standard of living.¹ This identifies poverty with a social rather than an economic standard. In contrast, LIS researchers typically identify poverty in terms of an unacceptably low income as compared with the income distribution as a whole. They commonly define families or income units as poor when their incomes, after adjustment to take account of the different needs of households of different size, are too far below the median income prevailing in their own society. The most common benchmark used is a given proportion (40, 50 and/or 60 per cent) of median equivalised income. These standards broadly correspond to the standards regarded as defining poverty in some countries similar to Australia. The first, at 40 per cent of median equivalent disposable income, is close to the United States poverty line, while the third, at 60 per cent of median equivalent income, approximates the Swedish existence minimum. (Förster, 1993: 11)

The two methodologies share an important limitation in that such 'head count' measures of the number of income units or families below a given line are very sensitive to the precise point at which the poverty line is drawn. It is common for

1 As originally set, the HPL also took income from child endowment payments into account (see Henderson, Harper and Harcourt, 1970). Stewart (1996) provides an interesting historical account of how the line was first drawn.

incomes to cluster in the region of the poverty line, so that a line drawn at a slightly higher or slightly lower point would give a significantly different result. This makes measures of poverty sometimes quite unstable. It also matters a good deal whether one's income is only just below the poverty line, or is a good way below. Hence it is sometimes argued that the size of the 'poverty gap', measuring both the number in poverty and the depth of their poverty, is a better measure of the seriousness of the problem. The poverty gap measures the total resources that would be required to bring the incomes of all those below the poverty line up to that line. The measure avoids the weakness of head count measures of overstating poverty in the circumstances when many have incomes only slightly below the poverty line. The poverty gap measure also has its weakness, however, in overstating the significance of extremely low incomes. These are often artifacts of methodological assumptions about the choice of unit and assumptions about how incomes are shared, with people represented as having no income when in actuality they are supported by others.

2 Sole Parent Poverty in Australia in the 1980s

The two best current measures of level of poverty among sole parents come from research applying these two measurement approaches to very similar (though not identical) data. The data are unit record tapes from the 1981-82, 1985-86 and 1989-90 income surveys conducted by the Australian Bureau of Statistics (ABS). One study, by Harding and Mitchell (1992a; see also Mitchell and Harding, 1993a) used the LIS methodology to measure poverty in Australia, while the other, by Saunders and Matheson (1993; see also Saunders, 1994: 261-75) used the methods of the HPL.

The initial research question posed by Harding and Mitchell asked what were the levels of poverty in Australia during the 1980s, how had they changed over the decade, and how effective and efficient was Australian income security policy in alleviating this poverty. They devised an application of LIS methods for this purpose, and presented measures of poverty at three points in the decade. Their results showed poverty in Australia as rising between 1981-82 and 1985-86, and then falling between 1985-86 and 1989-90. Harding and Mitchell concluded that the tax/transfer system had become more effective in reducing poverty in 1989-90 than at the start of the decade. A heated controversy ensued in which Saunders and Matheson questioned these findings on methodological grounds. These writers produced alternate measures using the methodology of the HPL, which suggested that poverty in Australia continued to rise throughout the 1980s. They also tested

equivalence scale. Saunders and Matheson argued that because poverty measures were very sensitive to particular methodological choices, it is not appropriate to base conclusions about the effectiveness of policies on a single set of findings.

I would not want to understate the importance of the questions surrounding choices between these methodologies, nor to under-rate the significance of the issues arising in their correct application. These are essential issues in assessing the economic well-being of the community and groups within it, and in evaluating the effects of policies and programs aimed at alleviating poverty, and although the debates may sometimes seem arcane they do in fact matter a great deal.

However, we must not argue only about measurement and methodology, letting these arguments overwhelm equally significant discussion of what both sets of findings show. Both Harding and Mitchell and Saunders and Matheson found high and consistently high levels of poverty in Australia throughout the 1980s, especially among sole parents. More importantly even, the two sets of findings give a similarly pessimistic picture. There is no doubt that the incidence of poverty among Australian sole parents is high and continues to be so. The levels of poverty among sole parents measured in the two studies are shown in Table 1.

Table 1: The Incidence of Poverty Among Sole Parents in the 1980s, Findings of Two Studies

	Harding and Mitchell 1992	Saunders and Matheson 1993
1981-82	40.8	49.7
1985-86	40.3	57.4
1989-90	47.9	60.0
Data from ABS income surveys, but versions and treatment differ	Individuals, family unit basis, LIS methodology, OECD scales, poverty < 50% median equivalent disposable income	Persons, income unit basis, HPL methodology, Henderson equivalence scales

Source: Harding and Mitchell, 1992, Table 4; Saunders and Matheson, 1993, Table 2.

These figures indicate that at the beginning of the 1980s some 40 to 50 per cent of Australians living in sole parent families were poor by a widely accepted definition. This figure continued to be at least this high at mid decade, and may have been considerably higher. By the end of the 1980s it would seem that one half or more of all those in sole parent families were in poverty. While Harding and Mitchell's measures had suggested poverty among most other groups might be declining, they

measures had suggested poverty among most other groups might be declining, they did not find this for sole parents. Thus the findings of both studies agree in showing that sole parent poverty grew over the course of the decade.

Mitchell and Harding (1993b) have also presented measures of the poverty gap for sole parents over the 1980s. On this measure too, sole parent poverty was shown to be significant. Of all family types, this group had the largest poverty gap. Mitchell and Harding's measures show this gap as having grown slightly over the decade.

The high incidence of poverty among sole parents is commonly attributed to their heavy reliance on income support as a major source of income, combined with relatively low levels of these benefits (Saunders and Matheson; 1991, Mitchell, 1993). By far the largest numbers of sole parents in Australia are women - 90 per cent in 1990 (Saunders and Matheson, 1991: 53). The small number of male sole parents make comparison by gender difficult, but it is well known that higher proportions of female than male sole parents rely primarily on the pension.

3 Sole Parent Poverty in Australia and Elsewhere

Most contemporary studies comparing income, poverty and standards of living across a range of industrial countries rely on LIS data. These studies too raise complex issues of both conceptual and technical kinds. The exact findings thus often vary according to the purposes and methodological choices of the researcher. Once again, I do not want to deny the importance of the issues raised for accurate and meaningful comparison, but to point to remarkably common patterns across varying studies.

Table 2 presents measures of sole parent poverty from three recent studies drawing on LIS data. Two of these covered the same ten countries, though not for the same year in all cases, and the third compared five of these same countries. Two of the studies were limited to female sole parents, while the third presented data for both male and female sole parents. Because all three studies have drawn the poverty line at the same level, at 50 per cent of median equivalent disposable income, their methodologies appear very similar. There are nevertheless important differences of methodology among them, particularly with respect to the choice of equivalence scale.

Table 2: Incidence of Sole Parent Poverty in Various Countries, Findings of Three Studies

	Mitchell, 1993	Ross et al., 1996	Danziger et al., 1995(a)
Australia	47.4	56	55
Canada	44.0	48	48
France	20.0	-	22
Germany	26.5	-	41
Italy	14.8	-	20
Luxembourg	11.3	-	9
Netherlands	7.8	24	8
Sweden	2.6	3	6
UK	10.3	-	18
US	56.0	56	60
	Female sole parents, ca.1985, OECD scales, poverty <50% median equivalent disposable income	Sole parents, ca.1991, equivalence scale unknown, poverty <50% median equivalent disposable income	Female sole parents aged 18-57, 1984-1991, scale combines age and family size, poverty <50% median equivalent disposable income.

Note: a) figures approx.

Sources: Mitchell, 1993, Table 4; Ross, Scott and Kelly, 1996, cited in Baker, 1996, Table 1; Danziger, Smeeding and Rainwater, 1985, Figure 2.

Even so, there are very clear similarities in the findings of these studies about the incidence of sole parent poverty in most of the countries concerned. The most significant inconsistency is found in the case of sole parent poverty in the Netherlands, where Ross, Scott and Kelly's findings show a much higher rate than those of other investigators. There is also greater than usual variability in these investigators' results for Germany and Italy. The overall picture is nevertheless remarkably consistent across the range of studies. This consistency stands out especially clearly in Table 3, which shows the rankings of each country by the level of poverty among sole parents shown by each study, with the lowest ranking going to the country having least poverty.

With the exception of the one finding for the Netherlands, the studies agree. There is substantially less poverty among sole parents in Sweden, the Netherlands and perhaps Luxembourg than in any other of these countries. Poverty among sole

Table 3: Incidence of Sole Parent Poverty in Ten Countries: Country Rankings, Findings from Three Studies

	Mitchell, 1993	Ross et al., 1996	Danziger et al, 1995
Australia	9	4.5	9
Canada	8	3	8
France	6	-	6
Germany	7	-	7
Italy	5	-	5
Luxembourg	4	-	3
Netherlands	2	2	2
Sweden	1	1	1
UK	3	-	4
US	10	4.5	10
	Female sole parents, ca.1985, OECD equivalence scale, poverty <50% median equivalent disposable income	Sole parents, ca. 1991, equivalence scale unknown, poverty <50% median equivalent disposable income	Female sole parents aged 18-57, 1984-1991, scale combines age and family size, poverty <50% median equivalent disposable income

Sources: Mitchell, 1993, Table 4; Ross, Scott and Kelly, 1996, cited in Baker, 1996, Table 1; Danziger, Smeeding and Rainwater, 1985, Figure 2.

parents is unambiguously greatest in the United States, but is next highest in Australia. Between these extremes, sole parent poverty is relatively high in France, Germany and especially Canada, and (by this data) relatively low in the UK. These measures simply count numbers of sole parents and their families who have incomes below a given standard, and take no account of how far their incomes are below that standard. Deborah Mitchell (1993) has also presented findings comparing the size of the poverty gap among sole parents in different countries. Some of her findings for the same ten countries are shown in Table 4.

Measured this way, sole parent poverty is still lowest in Sweden and greatest in the United States. Interestingly, when the depth of poverty is taken into account the Netherlands and the UK both compare much less favourably than on the basis of head count alone. When the size of the poverty gap is compared, Australia looks a bit less bad, ranking equally with Canada and Germany, the relative position of the latter having also improved.

Table 4: The Sole Parent Poverty Gap in Ten Countries

	Mean Poverty Gap as % of Poverty Line	Country Rank by Size of Poverty Gap
Australia	27	4
Canada	27	4
France	29	6
Germany	27	4
Italy	31	7
Luxembourg	22	2
Netherlands	36	9
Sweden	15	1
UK	33	8
US	41	10

Female sole parents, ca.1985, poverty < 50% median equivalent disposable income, gap measured as average shortfall between actual and poverty line income as percentage of poverty line income.

Source: Mitchell, 1993, Table 4.

These findings apply to the mid 1980s, and do not take account of policy changes in the many countries concerned. As they concern Australia, they do not register the effects of increases in child payments in the late 1980s, the introduction of the child support scheme, or policy developments aimed at facilitating increased employment among sole parents. Thus although the measures given above showed continuing high levels of sole parent poverty in Australia at the end of the 1990s, it is possible that the comparative picture has improved. Data from the LIS 'third wave', which enable Australian poverty levels to be compared with those of other countries, have recently become available, and we can look forward to the presentation of findings from comparative analysis of this kind in the near future.

It is also important to recognise that although LIS data are far superior to the comparative data available in the past, there remain significant problems in ensuring comparison of like with like among countries whose social policy frameworks and statistical practices differ. The most important problems of this kind in respect of sole parent policy concern housing subsidies and allowances, where provisions in cash fulfill different functions but are treated differently. For these reasons it is necessary to treat the findings of comparative studies of this kind with care.

4 Policy Lessons

As the findings shown above indicate, sole parent poverty is high and continues to be so in many, but not all, advanced industrial societies. One reason for the prominence of sole parent poverty is that sole parenthood itself is much more common in such societies than it was several decades ago. In a survey of trends in sole parenthood across eight OECD countries, Burns (1994) shows that there has been a similar pattern of change in patterns of marriage and marital dissolution across many of these countries. In seven of the eight countries she considers, the one exception being Japan, there was a sharp rise in the percentage of sole mother families among all families in the period from the early 1970s to the mid to late 1980s. The pattern was most pronounced in the United States, Sweden and the USSR, as evidenced in both absolute levels of sole parenthood and rates of increase in these levels. Burns suggests that these increases have come as a response to two 'revolutions' in the family. The first, in the 1960s and 1970s, saw cultural changes in many countries in which divorce became socially more acceptable than before to the broad mass of western populations. This was closely followed by a second revolution in the 1980s in which marriage itself came to be seen as less necessary and/or less desirable.

Describing this common pattern, Burns (1994) points out that sole parenthood is very often not a long-continued state. Many sole parents repartner, though second partnerings have higher rates of breakdown than do initial ones. Drawing on estimates by Garfinkel and McLanahan (1989) that up to one half of all children born today will spend some part of their childhood in a family headed by a divorced, separated, unmarried woman, Burns describes periodic single parenting as a new family form in a number of countries. Above all, she concludes that the economic and cultural trends which lie behind the widespread growth of sole parenthood are unlikely to be reversed.

From the findings of international comparative research, it is possible to identify several key pointers to social policy likely to be effective in minimising poverty among sole parent families. These are a secure platform of universal support for children, policy arrangements ensuring the maintenance of support from noncustodial parents, and support enabling sole parents to participate in paid employment.

Universal Support for Children

Those countries which are most successful in alleviating poverty among sole parents and their children achieve much of their success through policies providing support to all families with children. The principle here is that social policy should provide a strong platform of support to assist all families with the care and upbringing of their children. The rationale for such policies is twofold: that the cost of children should be shared between individual families and society at large, and that such support will contribute to reducing family stress and marital breakdown. This is the policy strategy followed in countries such as Sweden, the Netherlands, and France. Policies of this kind in operation in such other countries include:

- universal programs for health and medical care of parents and children;
- generous universal or near-universal child allowances;
- housing support for families with children;
- maternity and paternity leaves for working parents; and
- special allowances to the mothers of very young children.

Child Support Enforcement and/or Child Support Assurance

Increasingly national social policies seek to ensure that absent parents contribute to the support of their children after separation or divorce. All the Nordic countries have established arrangements whereby this support is guaranteed, the support being provided by the government when non-custodial parents cannot or do not pay. Such arrangements work on a universal basis, regardless of the income of custodial and noncustodial parents. Kamerman and Kahn (1988:84) argue that this universal foundation works to protect women and children from stigma. It also serves to counter the development of poverty traps by maintaining incentives for sole parents to supplement their income with earnings. Kamerman and Kahn note that other European countries are following this pattern, and that it represents a move to redefine divorce as a social as much as an individual risk.

Support for Sole Parent Employment

Thirdly, the international evidence shows very clearly that employment is critical to the alleviation of poverty among sole parent families. Higher rates of employment are, of course, an important reason for the better economic positions of sole parent families headed by men than by women. Using LIS data once again, McLanahan, Casper and Sorensen (1992) show the close relationship between poverty rates and the employment status of female sole parents (Table 5).

Table 5: Incidence of Sole Parent Poverty in Various Countries: Employed and Not Employed Women

	Employed	Not Employed
Australia	25.9	71.7
Canada	20.9	65.1
Germany	14.5	44.9
Italy	8.5	39.4
Netherlands	7.6	12.5
Sweden	3.5	24.0
United Kingdom	15.4	24.8
United States	31.8	73.6

Female sole parents, ca.1985, poverty < 50% median equivalent disposable income, equivalence scale adjusts for family size only

Source: McLanahan, Casper and Sorensen, 1992, Table 2.

The sole parent policies of most western industrial countries are moving to encourage – and in some countries to compel – sole parents to seek employment. This policy has been long-standing in some of the countries having least poverty among sole parents. Sweden is a prime example, but not the only one.

Key policy areas for the support of sole parents in full- or part-time employment include:

- policies to protect and support employees in part-time employment;
- public support for the costs of child care;

- policies supporting employer flexibility with respect to parental leave, e.g. to care for a sick child, attend school, or meet other parental obligations; and
- job creation and support for re-entry to employment through, e.g. training and retraining.

Since most sole parents are women, a universalistic framework of policies governing gender equity in pay and work conditions also has a part to play in sole parent policy. Without such support, sole parents undertaking low wage, insecure employment may simply join the working poor.

As it concerns sole parent poverty, the international evidence offers little to recommend policies for long-term support of sole parents without income from paid employment. There are examples of generous support for a transitional period after marriage breakdown, or in the child's earliest years, but in other circumstances policies are shaped around the expectation that the sole parent will be in at least part-time employment. Swedish social policy assumes and supports employment, as does French for the mothers of children over three years. Britain and Norway provide a useful contrast in this regard. Norwegian policy expects most female sole parents to stay home with their children until they are ten, and supplements much more generous universal provisions for children than British child benefits with an income-tested Transitional Benefit. UK policy has aimed at alleviating poverty through means-tested Income Support. Kamerman and Kahn (1988) argue that the tax and welfare arrangements surrounding it create disincentives for part-time work, while there is little ancillary support to enable them to take full-time work. They report that the situation of sole parent families in the UK has been deteriorating. In a recent comparison of Australian and UK sole parent policy, McHugh (1996) notes that despite recent policy changes in the UK aimed at facilitating sole parent employment, rates of labour force participation remain lower there than in Australia.

5 Conclusion

Australia can take little pride indeed in these international comparisons, where it comes fairly low in the league tables of policy success. However, we do seem to be moving in the same directions as other countries, including some of those more successful than we in alleviating sole parent poverty.

In Australia the greatest prospects for improving the circumstances of sole parents lie in increasing their income from paid work. Since the introduction of the Active Society Strategy (Kalisch, 1991) in 1987 Australian sole parent policy has had as one of its aims a commitment to support those sole parents who wish to undertake employment without coercive pressure on those who see their duties otherwise. The framework of the sole parent pension gives real scope for part-time employment, underpinned by the security of income support. Viewed in their best light, these developments represent a move towards a policy framework to support combining social policy support with income from employment. The income support safety net is further augmented by some limited measures of universal and near-universal support for all families, such as Medicare, family allowances and publicly supported child care. There has been some minimal development, too, of child support arrangements, though Australian arrangements do not assure the same help in circumstances where the noncustodial parent cannot or does not fulfill the obligation. The JET scheme - and especially the labour market programs through which it works - have very important parts to play, and cutbacks in these may have deleterious effects on sole parents lacking recent employment experience.

Data from the most recent ABS Australian income survey, conducted in 1995, are expected to become available soon. More recent income distribution information will enable us to check our progress on contemporary policy strategies for reducing poverty among sole parents and their children.

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Poverty in Queensland: Putting a Human Face to Debates About Poverty

Peter Walsh and Natalie Mengede
Queensland Council of Social Service

The International Year for the Eradication of Poverty during 1996 provided an opportunity to focus attention on the reality of poverty in the Australian community as well as the steps required to address it. Whilst debates on the measurement of poverty are important, it is also vital that the human face of poverty is not lost in the process.

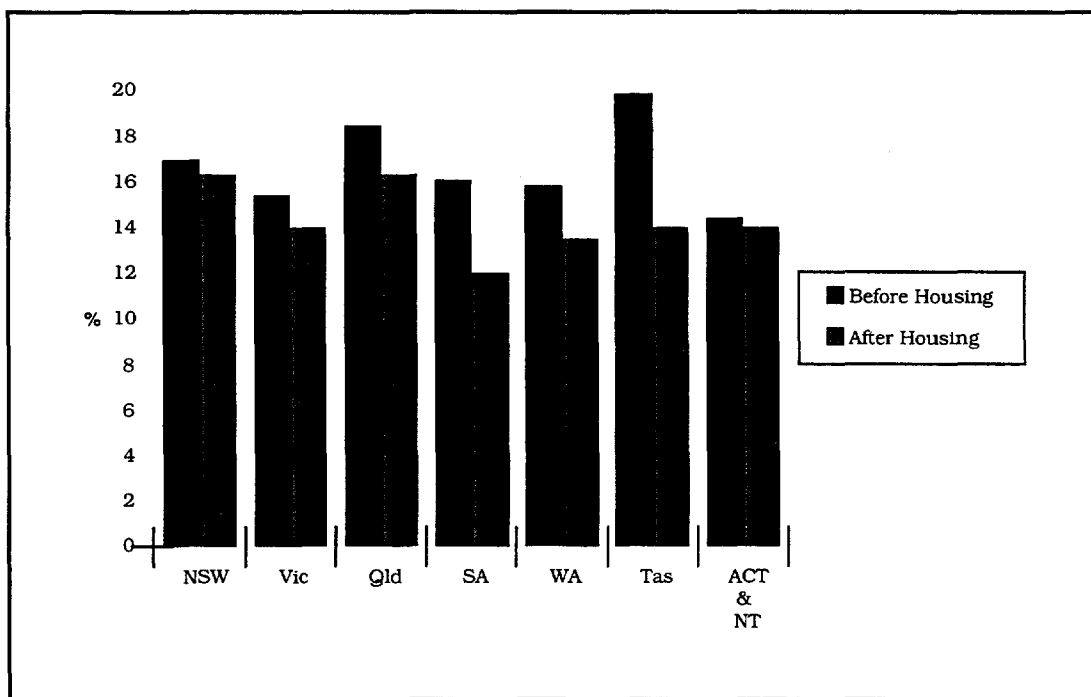
This paper explores the incidence of poverty in Queensland and its human impact from both an analysis of available statistics as well as from the perspective of those living on a low income. It draws upon research undertaken in 1995 by the Queensland Poverty Research Project, a joint initiative of the Queensland Council of Social Service (QCOSS), the Conference of Leaders of Religious Institutes Queensland, Lifeline Brisbane, the Rockhampton Sisters of Mercy and other church and community organisations. This research led to the publication of the report *Drawing the Line on Poverty: An assessment of poverty and disadvantage in Queensland* (Thornthwaite, Kingston and Walsh, 1995). The information obtained through this research is supplemented by further work on poverty undertaken by QCOSS in 1996. First, information is drawn from a survey of community organisations responsible for the distribution of emergency financial assistance to low-income Queenslanders. This survey was undertaken in two stages during 1996. Second, a 'human face' to poverty is provided through the results of a series of interviews undertaken in late 1996 with 116 low income people throughout Queensland. These interviews expose the lived reality of poverty for many people and give an indication of the types of responses required to adequately address material disadvantage.

1 Overview of Poverty in Queensland

Figure 1 compares before and after-housing poverty levels between the various States. This indicates that Queensland has one of the highest poverty rates in Australia. For before-housing poverty, it exceeds the national rate by 2 per cent and is the second highest rate after Tasmania, while for after-housing poverty,

Queensland is on a par with New South Wales in having the highest rate of after-housing poverty in Australia.

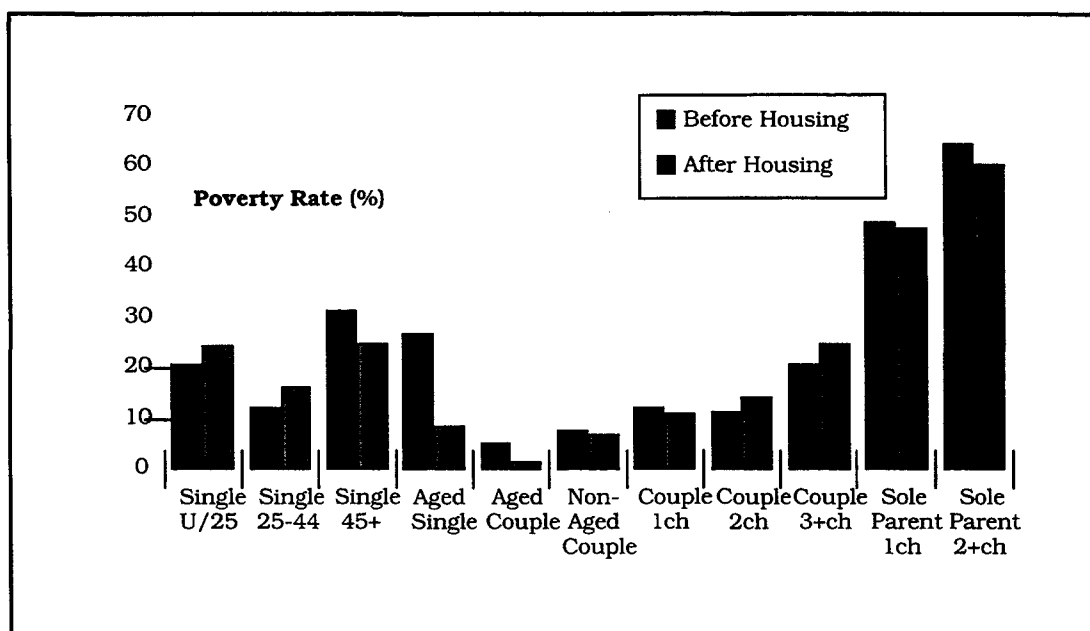
Figure 1: Poverty Rates by State: 1990



Source: ABS 1990 Survey of Income and Housing Costs and Amenities, unit record file, unpublished estimates by SPRC, 1995.

The cost of housing is one of the most significant factors impacting on levels of poverty after income is considered. Drawing on the same source data as above, Figure 2 provides a comparison of levels of after-housing poverty according to income-unit type.

These data indicate that three income-unit types experience greater chances of being in poverty after paying for housing. The greatest increase is amongst young single people - an increase of 7.5 per cent is experienced for Queenslanders between 15 and 24 years of age. This illustrates the lack of access to affordable housing for this group. At the time of this ABS survey (1989-90) public housing policy in Queensland excluded non-aged singles from access to public housing. In addition,

Figure 2: Poverty Rates by Family Type, Queensland: 1990

Source: ABS 1990 Survey of Income and Housing Costs and Amenities, unit record file, unpublished estimates by SPRC, 1995.

young people are more likely to be paying a higher proportion of income on private rental housing costs. Other groups for whom housing costs increase the risk of poverty are couples with children for whom the poverty rate increases by 2.7 per cent, and non-aged couples for whom the poverty rate increases by one per cent. For two-income parents, it is speculated that this rise is primarily due to the pressure of purchasing a home. For some groups the poverty rate dropped substantially when housing costs were accounted. This occurred most markedly for people in the aged categories who are most likely to own their home and have a buffer against the impact of housing costs on disposable income.

There was a slight decline in the poverty rate for one-parent family units which probably reflects the positive impact of public housing for a proportion of sole parents. However, it is clear from this data that in Queensland, as at the national level, sole parents experience the greatest rates of poverty of any income unit, both before and after-housing costs are included.

Table 1 summarises the overall figures of poverty in Queensland. A major concern here is that, while levels of poverty generally drop for all income units and adults after housing costs are taken into account, the incidence of poverty for children actually increases from 127 200 children living in before-housing poverty to 136 900 children who live in families below the poverty line after housing has been accounted for. This means that just over one in four children in Queensland are living in poverty (26 per cent). Overall, there are almost 350 000 Queenslanders who are living in housing related poverty.

Table 1: Poverty in Queensland, Totals: 1990

	Before-housing		After-housing	
	'000	%	'000	%
Income units	185.5	18.5	163.6	16.3
Adults	235.0	15.9	211.9	14.3
Children	127.2	24.1	136.9	26.0
Total Persons	362.2	18.0	348.9	17.4

Source: ABS 1990 Survey of Income and Housing Costs and Amenities, unit record file; unpublished estimates by SPRC, April 1995.

2 Poverty and Housing Tenure In Queensland

The above discussion gives some indication of the significance of access to secure and affordable housing for people on borderline incomes. Additionally, it indicates the significant financial stress that purchasing a home places on many people, primarily those on low-incomes. This section explores further the nexus between housing tenure and the incidence of poverty. Data compiled by the Australian Institute of Health and Welfare (Foard et al., 1994) analyse the impact of housing tenure on poverty and enables a comparison of the position of Queensland in relation to other states and national trends.

Table 2 gives estimates of the proportion of income units in poverty according to tenure and the relative effects of housing costs on poverty rates. The highest increase in poverty rates after including housing costs are for home purchasers and private renters. For home purchasers, this is more likely to be a difficult though temporary life-cycle experience of poverty, than for private renters. For those renting privately, Queensland had the highest rates of after-housing poverty, on a par with New South Wales. Despite the significant drop in poverty rates for those in public housing ('public renters') this group still retains the highest level of after-

housing poverty, reflecting the generally low levels of disposable income available to this group.

Table 2: Estimated Proportion of Income Units in Poverty by State and Tenure: 1990

Tenure	Proportion of income units below the poverty line (%)						
	NSW	Vic	Qld	WA	SA	Tas	Aust
Before-housing							
Owner	13	11	13	12	10	14	12
Purchaser	7	7	8	7	10	5	7
Public renter	44	50	49	39	33	45	42
Private renter	17	14	18	17	17	21	16
Other renter	15	16	14	11	13	15	14
After-housing							
Owner	6	4	5	5	3	4	5
Purchaser	13	12	15	11	15	10	13
Public renter	33	31	29	21	20	24	27
Private renter	26	22	26	23	24	25	24
Other renter	20	21	15	13	17	15	18

Source: ABS 1990 Income and Housing Costs and Amenities Survey (from Foard et al. 1994).

Table 3 shows that relatively fewer public renters in comparison to those in private rental experienced affordability problems in 1990. For Queensland, the proportion of those in public rental with affordability problems (seven per cent) was the lowest of any state and much less than the Australian average of 12 per cent. However, the reverse was true for those in the private rental market with Queensland having one of the highest proportions of income units in this tenure experiencing affordability difficulties. This is consistent with data from Table 2 which indicated that Queensland had one of the highest rates of after-housing poverty in the private rental sector. Overall it can be seen that Queensland had the highest proportion of income units in financial housing stress (10.6 per cent) than any other state in 1990 and at the same time had the lowest proportion of public housing dwellings in Australia.

These data indicate that once housing or accommodation costs have been paid for, many people are left with little money for other living costs, a significant number have inadequate resources on which to live and are in after-housing poverty. Those people who are private renters and those who are home purchasers are most clearly effected by housing costs with their levels of poverty increasing markedly after housing costs are met. For other groups the poverty level drops substantially when housing costs are considered. These groups include public renters and owners.

Table 3: Estimated Proportion of Income Units Experiencing Affordability Difficulties, by State and tenure: 1990

Tenure	Proportion of income units experiencing difficulties (%) ^(a)						
	NSW	Vic	Qld	WA	SA	Tas	Aust
Owner	3	2	2	1	1	0	2
Purchaser	8	8	10	8	10	6	8
Public renter	15	13	7	12	8	9	12
Private renter	26	27	32	27	26	34	27
Other renter	15	22	13	16	10	11	15
All Tenures	8.5	8.4	10.6	8.3	7.8	7.6	8.7
Percentage of dwellings that are public housing	5.7	3.9	3.6	6.0	11.2	8.0	5.6

Note: a) Income units are considered to be experiencing affordability difficulties if their income is in the bottom 40 per cent of the income distribution and they are spending more than 25 per cent of their income on housing (for detailed discussion on this affordability benchmark see the publications of the National Housing Strategy which appeared in 1991).

Source: as for Table 2

At the time when this information was published, the then-Queensland government, not surprisingly, hotly disputed the measures of poverty adopted in the preparation of the data, going so far as to suggest that Queensland needed its own poverty line measure. Such a debate served to obscure the fact that, whatever measure is used, it did little to help the thousands of Queenslanders struggling to make ends meet on a daily basis.

3. Supplementing Low Incomes: Outcomes From Surveys of Emergency Relief in Queensland

In March and August 1996, QCOSS undertook two surveys of community organisations involved in the distribution of emergency financial assistance (or emergency relief) to eligible low-income people throughout Queensland. It is generally recognised that people who seek this form of income assistance are struggling to make ends meet. Patterns of usage of emergency relief provide valuable insights into the difficulties experienced by people living in socio-economic hardship. It helps to describe the impact of poverty on people's lives and

provides pointers on issues which contribute to their hardship. Hence, these surveys provide a further snapshot of the incidence of poverty. The findings from this work indicate that:

- over a fortnightly period, approximately 2800 people in Queensland presented for emergency relief;
- the proportion of women presenting for assistance was higher than men: 55 per cent compared with 45 per cent;
- just over 75 per cent of all applicants for assistance were within the 15 to 39 year age group;
- since the March survey, there has been an increase in the number of applicants aged 15 to 19 years;
- of all applicants, 16 per cent were of Aboriginal and Torres Strait Islander descent, far outweighing their presence in the general community;
- approximately 40 per cent of all applicants were single people and 30 per cent were single parents (almost 90 per cent of whom were women);
- almost 60 per cent of all applicants were living in private rental accommodation, with a further 20 per cent living in non-secure forms of housing (boarding houses, caravan parks, squats or no-fixed-address);
- almost 30 per cent of people presenting for assistance were paying over \$200 per fortnight on rent;
- over 80 per cent of applicants were in receipt of a benefit or pension from the Department of Social Security and, of these, almost one-quarter were sole parent beneficiaries.

The findings from these surveys are consistent with many of the conclusions arrived at from the earlier Queensland Poverty Research Project. First, single people and sole parents are the groups most likely to present for emergency financial assistance. A particular concern is the increase in the incidence of young people aged 15 to 19 years who required this form of assistance. Second, the costs of housing have a major impact on the daily living costs for low income people. Third, the proportion

of Aboriginal and Torres Strait Islanders requiring assistance is much greater than their presence in the general community.

Overall, this survey indicates that living on a low income involves a relatively impoverished life where the costs of living often cannot be met. The majority of requests for emergency financial assistance were for basic living needs such as food, housing and utility bills (especially for electricity bills). In many instances, the notion of 'emergency' has become blurred to the extent that emergency relief is being used as an on-going source of support for low income people to 'get by'.

4 Putting a 'Human Face' on Poverty: Outcomes from Interviews with Low Income Queenslanders

In order to put more of a 'human face' on these figures, QCOSS embarked on a project in September 1996 which aimed to identify the most stressful aspects of living on a low income and, importantly, what would make a positive difference to improving this situation for low-income people. The project, *Making a Difference*, interviewed 116 people presenting for emergency financial assistance in various regions throughout Queensland including Brisbane (major metropolitan centre), Maroochydore (urban coastal centre with high tourism), Gympie (rural centre), Townsville (provincial centre), Mt Isa (remote urban centre based on mining). The majority of people interviewed were in receipt of a benefit or pension from the Department of Social Security.

The Constant Struggle to Make Ends Meet

The consistent message in the interviews throughout Queensland was the difficulty involved in meeting the costs of daily living on a low income. People interviewed expressed the difficulty of having to prioritise each fortnight in order to determine which bills to pay and to juggle other expenses. In some cases, after paying outstanding bills, households had as little as \$40 for the fortnight to cover groceries and food items. The sense of stress and vulnerability was overwhelming when more than one bill was due at the one time. A female sole parent of three children stated:

It is hard to budget on such a small amount. As it is, my kids and I are living on second hand clothes and I'm paying off the bills. It's hard to save for emergencies.

The inability to save for contingencies or to put money away for emergency expenses when on a low income meant that a large unexpected bill would be enough to push them 'over the edge'. Unexpected medical treatments or a breakdown of household appliances (particularly refrigerators) were cited as examples. A woman living in a caravan park with her partner stated:

Things have got to get better; they can't get worse. I can't bake because the oven blew up and the fridge went a couple of weeks before that. At the moment we are living out of an esky with ice. The ice is expensive in itself - there's no way I could afford a fridge when I'm just scraping the money together for the ice.

High prices for food was particularly an issue in Mt Isa and Carole Park (an urban fringe suburb of Brisbane). Whilst Mt Isa had the additional costs of freighting food items, Carole Park had only one main shopping centre in the suburb which meant that there was no opportunity in the area to 'shop around' for best prices. Across all regions, people interviewed described how they had to cut back on food shopping and resort to no-name brands.

The cost of shopping was further exacerbated in some regions due to lack of public transport. People in the Gympie region described how they lived out of town to access cheap accommodation; however, these areas were poorly serviced by public transport. As a result, they needed to catch taxis to transport shopping home, further adding to their living costs. A lack of public transport arose as a key issue in all regions where interviews took place. The difficulties in transport ranged from issues such as no public transport, expensive fares and the high costs of maintaining a car. These factors resulted in an isolation from services, work opportunities and social activities for these people on low incomes.

The inflexibility and lack of empathy on the part of many utility companies represented a source of stress and several individuals reported how they were lectured by large companies about the need to budget. Eleven of the people interviewed stated that they were unable to afford a telephone connection.

Costs of Housing

Another consistent theme that arose during the interviews was the struggle involved in paying housing costs, especially in the private rental market. This was particularly an issue in the Maroochydore area - a coastal centre with a high tourism

factor. In addition to the high costs of the private rental market, there was a perception, particularly by young people, that they were discriminated against. As one 17 year-old young person stated:

Just getting a roof over my head is hard. People expect you to have a three piece suit. When you look for a place and when they find out your age and that you're unemployed, there's no chance.

The housing problems in this region were further exacerbated by lack of public housing and the consequent long waiting lists.

Housing in Mt Isa was also an issue. Although this region had a higher proportion of public housing than Maroochydore, waiting lists were still long. In addition, public housing dwellings were not fitted with air conditioning in a region that regularly experiences temperatures of over 40 degrees in summer. This meant that people either had to suffer the heat or take on debts to install air conditioning units. Private rental in this area was also expensive due to the higher incomes of miners who were able to afford higher priced accommodation. As one male on a low income in private rental said:

They (real estate agents and landlords) can charge what they like here because there are lots of people who can afford it, but it doesn't matter about the people who can't.

People interviewed in the Gympie region stated that rent was generally expensive in town and public housing was hard to obtain. As a result, many lived out of town where accommodation was more affordable. However, the savings were off-set by the lack of public transport and the consequent costs of taxi travel.

A recurring issue throughout Queensland was the lack of public housing, the high costs of private rental accommodation and the inflexibility of housing programs to assist low-income people (such as bond-loan programs).

Education

In all regions, the costs of educating children was a source of financial stress for those interviewed. The source of difficulty arose largely as a result of the hidden costs of education. This included transport costs to and from school, uniforms, text books and excursions. A 30 year-old parent of two children stated:

The hardest thing is having to say no to the children all the time. My kids can't have what the other families do. The school uniforms are expensive, if I can't sew them they don't have a uniform and I have to say no to them going on excursions. As it is, the kids get picked on at school because we can't afford a lot of things.

A particular source of stress for people on low incomes was not being able to provide clothing and toys other children had. Some stated that their children were teased for wearing old shoes and generally not having the same material possessions of other children. As one parent said:

It's the kids who suffer as well. All the other kids wear a brand of shoe which is over \$100 and they come home angry saying 'why can't I have it'. Having to say no all the time is hard, but we wouldn't be able to eat if they had some of the things the other kids have.

Clearly, there is considerable potential for children from low-income families to be stigmatised within their school settings due to the inability of their parents to meet additional costs. Generally, parents were highly sensitive to this potential which added further pressure to their constrained budgets.

Health Care

Throughout these interviews, it became abundantly clear that Medicare provided a vital service in maintaining the health of many people on low incomes. However, access to specialist services and medication not covered by the Pharmaceutical Benefits Schedule (PBS) represented a source of financial stress for those interviewed. A woman in Mt Isa stated:

I have epilepsy. The medication I'm on isn't covered by the government and is very expensive. I haven't been able to buy any [medication] for over a month and I'm supposed to take it every day. Food for the kids has to come first. I'm scared I'll have an attack - there's more risk of having one when I'm so stressed like this.

Even when medication was covered by PBS, filling multiple prescriptions was costly and hard to manage. An individual interviewed in the Carole Park area described

how both he and his wife had multiple health problems. He also said that when there is not enough money, they would go without their medication.

In all regions, access to dental care was virtually written off as a luxury which could not be afforded. Some individuals indicated that they had not been to a dentist for ten years due to the costs involved.

5 What Would Make a Difference?

Many people said that they could not see an end to their constant struggle unless they gained employment. A number of the people interviewed expressed the need for more training and employment programs, ironically at a time when such programs have been a victim to large budget cuts, particularly at the Federal level, but also within state jurisdictions such as Queensland.

Clearly, access to affordable housing is an essential response to poverty. It is not surprising that Queensland has one of the highest rates of poverty in Australia when the housing situation is considered. Not only does Queensland have the lowest levels of public housing stock of any state (3.9 per cent of overall stock compared to the national average of six per cent) but also this state has the highest proportion of people renting privately: 24 per cent compared to the national average of 19 per cent. Whilst there has been an increase to the acquisition of public housing in Queensland over the first half of the 1990s, proposed reforms to the Commonwealth State Housing Agreement could see a dramatic downturn in this area.

During the course of interviewing 116 low-income people in various parts of Queensland, a number of concrete suggestions were made which ranged from local responses to broad public policy changes. Some of these included the following (not in any particular order).

- People indicated that there was a need for more free/low-cost community activities, such as low-cost camps where children and their parents could gain an opportunity to have a break. These sources of social interaction are often not affordable.
 - Fruit and vegetable cooperatives coordinated by local community groups had been operating in one local area and had helped people to save money on food costs.
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- Assistance with ongoing education expenses for children attending school was seen as important, particularly with meeting the expenses of school uniforms and school excursions.
- Affordable child care was identified as a key response especially for sole parents to enable them to seek work.
- Several people interviewed suggested the need for discounts when filling more than one prescription for medication. Even though there are discounts available through the Pharmaceutical Benefits Scheme, filling multiple prescriptions was cited as a major source of difficulty for many on low incomes.
- A better system of concessions for low income people was highlighted, especially in relation to electricity, car registrations and transport. The price of utility connections was seen as a major contributor to the costs of establishing housing.
- Public laundries was cited by a number of people interviewed as a possible response. People said that they needed to save up to do a good wash of their family's clothes.

Many people interviewed stated that they had been regularly turned away from banks and other financial institutions when applying for assistance. Many expressed the need for access to financial help to get them 'back on their feet', particularly to pay off credit companies (high interest rates) or to buy major household appliances or furniture. People on low incomes are generally considered to be bad credit risks; however, without access to financial resources there are often poor prospects for people in these circumstances to climb out of recurring poverty traps. In this context, initiatives such as No Interest Loan Schemes were identified as a practical solution to break the high interest rate/poverty cycle.

6 Conclusion

Robert Fitzgerald, President of the Australian Council of Social Service, has recently made the point that:

Poverty here in Queensland and in Australia is about choice and we chose who will live in poverty and the extent of that poverty. Poverty

is not simply 'falling between the cracks'. It is not a matter of circumstances, it is not an essential feature of life and certainly not an essential feature of our life. We as a nation chose that there will be poverty and we chose who will or will not move in and out of that poverty. As a nation we make that choice at each and every Federal and State budget. (Fitzgerald, 1996)

If we are to move closer towards the eradication of poverty, it will require a combined response from all levels of governments and the community. Clearly, governments at Federal and State levels have a vital role to play, particularly through income support, labour market programs and housing assistance. However, at a time when the role of government in many of these areas is diminishing, the role of the community becomes even more important. Not only through advocacy and giving a voice to those on low incomes (as important as this is), but also through practical measures such as No Interest Loan Schemes and other initiatives which can be taken on by local community groups. If the lived experience of those in poverty has anything to tell us, it is that action is needed to change the circumstances of daily struggle. It is a choice we can make.

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Responding to Poverty in Queensland: Social Policy and Administration at the Regional Level

Paul Smyth and Tim Reddel
Department of Social Work and Social Policy
University of Queensland

1 Introduction

A notable feature of the Queensland Poverty Research Project's report, *Drawing the Line on Poverty* (Thornthwaite, Kingston and Walsh, 1995) was its emphasis on the 'geographical dimensions of disadvantage'. The Report stressed that while poverty was particularly concentrated in a number of regions such as Wide Bay-Burnett and areas with large Aboriginal populations, localised 'pockets of poverty' were in fact 'marbled' throughout the community. These findings in relation to the geographical dimension of poverty in Queensland amplified the recent research of Hunter and Gregory (1995), Hunter (1996) as well as McDonald (Australian Urban and Regional Development Review, 1995) at the national level. The Report also supports the view of Hunter and Gregory that there has been an absence of systematic research into 'the economic and social dynamics of neighbourhood poverty' in Australia. Collectively then this research presents us with an important and apparently neglected dimension of poverty which clearly demands a larger place on our social and economic policy research agenda especially in this International Year for the Eradication of Poverty. Putting the regional dimension of poverty onto the agenda, we will suggest, will involve not simply adding another item within existing frameworks of analysis but may suggest the need for a significant reframing of the larger debates about the direction of Australian social policy and administration as a whole.

The mark of novelty surrounding research into the spatial dimension of poverty in Australian social policy fades somewhat when we notice the sheer volume of governmental publication on related aspects of urban and regional policy which emerged from the early 1990s at both the federal and state levels (Alexander, 1994; Jones, 1995). At the same time, reviews of this literature suggest why it may not

have attracted the attention of social policy researchers. In relation to Queensland, Jones's account of the 'profusion of experiments' in Queensland concludes that they have been ad hoc and lacking in a coherent policy framework. In particular, social planning has not generally been integrated with economic planning and has tended to be seen as separate and marginal. Likewise, Alexander's review of the 'report plethora' at the federal level identifies an emerging social policy agenda to do with equity, social justice, locational disadvantage and environmental sustainability arising from the 'years of neglect' which was largely negated by the hegemony of 'economic rationalism'. Together these accounts suggest a scenario of much ado about little, while in analytical terms they present as rather faint echoes of larger themes in the wider social policy debate concerning the subordination of welfare to economic policy and the resulting need to establish a new policy regime which better integrates the two.

The sense of uncertainty concerning overall policy direction conveyed by this literature is also a subtext of the Queensland poverty report. Indeed, its authors concluded with a challenge to rethink our responses to poverty. It should be observed that the Report admirably replicates the contemporary sophistication of poverty measurement characteristic of Australian social policy generally. It is also exemplary in its summary of the kinds of policy responses available in responding to the geographical dimension of poverty e.g. better training and resourcing of welfare service providers, better linkages between and greater coordination of welfare organisations responding to poverty, as well as the mobilisation of a variety of federal and state labour market programs in order to 'harness the economic resources' of neighbourhoods. Nevertheless the Report clearly registers its frustration with the current lack of direction in poverty policy. It stresses the limits of what can be achieved by welfare policies in the current context of economic restructuring. The authors conclude that a fundamental policy reorientation is needed: away from the consequences to the causes of poverty. This shift they elaborate in the words of Don Edgar:

It is time for the poverty debate to come of age in Australia. It is time for us to stop treating poverty as though it were only a matter of social welfare, of shuffling the cards of social security benefits and pretending that a little bit more income will remove poverty. It is time to recognise that poverty is socially constructed and maintained by our institutional arrangements, fed by value systems and attitudes that serve not the wider social good but the interests of those in power. (Thorntwaite, Kingston and Walsh, 1995: 87).

Whether we look at the regional policy publications of government generally or at poverty-related policy in particular our impressions are similar. Clearly, if only in terms of the volume of governmental publication, the regional dimension of poverty is not the novelty we might have first assumed. At the same time, the policy achievements appear not to have been remarkable and in relation to wider debates about the state of Australian social policy, regional policy analysis might understandably present as a minor subset of broader, national themes. The literature registers a need for a more systematic analysis of the economic and social dynamics of neighbourhood poverty, an analysis which will investigate causes rather than consequences and provide the basis for more coherent policy frameworks which will better integrate economic and social policy objectives.

2 Policy Frameworks: Neglected Perspectives from Geography, Political Economy and Economics

A curious feature of this apparent rediscovery of the regional dimension of poverty is that it shows so little knowledge of the work of economists, political economists and geographers for whom the regional dimension of poverty has long been a concern. While seemingly not part of the mainstream social policy dialogue, we find that their writings offer a quite distinctive perspective on contemporary Australian social policy. Their substantive policy focus has differed and they also draw upon a seemingly richer stock of historical and theoretical perspectives. In particular, they highlight the eclipse of the equality objective in contemporary regional policy and offer important new ways of thinking about how welfare and economic objectives might be reintegrated in regional social policy. Space precludes a comprehensive review of the literature and we aim here merely to highlight these features in summary fashion. .

According to Andrew Beer (1994), the issue of locational disadvantage, spatial inequality and government policy is an 'old chestnut' for geographers with a research history dating back to the 1960s and 1970s. Of central concern has been the way the issues were eclipsed in the 1980s before that revival of interest in the 1990s which is reflected in the government literatures referred to above. This eclipse of the regional dimension of poverty during the 1980s is contrasted with the considerable reforms undertaken in other areas of poverty related policy. Thus, according to Gibson-Graham (1994), the later 1980s in particular was a period when the Government's social concerns were focused on social security, employment assistance and tax systems to the neglect of the regional dimension. In the same

period, policies for economic restructuring engineered substantial shifts in the regional dispersion of resources. 'It is the dramatically uneven impact of this redistribution' that confronted policy makers in the early 1990s, according to Gibson-Graham (1994: 149), to which *Working Nation* (Australia, Prime Minister, 1994) offered the first major policy response.

Given the rather negative response accorded the regional policy initiatives in *Working Nation* by Gibson-Graham (1994) and other geographers it is clear that the regional dimension of poverty suggests itself as a significant exception to the general consensus among social policy commentators that social policies directed at poverty and inequality in the period exercised a significant moderation of the increases in market-generated inequalities. These concerns of Australian geographers are amplified in a very large international research literature where it is pertinent to observe that the Australian experience is not unique but has been replicated in other comparable countries. Thus Antoni Kulinski (1990), in a summary paper on regional policy in Europe, writes of the 'socially-minded' policies dating from the 1960s which had as their universal goal the reduction of inter-regional disparities, being replaced by the 'globally-minded' policies of the 1980s with the goal of regional efficiency as a tool to achieve intercontinental, international and inter-regional competitiveness. According to Kulinski, the challenge of the 1990s has been how to achieve the globally-minded goal without lapsing into a 'primitive neo-Darwinism' (1990: 13). In the remainder of this section we consider the way Australian writers have conceived of this transition and what this might tell us about future regional policy regimes.

For a number of writers the key contrast of the years of neglect is with the preceding 'Whitlam Years' and the urban and regional policy initiatives associated with Department of Urban and Regional Development (DURD) and the Australian Assistance Plan (AAP). What interests us here is not the details of the policy initiatives and how integral they were to the Whitlam Government's response to poverty in the period - a story well told elsewhere - but rather what they say about the relationship between welfare and economic objectives in the very distinctive Australian welfare state regime which developed in the period which can most usefully be labelled as the Affluent Society. At what proved to be the tail end of the long postwar boom, urban and regional policy in the 1970s was permeated by the premise that the lack of regulation of the economic growth had created socially unsustainable 'public squalor' - to adapt J. K. Galbraith - and the Whitlam program was as Troy (1993) writes, a 'quintessentially Fabian' reform response. It was Fabian, of course, in the postwar sense created by British thinkers such as R. H.

Crossman, Anthony Crosland and others in which it was thought that in a mixed economy generating full employment, traditional socialist values might best be achieved through welfare means rather than further socialisation of the economy. In relation to regional and urban policy in Australia in the 1970s, this meant policies were not directed primarily at economic development so much as at housing, service provision and lifestyle issues. It was a program embedded, as Gibson-Graham (1994) writes, in a 'notion of distributive justice and social democracy' in which goals of personal and social growth took precedence over industrial development.

While assessments of the actual achievements of urban and regional policy in the 1970s are divided, the high estimation of the continuing relevance among geographers of the Whitlam legacy is notable. They suggest that Whitlamite social policy can be too easily dismissed as an expensive mistake. Today, with the benefit of distance we can agree that such criticisms can show too little regard for the context. They are as beside the point as the similarly meaningless critique that Labor Governments in the 1940s were too preoccupied with achieving full employment and overlooked reforming the welfare system. More attention needs to be paid to what the Whitlam welfare reforms were meant to accomplish within the given expectations of economic growth. Certainly in the area of regional policy the overwhelming lesson of the 1970s would seem to be that the less economic development is socially regulated, then the greater will be the consequences in terms of poverty, inequality, and social disintegration. If today we have a very different economic context reflected in the shift to the globally-minded regional policy model then we can scarcely ignore the equality issue unless we are happy indeed to relapse into a neo-Darwinist society.

How the equality objective might be refashioned will depend, of course, on how the new economic context is understood. Often the literature goes no further in this regard than to register the regional policy interventionists' frustration with the baneful influence of economic rationalism - a theme with much resonance among social policy researchers generally. Broader analyses of the influence of economic rationalism on the restructuring process also cover some already familiar territory but, in addition, introduce some novel and important approaches. In terms of the already familiar, Phillip O'Neill (1996), argues that the loss of a regional redistributive strategy after the 1970s has to be understood within the context of the longer-term shift from what he calls a national accumulation strategy based on the policy triad of tariff protection, centralised determination of wages and conditions and controlled immigration to what he calls, 'Australia's internationalization strategy'. In this historically bland account, heavily informed by

the Kelly thesis of an original Australian settlement, specific regional policies to do with 'schemes which socialised the periodic loss of rural producers, heavily protected rural processing industries and cross-subsidised non-metropolitan economic and social infrastructure' (O'Neill, 1996: 407) are added to the larger list of redistributive mechanisms falling victim to the free market based strategy of internationalisation evolved in the 1980s.

O'Neill's account is a little atypical insofar as it pays so little attention to the Whitlam period. The whole burden of past regional policy strategies is largely carried by the policy triad established at the beginning of the century, albeit with later minor embellishments. This surely underplays the Whitlam legacy, namely recognition that unregulated economic growth - even within the policy triad - will create pressures for regionally specific social policies directed towards equitable development. More seriously, the post Australian settlement perspective on globalisation has the unfortunate consequence of defining social interventions both historically and today in terms of strategies for redistribution. As I have argued elsewhere this way of viewing the role of social policy is rooted in what Mishra (1984: 19) called the 'differentiated welfare state' established in the period following the World War II and has the effect of foreclosing consideration of the way in which production before redistribution became within the ambit of social policy in the Keynesian period (Smyth, 1994).

If geographers appear to underestimate the importance of the Keynesian revolution for regional policy the same cannot be said of economists and political economists. Here Frank Stilwell's (1992; 1993) two volumes on urban and regional political economy are exemplary. His survey of theory and policy suggests that the real historical contrast with the current market-led approach to restructuring is provided not by the Australian settlement but by the Keynesian period. Thus he writes that economic rationalism undercuts the whole rationale of regional policy which was based in 'Keynesianism both at the level of ideology and in terms of available policy instruments. The two have tended to rise and fall together' (Stilwell, 1993: 158). This is not to say that O'Neill's policy triad never functioned as an important redistribution strategy but rather that these policies, together with numerous other policies with regional implications such as the structure of fiscal federalism, tax and social transfer systems and industry policy, were fundamentally rearranged in a new policy regime with the advent of Keynesianism. Above all this rearrangement of the pattern of public policy was premised on the idea that planned or at least managed markets will produce greater economic development and hence, at least potentially, social welfare, than *laissez-faire*: a view, updated in terms of contemporary

developments in post-Keynesian and institutional economics, which has been forcefully restated in the studies of the South Australian economy edited by Green and Genoff (1993).

In terms of regionally specific economic policy, as Stilwell (1992) indicates, a Keynesian full employment regime typically requires the active intervention of government to steer investment towards areas of high unemployment; to provide the infrastructure to ensure maximum utilisation of capital; to steer investment away from price inflating regions to counteract inflation; and to use industry policy to promote high export localities in order to promote balance of payments. In terms of regional social policy, it is important to note how the Keynesian approach removes the wedge driven between economic and social policy by economic rationalism. Thus, efficiency, or optimum development, requires an evening out of investment and consumption. Further, the infrastructure and industry policy dimensions allow for the social aspects of development such as education, health, housing and other social amenities to be seen as integral to investment planning rather than as something separate from, or indeed, parasitical on economic profitability. The crucial point is that such socialisation of investment generates what H. C. Coombs (1994) called a 'social approach to the economy' and thus requires a degree of community involvement not simply in redistributing the output of the economy but in determining the volume and direction of its production (Smyth, 1994). Clearly, the development of such a strategy would necessitate the creation of institutional capacities at the regional level which have not been achieved historically. More importantly, such a strategy appears highly dependent on a full employment policy regime at the national level and, as we have seen in literature surrounding *Working Nation*, the possibility of such a regime is highly debatable.

The full employment debate, of course, locates the Keynesian perspective on regional poverty in very familiar social policy territory. One aspect of that debate, namely the impact of globalisation on full employment regimes, takes us into a final perspective in the regional literature which is less familiar but extremely relevant. Much more directly than the other approaches, the post-Fordist perspective situates the debate about regional policy futures within the larger discussion of the changing role of national governments within the context of globalisation. From the extensive literature we can do little more than name some of the important themes germane to our concerns (see Storper and Scott, 1992; Bottomley, 1994; Wong, 1993). The theoretical variety encompassed by the post-Fordist literature can be indicated by reference to the labels often given to the three main approaches: regulation theory; flexible specialisation; and the neo-Schumpeterian (Amin, 1994). All three propose

that an era of mass production (Fordism) is passing and giving way to a new set of organisational principles in an attempt to secure a new long wave of economic growth. While the literature has been more economic than welfare oriented, in recent years the post-Fordist paradigm has been increasingly taken up in welfare state analysis.

Post-Fordist analyses of the direction of industrial change highlight the striking growth and competitive success of industrial districts made up of interdependent networks of small firms in various parts of Italy, West Germany, Scandinavia, the USA and Japan, leading to the identification of the capacity for flexible specialisation as well as interfirm cooperation as key characteristics for regional economies adapting successfully to global competition. Flexible specialisation is also identified as a trend among large multinationals decentralising into looser federations of operating units and using subcontractors. The social policy dimension becomes more apparent with the identification of other factors considered important in the competitive success of the industrial districts; for example, the high levels of trust, or social capital, linked to strong civic cultures and associations (Putnam, 1993), together with regional governments very active in promoting employment, provision of training and industrial services as well as orchestrating local economic development (Zeitlin, 1989).

Such is the variety of analysis within post-Fordism it is very difficult to offer any generalisations without inviting contradiction. Here we simply draw three out three important propositions from the literature which we think convey something of the potential relevance of the post-Fordist perspectives. First, the intensification of governmental regional initiatives in Australia might be considered in terms of the proposition that national public policy sovereignty is being hollowed out; that is, globalisation is resulting in certain policy functions being transferred upwards to supra-national bodies, e.g. Asia Pacific Economic Cooperation (APEC), while others are being transferred downwards to regional levels in the quest for flexible specialisation (Mishra, 1995; Amin and Tomaney, 1995; Held, 1991). Second, regions will witness a new configuration of the relationship between regional governments and civil society. Thus regional governments will develop stronger, more strategic leadership roles in promoting development and this will involve more intensive networking with civic associations and institutions. Thirdly, and more controversially, the intensification of regional policy will reflect a fundamental reorientation of social and economic policies, or change of welfare state regime types. Thus in an influential analysis, Jessop (1995) has proposed that the overriding emphasis on fostering flexible specialisation in response to globalisation will

produce what he terms a move from the 'Keynesian welfare state' to a 'Schumpeterian workfare regime' (1995: 1613). Here a paradigm based on maintaining demand and promoting equity through policies focused on consumption gives way to a regime oriented towards encouraging labour market flexibility and structural competitiveness. This account clearly registers the eclipse of the equality objective in regional policy discussed above.

Each of these propositions has to be handled with extreme caution. In relation to the first, alleged shifts in the interdependence of regional, national and supranational policies are highly controversial; and as the critical reaction of geographers to *Working Nation* indicates, any strategy of leaving regions to work out their own destiny in the globalising economy is quite fatuous (e.g. O'Neill, 1996). In relation to the second, it is important to note that there is nothing predetermined about the form any new configuration of regional government and civil society might take. In the influential analysis of Bob Jessop (1995), for example, they may be neoliberal, corporatist, or statist. Their development is very much the result of political contestation and the influence of historical legacies and have potentially very different implications for the poor. Finally, while the alleged transition towards a Schumpeterian workfare regime rather dramatically illustrates the sense of a transition in welfare state regime types in the literature, it should be emphasised that post-Fordist characterisations of the nature of the transition and possible futures remain extremely diverse. Regulationists such as Lipietz (1992), for example, do not see the Keynesian elements of the passing regime as in eclipse.

While the post-Fordist approach is represented in the Australian regional literature in only piecemeal fashion it is quite remarkable that the perspective scarcely registers in the wider Australian social policy literature. In view of the intensely regional dimension of the analysis this may be understandable but the analysis clearly has implications far beyond regional studies. For our purpose it gives us an additional way of thinking about a new policy framework for regional social policy. As we have seen, the regional dimension of poverty has been far from a neglected field of research. The literature highlights the neglect of the regional dimension in the social policy restructuring of the 1980s and the need to reinvent the equality objective of the 1970s within today's different economic context. In relation to the latter, the literature takes us beyond the stale scenario of the end of the Australian settlement in which there is little role for social policy beyond redistribution among the winners and losers of a market driven restructure. In different ways both the Keynesian and post-Fordist accounts highlight the social dimension of regional development. The equality objective is strongly embedded within the Keynesian approach which also

locates regional policy within the boundaries of a national full employment policy regime. The significance of post-Fordism lies in its assertion of the growing salience of the regional dimension in a global context wherein national economic sovereignty has become uncertain as well as in its account of post-Fordist approaches to regional productivity which highlight the importance of the role of the local state and civic associations in creating the conditions for flexible specialisation. Both the Keynesian and post-Fordist scenarios demand high levels of institutional innovation if the required political capacities are to be achieved and it is to these issues we now turn.

3 Regional Social Policy Administration: Some Reflections on the Queensland Experience

Today, of course, controversy about the administration of social policy has become at least as intense as debate about the substance of policy. Since World War II there have been numerous social and economic planning initiatives in the State and in this section we will highlight two which have been among the most significant in terms of social policy administration: the Australian Assistance Plan and SEQ 2000. Each corresponds to key historical phases in the development of postwar public administration, the democratic participatory and the managerialist, and provide a framework for reflecting on the regional administration implications of the current phase associated with the so-called 'contract state' model of public sector transformation.

In current social policy administration, the contract state has come to occupy a similar hegemonic and controversial role to that occupied by economic rationalism in relation to policy development. The key idea is that the market, and not any collective form of policy development, is the most appropriate process for allocating resources and making policy choices because it relies upon individual decision making. In this approach, policy development is based on contract-based relationships between individuals at the expense of relationships based on solidarity or shared experiences (Dalton et al., 1996). Individuals, it is argued are the best judges of their own interests. The recently completed Queensland Commission of Audit (Fitzgerald et al., 1996) reflects this approach, at least in part, and will no doubt become an important reference point for public administrative change in this State. It recommends the separation of purchaser and provider roles; a shift of government focus to outputs and outcomes rather than control over input costs; the striking of a new balance between autonomy and accountability for providers of

public services; and finally it emphasises contestability and competition in service provision.

What is less clear is how this model will apply to regional administration. Here the Commission recognises the importance of regional processes in efficient and effective service delivery. In particular, more effective co-ordination is recommended, especially at regional and sub-regional levels, of planning for future service needs and supporting infrastructure. The importance of involving all relevant service providers and authorities is stressed. Further, using the principle of subsidiarity, the Commission argues for devolution to regional and sub-regional levels of effective management control over all resources needed to deliver the outcomes for which those levels of management are accountable (Fitzgerald et al., 1996). These aspirations, particularly the involvement of stakeholders in planning and the principle of subsidiarity do not fit easily within the pure contractual approach.

Why this should be so is primarily related to the individualism of the model's underlying public choice and neoclassical economic theory. Alternative theories by Marsh (1995), Considine (1994) and Latham (1996), for example, with their respective emphases on the creative roles of policy communities, on the dynamics of policy innovation, and on post-Fordist flexibility arguably have much more purchase on the regional domain. In this domain, as we have seen, policy analysts typically stress the need for strategic action by regional governments and close networking with civic as well as industry groups. Space precludes any consideration here of why we believe these alternative approaches offer a better theoretical stock for thinking about how to achieve the Commission's goals in terms of regional administration. Our historical reflections are designed to suggest the complexities of the issues, complexities that any one theoretical model is unlikely to capture.

A major problem with the contract state model, for example, is its lack of historical vision. A promised new era of decentralisation, flexibility and responsiveness to local need is typically contrasted with a past of centralised, hierarchical government with a 'one size fits all' approach. In fact, themes such as regional responsiveness, community of interest, participation and so on, are, like inequality, 'old chestnuts' in regional social policy (Benjamin and Morton, 1975). The Australian Assistance Plan (AAP) introduced by the Whitlam Government in 1973 had as its objective locally determined welfare programs which combined the key aims of regional participation in decision making and control over the administration of social welfare budgets (Hayden, 1996:186). The considerable literature on the AAP

(Roper, 1993; Graycar and Davis, 1978; Halliwell, 1975) cannot be discussed here although the separation of social from economic policy discussed earlier has been a major consideration. Here we highlight the difficulties which arose in this earlier attempt to engender more regional participation in policy administration.

The effectiveness of the AAP was dependent on the planning, decision making and resource allocation processes of the Regional Councils for Social Development. Their problems were well documented by contemporaries (Australian Council on Ageing, 1975; Graycar and Davis, 1977; Tierney and McMahon, 1979) of whom the views of the Australian Council on Ageing Review of the AAP (1975) were typical. The AAP, it said depended:

... heavily, for its success, on an untried community organisational structure without roots, tradition, proven design features or record of achievement; a structure which by nature, is likely to sit ill at ease in the company of the older government and non-government agencies whose experience, knowledge and personnel the structure, if it is to endure, must inevitably draw. (Reddel, 1996)

Legitimacy and capacity are important themes in the implementation of regional social development policies. The Councils were 'new kids on the block', with the explicit aim of challenging the existing power arrangements involving government and non-government agencies. Tensions developed between the power positions of community groups and the different spheres of government regarding 'representativeness' and real decision-making power. Specifically, elected representatives of government questioned the legitimacy of non-elected community 'leaders'. The belief that regional administration and political decision making could prosper within the framework of Australia's federal system of government was unrealistic given its history and the structural confusion which exists between the spheres of government regarding the planning and delivery of social services (Hayden, 1996). The AAP can be seen as a classic example of the federal government trying to create a new power structure which was larger than local government, smaller than state government, not directly accountable to the community through parliamentary or electoral processes and without clearly defined roles and responsibilities (Graycar, 1977).

Our second example, the SEQ 2001 project, is of much more recent origin. It is a State Government initiative in response to rapid population growth of South East

Queensland, a major thrust of which was to establish an ongoing process and institutional arrangements (post-SEQ 2001 Project) for growth management in the SEQ Region. The context is significant in terms of our earlier discussion of the regional impacts of globalisation. The population expansion of the area has been seen as evidence of the uneven development brought about by economic restructuring (Catley, 1996). Participants in the project report a sense that the boundaries of national, state and local government are becoming less and less binding. In particular, communities are placing more demands on their regional governments and these demands are placing strains on the traditional distributions of inter-governmental roles as well as exposing gaps left by the old three tiered arrangements. Finally, globalisation can be linked to a drive for more efficiency in the planning and delivery of services (Reddel, 1996).

In this context the project aimed to provide an integrated set of state, regional and local policies for growth management in South East Queensland which would encompass economic, social and environmental goals. The project has had a complex structure comprising representatives from the three levels of government and members representing business and industry, the professional sector, trade unions and social and environmental sectors. Community participation was emphasised in the form of targeted consultation relying on existing community structures and interest groups. The strengths of this structure have been highlighted by Low Choy and Minnery (1994) who see it as offering a unique model in the context of Australian regional planning insofar as it united the usually divided 'top down' and 'bottom up' dimensions of administration. Thus SEQ 2001 had the authority of government, producer and consumer elites while involving community groups in policy development and implementation through sub-regional planning arrangements.

Others have been more critical stressing the overall corporate or managerial model in which the project developed. Thus Caufield (1993) stresses the emphasis given to centralised strategic planning, priority setting and the specification of objectives and the potential this created for conflict with the consultative and participatory dimensions of the model. In fact, while the SEQ 2001 project used the terms 'strategic' or 'advisory' to describe its decision-making function, these processes were often advisory only and centralised decision makers retained ultimate control. Influence over decision making (particularly in the State Government) was limited to elites who had access to information, power and financial resources. Further, this elite-based decision-making approach also had the effect of constraining groups such as environmentalists and non-government human service sectors from

effectively participating in the policy development process. Thus, while the model often led to consensus decision making, in the process conflicts and differences were minimised or diffused and so prevented from influencing the policy agenda. Importantly, over time the SEQ 2001 project appeared to neglect local community involvement in favour of more elite or interest group input into policy development. This contrasts with other recent initiatives such as the implementation of the Building Better Cities program in the Inala-Ipswich area which focused on more localised processes of cooperation and development.

These two examples of major attempts to develop a greater capacity for regional administration in Queensland highlight the complexities of the task as well as making us pause at the poverty of the historical vision informing both the contract state and post-Fordist approaches. The examples suggest that there is no simple or one off solution to the complex issues of implementing regional responses to poverty and inequality. At the same time they offer signposts for reform:

- governments must make explicit and specific policy commitments to issues such as inequality and poverty;
- any regional social policy or planning structure must have local legitimacy and political capacity to make authoritative policy and resource allocation decisions;
- the integration of social and economic planning and development is an essential requirement for any comprehensive response to regional poverty issues; and
- consensus and cooperative processes involving government and community elites must be balanced with more localised and specific processes which involve diversified interests and highlight conflicts which require resolution.

More generally, the SEQ 2001 example suggests that further economic globalisation is likely to increase the salience of the regional dimension of social policy administration and with it the plethora of experimentation. At a broader level, a new understanding of the state and the development of innovative institutional arrangements is required. Principles such as information exchange, knowledge transfer, democratisation and decentralisation of decision making, inter-institutional dialogue and the development of reciprocity and trust within institutions of

and management space to enhance both the capacity of citizens to influence decision making and the ability of the state to respond effectively and appropriately to the collective needs of its citizens. We have already suggested that the contract state model scarcely begins to engage with the challenges and indeed, as various authors have proposed, is more likely to lead in the opposite direction. The challenge is to begin to explore regional policy and administrative processes and structures which can deal with the social complexities of a globalising economy and in a way which remains focused on the key objective of eradicating poverty.

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Policy Making Against the Odds: Preventing and Reducing Poverty in Multicultural Australia

Bettina Cass
Department of Sociology and Social Policy
Dean of the Faculty of Arts
University of Sydney

1 Locating Australia in an International Context

In order to consider effective public policies to prevent and reduce poverty in Australia, five central issues must be placed centre-stage. These are: the significantly changing nature of the labour market in a globalising economy, resulting in greater levels of 'precarious employment'; the related creation of high levels of unemployment, under-employment and long-term unemployment; changes to the Australian system of centralised wage fixation towards decentralised enterprise bargaining and individual contractualism which may result in both increased labour casualisation and a higher incidence of low pay whilst in employment; the current threats to social cohesion posed by both precarious employment and the trends to more precarious welfare and income support; and the emergent threats to social cohesion posed by the attack upon policies and practices concerned to redress race and ethnic inequalities and discrimination. This latter point matters very much in debating policies to redress poverty because Australia is unique in its cultural diversity. We have a population whose background embraces well over 100 distinct cultures, and a population which speaks over 140 different languages, and more when indigenous languages are taken into account. The interrelation of cultural 'difference' and socio-economic inequality is apparent when consideration turns to the multi-dimensional causes, experiences and outcomes of poverty for Aboriginal and Torres Strait Islander communities and the unemployment-related poverty experienced by recent immigrants of non-English speaking background.

Over the last two decades Australia and other similar countries have sustained four bouts of declining economic growth, rising unemployment and particularly long-term unemployment, financial and labour market deregulation framed within the rhetoric of

flexibility in a globalising economy, advancing or threatened commodification of health, human services and basic amenities, compared with earlier postwar developments (Purdy, 1994). Neo-liberal and neo-conservative critiques and partial or fundamental dismantlings of postwar systems of social protection have gained ground, particularly in the English-speaking countries, including UK, USA and New Zealand, and portents of these trends are evident in Australia (Mishra, 1990; Mitchell, 1992; National Commission of Audit, 1996).

Over the last decade in Australia, market trends (employment and unemployment rates and changes in the nature and conditions of employment) and partial labour market and industrial relations deregulation, on the one hand, and on the other hand tax/benefit policy reforms and other health and community services measures have comprised a set of economic and social policy vectors moving along contradictory pathways. Labour market and market income trends have resulted in greater levels of inequality and social exclusion; while social policies, particularly through some aspects of income support and community services, have produced countervailing, but not sufficiently countervailing or equalising measures of redress (Saunders, 1995; Whiteford, 1994; Harding and Mitchell, 1992; Harding, 1995; Cass and Freeland, 1994; Landt et al., 1995). From the standpoint of the mid-1990s, when regarding an issue as fundamental as policy responses to mitigate and prevent poverty, which is one part of the broader questions of the future of work, the distribution of income and prospects for reshaping the welfare state, it is evident that Australian society stands at a watershed: how will emerging public policies concerned with labour market and industrial relations restructuring and foreshadowed changes to income support and community services affect the distribution of income inequality and living standards?

A full understanding of these issues in Australia in the 1990s and into the next century must be placed in the context of changes in the Australian labour market since 'the end of full employment' in the mid 1970s and particularly since the late 1980s, and located again in the context of labour market changes in the advanced industrial countries. It has been noted that economic transformations and labour market restructuring in the industrial countries are increasingly subject to supranational economic influences as a consequence of the 'globalisation' of national economies (Mishra, 1995). At the same time, it is also clear that policy responses to the growth of high rates of unemployment and long-term unemployment in the industrial market societies, comprising different combinations of income support, wages and incomes policies, investment in public and private sector employment generation and labour market programs, have followed different logics under different political and social circumstances (Esping-Andersen, 1990; Whiteford, 1995). Nevertheless, it is

important to understand Australian circumstances within the international context, which sets both the parameters of economic and labour market change (through the internationalisation of both trade and capital flows); and provides evidence for national policy makers of more or less effective policy responses to unemployment and labour market exclusion.

Following the period of economic and employment recovery from the 1981-83 recession, a recovery which lasted in Australia until 1989, the most recent recession of the late 1980s-early 1990s saw employment growth in the OECD countries come to a standstill in 1991, the weakest employment outcome since 1982. Labour supply outstripped strongly the available supply of jobs, and the average rate of unemployment in the OECD countries rose from its lowest point in a decade at 6.2 per cent in 1990 to 7.6 per cent in 1996, to 10.4 per cent in European countries and 8.7 per cent in Australia (OECD, 1996). Unemployment rates in 1996 stood at 12.1 per cent in France, 10.3 per cent in Germany, 7.9 per cent in the UK, 9.2 per cent in Denmark, 16.4 per cent in Finland, 7.6 per cent in Sweden (OECD, 1996). In addition, in most of the countries where unemployment rose, the incidence of long-term unemployment also increased. The OECD notes that whilst unemployment and associated labour market problems were worsened by the most recent recession in member countries, these labour market trends are fundamentally structural in origin. The significant changes occurring in most of the countries of the OECD region have exacerbated the problems of high and persisting levels of unemployment, under-employment, long-term unemployment, poverty and marginalisation.

These trends are expressions of a significant decline in employment in manufacturing in the advanced economies of the West - a decline in manufacturing evident in each recession since the mid 1970s. Evidence compiled by the Australian Bureau of Industry Economics suggests that, despite the strong growth of manufacturing output in Australia and the G7 nations between 1970 and 1990, the share of manufacturing in GDP has fallen sharply, reflecting in large part the accelerating growth in services (BIE, 1995; Green, 1996). This has occurred primarily at the expense of labour-intensive, low productivity manufacturing in the 'old' industrial countries, including Australia, rather than manufacturing as whole. The fall in the overall importance of manufacturing in the economies and labour force of many of the advanced countries and the increase in the GDP share accounted for by the service industries, which may be organised into part-time and casual employment previously not an intrinsic part of the organisation of the mainstream manufacturing industries, has resulted in the description of these societies as 'post-industrial'. In addition, it has been argued that the predominant feature of 'post-industrial' societies is not that services have replaced

manufacturing in the composition of total employment, but that the distinction between them has become blurred as manufacturing itself changes its mode of organisation and contracts out non-core services, again with major implications for the type of jobs which are generated (Probert, 1995; Green, 1996). In some countries, such changes have resulted in the emergence of a two-tiered labour market, comprising a core of secure, well paid workers and a growing periphery of insecure, part-time workers who are most at risk of recurrent bouts of unemployment. This trend towards a core of secure employment, with a periphery of insecure and casualised jobs has been identified by Hutton (1994) in the UK, while the OECD *Jobs Study* (1994; p.29) sees the growth of low-paid, low-quality jobs in the USA as akin to the higher levels of overt unemployment evident in Europe, Australia and New Zealand.

In some countries there has been an increase in what the OECD calls 'temporary employment', defined differently in different countries, but broadly designated as employment circumscribed by very limited duration contracts. In Australia this is termed 'casual employment' and is defined as employment which does not attract annual leave or sick leave entitlements and which usually attracts a 'casual loading' as compensation for the lack of employment entitlements. This loading (of the order of 20 per cent in Australia) has been evaluated as insufficient compensation for the forgone value of employment benefits, while also being of insufficient compensation for the greater precariousness of the labour duration contract (Simpson, Dawkins and Madden, 1995). The OECD notes that in the period 1984-1994, the proportion of temporary employees as a percentage of all employees increased in Australia, France, the Netherlands and Spain, in Australia from about 16 per cent in 1984 to almost 24 per cent in 1994 (OECD, 1996). There is a major debate in train about the costs and benefits of 'casualisation', often more euphemistically called 'flexibilisation'. On the one hand it is argued that casual employment promotes productivity of workplaces and suits what is (in neo-classical theory at least) quaintly called the 'work-leisure' preferences of certain categories of labour (in particular women with family responsibilities; young people in secondary, vocational and higher education, and to a lesser extent, older men phasing into retirement). On the other hand it is argued that such casual forms of employment are 'precarious' and undesirable from many employees' point of view. Indeed, data from the survey of *Alternative Working Arrangements* (ABS, 1986) indicate that 42 per cent of casual employees stated that they would prefer 'permanent employment' (cited in Simpson, Dawkins and Madden, 1995). On the latter side of this debate, Sweet (1995; 1) characterises casual employment as a situation in which the 'employment contract is precarious or marginal'. Romeyn's analysis of casual and part-time employment found that:

casual employment tends to be low skilled, to involve jobs for which little training is required or received, and to have limited career prospects. (Romeyn, 1992: 38)

It should be noted that the growth of casual employment was most marked in the private sector of the labour force, where it increased by 72 per cent between 1984 and 1992, compared with an increase of 36 per cent in public sector employment. It is evident that no analysis of the future of work and the future of the Australian welfare state can proceed without a proper understanding of the increased casualisation of the labour market, the implications for unemployment generation under precarious labour conditions, the implications for income distribution, and for the effectiveness of social security arrangements and of employment, education and training programs.

It is apparent that major economic and labour market changes are occurring in Australia as in other advanced industrial economies which involve:

- a decrease in the importance of manufacturing in the economic and industrial structure, in particular the older forms of low-productivity, labour-intensive manufacturing, and the increased share taken by the service industries in the generation of GDP, with concomitant changes in the national and international organisation of manufacturing and the service industries;
 - labour markets increasingly characterised by an increased incidence of part-time and casual employment and irregular self-employment particularly characteristic of the organisation of the service industries; the reduction of full-year, full-time employment in manufacturing and construction, which was seen as the norm for 'male breadwinner' employment in most of the countries of the OECD through about 25 years following the end of World War II (Blackwell, 1992; McLaughlin, 1991);
 - as a corollary to labour market changes, considerable increase in the labour force participation of married women and women with children, responding to the growth of employment in the service industries, both in community services and in private services, and driven by women's much increased educational participation and aspirations for employment, economic independence and for the well-being of their family (Cass, 1995);
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- high rates of unemployment and long-term unemployment compared with that which prevailed in the 25 years following the end of World War II. As long-term unemployment has become entrenched, it is recognised, at least in some quarters, that very strong rates of economic growth and high levels of investment in effective and equity-based labour market programs are required to lower the rates of long-term unemployment, even in periods of economic recovery (OECD, 1992a; 1993); and
- since the mid 1970s, increased reliance on income support for a much greater proportion of people of working age, not only because of the contingencies of illness and disability, sole parenthood and infrequent periods of short-term unemployment, as had previously been the case, but in much greater numbers because of exclusion from full-time, secure, labour force participation, as a result of unemployment and under-employment (Saunders, 1994).

The OECD *Employment Outlook* (1992a) notes that even in a period of employment growth and emergence from recession, reduction in the rate of unemployment is very unlikely to be accompanied by a decrease in the rate of long-term unemployment, because of the effects of long-term unemployment itself on the employment chances of those who have been marginalised from labour market contacts, labour force activity and even social contacts. An OECD (1992b) study of the effectiveness of a wide range of labour market programs states that labour market programs to develop employment-related skills, along with measures to promote job growth by subsidising private sector employment for the long-term unemployed and by direct job creation are essential measures to support the integration of the long-term unemployed into the regular labour force. If these measures are not pursued vigorously in a spirit of obligation to those excluded from social and market participation, then, using the words of the OECD, societies run the risk of:

creating a two-tier society with a lower layer reserved for those caught in the trap of long-term unemployment and low paid, insecure and unsatisfying jobs and could possibly generate problems of long-term social exclusion. (OECD, 1992b: 7)

In response to such analyses, various public policy reports since the early 1990s have claimed that if Australia is to link long-term, sustainable economic growth with a more equitable distribution of jobs and income, the priority of full employment will need to be re-embedded in public policy. A re-examination of what constitutes full

employment in the late 1990s will look at the quality and security of jobs; job growth would need to be in occupations and industries characterised by high skill levels, adequate wages, and the security which comes with job-connected opportunities for further education and training. This would require a sustained reduction in the proportion of people who are locked into a peripheral and casualised labour market, when they are able to find employment (Committee on Employment Opportunities, 1993; Australia, Prime Minister, 1994; Freeland, 1995; Speerings, Voorendt and Spoehr, 1996). The policies necessary to address the magnitude of the problem are the subject of strongly contested debate. On the one side are those who wish to rely predominantly on public policy interventions and who maintain their conviction about the necessary role of government in market regulation, adequate social investment in education, training and job growth and in placing equity at the centre of economic policy. On the other side are those who promulgate an untrammelled market-driven approach in the name of efficiency, which depends upon radical labour market deregulation and a low wage agenda. It is the latter set of policies whose star is firmly in the ascendancy.

2 Contested Issues of Social Protection in Australia in the Late 1990s

In Australia and other liberal and social democracies, various forms of social protection affect the distribution of social advantages and disadvantages, both among persons and through each person's lifecourse (Purdy, 1994). I consider these three to be the most important: prevention and elimination of poverty; reduction of inequality; creation of social integration and solidarity through processes of social protection which are accepted as legitimate because they do not entrench social divisions of 'giver' and 'receiver'. At the same time, it is also the business of social protection to construct investment policies, employment and labour market policies whose concern is the sustainable creation of high levels of employment and the reduction of unemployment. Not only are markets themselves politically constructed and therefore the product of many forms of politically-inspired regulation (or the relative absence of regulation), but the processes of social protection involve not only social security systems and revenue raising tax processes, but policies concerned with employment, unemployment, wage determination, housing, transport, health and education. Ultimately, social protection matters fundamentally because no society can be sustained on the basis that people are treated like commodities, or like 'atomised' and socially disconnected individuals without history, culture or humanity (Polanyi, 1944; Whiteford, 1995).

In considering public policies concerned with the reduction of inequality and poverty, debates must focus on six central issues.

The first concerns the retention of a floor of centralised wage regulation through national industrial relations legislation, the Australian Industrial Relations Commission and the awards system, to provide a strong safety net of a living wage and protective standards for all employees, particularly the least industrially powerful in a context of enterprise bargaining (Evatt Foundation, 1995; Australian Catholic Social Welfare Commission, 1995). This is countered by various State Government policies and the underlying philosophy of the *Workplace Relations Act* at Federal Government level whose objective is more thorough deregulation of the wages system through enterprise bargaining and the increased spread of individually bargained employment contracts (Sloan, 1993, 1994).

The second debate concerns levels of public investment in labour market programs, employment growth and infrastructure development: should investment be sufficient to increase employment and reduce unemployment in a substantial and sustainable way and be firmly embedded in public policy, or be reduced to an intermittent and partial response to recession, rapidly reduced or withdrawn at the outset of economic recovery, or targeted as the major source of expenditure cuts in an agenda of budgetary contraction (McClelland, 1994; Gill, 1995; Aspromourgos and Smith, 1995)? The very significant reduction of investment in employment, education and training programs announced in the Federal Budget 1996-97 will, on OECD evidence, have the effect of increasing the duration of unemployment, with consequent effects on the level of unemployment and the incidence of long-term unemployment.

The third matter, closely related to the second, is the notion of a trade-off between unemployment and lower wages, which proposes that better employment outcomes can be achieved if the level of social protection is reduced or if protection of wages and conditions of those in paid work is reduced (as discussed well in Whiteford, 1995). Do the social costs of this 'diabolical trade-off' outweigh any gains to be made from reduced unemployment? Robert Reich has noted that while the United States has a better employment performance than most European countries, it nevertheless has the most unequal distribution of income of any developed country. In addition, in the United Kingdom a substantial increase in earned income inequality has not been associated with employment growth (Whiteford, 1995). A similar diabolical trade-off is implicit, and is increasingly made explicit in Australian public policy settings under a deregulated labour market and industrial relations regime, with the likely effect of increasing income inequality.

The fourth matter concerns the future role of social security in providing an adequate basic income in a substantially changed, increasingly de-regulated labour market, where the traditionally held legitimacy of the distribution of paid and unpaid work (a previous model of full-year, full-time employment for male workers through a full working lifetime, accompanied by interrupted, casual and part-time employment for women with children) no longer holds (Freeland, 1993; Perry, 1994, 1995). Is precarious welfare an inevitable bed-fellow of precarious labour?

The fifth matter concerns the gendered nature of income inequality and the greater risk of poverty experienced by women and their dependent children, resulting from gender inequalities in access to secure, full-time, uninterrupted employment, unequal access to equal remuneration for work of equal value, and greater reliance on income support as a result of the continuing devolution of caring responsibilities to women (Edwards and Magarey, 1995).

The sixth matter concerns the debate about anti-racist policies and practices. Australia stands at a watershed in matters of legal and social protection of cultural, ethnic and linguistic diversity and in the maintenance of public policies which ensure sufficient investment in education, job growth and the distribution of income, resources and services necessary to reduce inequality, to mitigate poverty and to maintain social cohesion and integration. Will the legal and other public policies developed over the last 20 years, which have attempted to embed institutionalised processes of respect for cultural diversity in relation to Aboriginal and Torres Strait Islander communities and people of non-English speaking background be maintained and endorsed as essential elements of Australia's liberal democracy? Or will they be increasingly eroded, not only by significant reduction of investment in education, employment and community services, but equally importantly, by a more subtle and insidious process where the very idea of acceptance and respect for cultural, social, linguistic and racial difference is undermined?

The debate about race and ethnicity matters here because access to employment and adequate income is unequally distributed. In 1993, 17 per cent of Australian families had no parent in employment: nine per cent of two-parent families, 53 per cent of female-headed sole parent families and 30 per cent of male-headed sole parent families (ABS, 1993). These figures differ markedly according to parents' birthplace. As shown in the 1991 Census, of all two-parent families with dependent children, 50 per cent had two parents in employment, almost 38 per cent had one parent employed and 12 per cent had no parent in employment. The proportion without any employment for Australian-born parents was 10 per cent, while for families with one parent born in a

non-English-speaking country, the proportion without employment was considerably greater. For example, between 40 to 45 per cent of families where one partner/parent is from the Middle East and Indochina, who are among the most recently arrived migrants, had no adult in employment (Bureau of immigration and Population Research, 1994). However, as the length of residence of individuals and families in Australia increases, their unemployment rate falls and becomes indistinguishable from that of the Australian born, indicating that this is a short-term problem, which could be addressed substantially by good education, training, English language acquisition and employment policies, if there were the political will.

Also, Aboriginal and Torres Strait Islander people suffer the highest rates of unemployment and long-term unemployment: according to the 1991 Census, indigenous people over the age of 15 were much less likely to be employed than were all Australians, 37.1 per cent compared with 55.6 per cent, and their unemployment rate, at 30.8 per cent, was three times as high as the average rate of unemployment (Altman and Daley, 1994). In addition, because labour force participation rates for indigenous people are low, almost half of people in Indigenous communities are without employment, while rates of long-term unemployment are high with 60 per cent of unemployed indigenous people being unemployed for more than one year (Committee on Employment Opportunities, 1993).

It must be noted, however, that well-designed community-based employment programs are effective in enabling indigenous communities to create their own employment and training opportunities, and to generate self-esteem and social cohesion. To give only one example, the Community Development Employment Program has provided one-third of all Aboriginal and Torres Strait Islander employment, and is particularly important in rural and remote areas where there are few job opportunities (Altman and Daley, 1994). Yet, paradoxically, this program has recently suffered considerable funding reduction by the Commonwealth Government.

3 Trends in the Distribution of Incomes in Australia

What has been the impact of economic and social policies over the last two decades on the distribution of income and the creation or mitigation of poverty? Accumulating research indicates that inequality in private incomes in Australia increased since the mid 1970s, whether income is measured pre- or post-tax. Choice of data, methodology, unit of analysis or equivalence scale does not alter this conclusion to any significant degree (EPAC, 1995). Using Australian Bureau of Statistics (ABS)

data, families as the unit of analysis, money income after tax and transfers as the measure of income, and the Henderson Equivalence Scale, Saunders found increasing inequality of market incomes mitigated by tax/transfer measures (Saunders, 1994). Using ABS statistics and microsimulation analysis, households as the unit of analysis, cash income, non-cash income and the social wage as the measures of income, and the OECD equivalence scale, Raskall, McHutchinson and Urquhart (1994) found that private income inequality increased between 1981-82 and 1989-1990, but this was mitigated by the impact of the social wage and base broadening changes in the tax system. Using microsimulation and ABS analysis, families as the unit, disposable income, equivalent disposable income and lifetime income as the measures of income, and the Henderson Equivalence Scale, the National Centre for Social and Economic Modelling (NATSEM, 1994) found that there was increasing inequality of market incomes in the 1980s, mitigated to some extent by a more progressive tax/transfer system.

The increase in market income inequality is attributed to a range of trends, including increased dispersion of earnings from market activity resulting from higher rates of unemployment mainly affecting workers in low-skilled jobs and putting downward pressure on wages; technological changes in the work place with the demand for a more highly educated and skilled workforce which has increased the earnings differential between highly skilled workers and those considered less skilled whose employment has become more precarious (EPAC, 1995). In a comprehensive review of income inequality in Australia, Peter Saunders (1995) has pointed out that these features are not unique to Australia, and other countries have experienced similar shifts in distribution over the course of the last two decades. The most cogent explanations look to market-driven forces and the impact of globalisation of the world economy on labour markets within industrialised countries. In the Australian context, Saunders (1995) and Nevile (1995) also point to deregulation, not only of the labour market but also of financial markets as an important factor contributing to the increase in inequality.

In a number of similar industrial countries there is evidence of a growing number of the 'working poor', predominantly due to the impact of high levels of unemployment over the 1980s with downward pressure on earnings, in a climate of labour market deregulation, accompanied by reduction of safeguards on low wages through dilution or removal of minimum wage regulations. In Australia, the effect of award wages and safety net arrangements for wages and basic employment conditions through centralised wage fixation and the Australian Industrial Relations Commission set a floor for wages for most workers, at least until the early 1990s.

Comparative OECD data analysed by Whiteford (1995) indicate that while market wage inequality for men and women increased over the 1980s in most of the OECD countries studied (including USA, Canada, UK, Japan, Austria, Netherlands, Sweden and Australia), the increase in inequality was relatively low in Australia, and the Australian market wage distribution over the period 1975-1991 remained considerably more equal than in USA, Canada and UK. Whiteford concludes that despite the increased market wage inequality of the 1980s, Australia had a relatively compressed earnings distribution compared with the major English-speaking countries. Also, Australia in the early 1990s had a much smaller proportion of low-paid workers in the full-time labour force compared with the UK, Canada and the USA. Further, Australian part-time workers appear to have fared better compared with full-time workers, in a comparative perspective. Finally, in 1990 the ratio of female to male wage rates was significantly more equal in Australia than in most other OECD countries, particularly USA and UK (Gregory and Daley, 1990). All of these factors tending to reduce market-driven inequalities are attributed to Australia's centralised wage-fixing institutions in the 1980s which compressed wage differentials. There are increasingly strong concerns expressed, however, that the acceleration of more individualised contractual forms of wage bargaining and the diminishing role of trade union representation may result in lower wages for employees with the least market power, to a reversal of gains made in closing the gender gap in wage rates, to increased levels of market income inequality and to a higher incidence of low pay for those in the labour force ((Evatt Foundation, 1995; ACSWC, 1995).

The reasons for the mitigating effects of social policy measures on the increased inequality of the income distribution include: the greater efficiency and effectiveness of the benefits system in redistributing increased levels of income to low income families following the social security reforms of 1987-90 (Harding and Mitchell, 1992; Whiteford, 1994); the slight increase in the equity of the tax system produced by base-broadening (Harding, 1995); the effects of redistributive social policy measures like health care and housing policy (Landt et al., 1995). In addition, the increased labour force participation rate of women has reduced the inequality of family incomes (Mitchell and Dowrick, 1994). These findings reflect a deep contradiction between market processes and economic policies which have increased inequality and the more equalising trajectories of social policy. They also bring into sharp focus the key role of certain public policies in mitigating untrammelled market processes, usually working 'against the odds'.

4 The Extent and Distribution of Poverty: 1981-1994

How do these trends affect the living standards of individuals and families at the lowest end of the income distribution? I turn now to the concept of poverty, which is defined in relative terms to encompass the extent to which individuals and family units of different compositions receive income which is adequate to meet their needs, relative to the living standards of the general population, and the proportion of the population whose income is measured as inadequate. Here I define poverty in terms of exclusion, exclusion not only from adequate income, but also from the opportunities and resources necessary for full participation in the life of the community, as well as the labour force, exclusion from life-long education and training and political participation at local and national levels. To experience poverty, especially long-term poverty, is to be excluded from the ambit of social citizenship, where the rights to employment and a secure income derive their foundation in the post-war welfare states.

According to research undertaken by the National Centre for Social and Economic Modelling (using the Henderson Poverty Line after paying for housing costs as the index, and assuming that unemployed people have the same costs as people in paid work, i.e. the cost of job search), poverty rates did not increase over the period 1981-82 to 1994, as might have been anticipated in the context of high levels of unemployment in the recession of 1990-92 (Harding, 1994). Nevertheless, social policy measures have not been sufficiently effective in combating poverty in the face of job insecurity, unemployment and joblessness. In 1994 the estimated rate of poverty overall was 11 per cent of family units, but the rate varied with the composition of the family unit (Table 1). Families which remained most vulnerable to poverty after paying their housing costs were sole parent families (21 per cent in poverty); single non-aged people (19 per cent in poverty) and couples with children (12 per cent in poverty) (Harding, 1994). In addition, poverty rates increased with larger family size: for sole parents with three or more children the poverty rate was 31 per cent, while for couples with four or more children the poverty rate was 22 per cent. Of all family units in poverty, almost two-thirds contained dependent children. Another very vulnerable group were single people who comprised 20 per cent of poor households, because of unemployment or low pay.

While trends in the overall rate of poverty did not show an increase from the early 1980s to the early 1990s (Harding and Mitchell, 1992), it is clear that tax/benefit

Table 1: Poverty Estimates for Individuals by Family Type: 1994

	Estimated Poverty Rate	Estimated Number in Poverty	Estimated Percentage of Total in Poverty
Single aged person	6	54	3
Aged couple	4	48	3
Single non-aged person	19	359	20
Sole parent family	21	232	13
Couple, no children	7	211	12
Couple with children	12	933	49
Total	11	1838	100

Source: Harding, 1994.

policies played a redistributive role, but they were not sufficiently effective in reducing or protecting against poverty. Low income families with children benefited, but not sufficiently, from the social security reforms of 1987-90, but this was in a period when unemployment among family breadwinners was increased by the 1989-91 recession and labour markets were increasingly deregulated. In addition, as the poverty figures for single people indicate, high levels of youth unemployment, and the involuntary labour force withdrawal of older people well before the usual age of retirement, have had a negative impact on the economic security and living standards of single people. It remains the case in Australia that unemployment and joblessness are by far the major causes of poverty.

There is evidence that the experience of poverty by individuals and families is growing longer, because of the increase in average durations of unemployment and labour force withdrawal (McClelland and Macdonald, 1995). The trend towards a divided labour force, consisting of a core of secure, stable and adequately paid employment, surrounded by a periphery of insecure, casualised and intermittent employment disrupted by periods of unemployment, is likely to increase both the rate and the duration of poverty.

One of the issues much discussed is the extent to which poverty in Australia is experienced by individuals and their families when the breadwinner/s are in paid work. Is there a clear trend towards the emergence of a 'working poor', caused by an

increase in the incidence of low pay in the full-time labour force, as well as by the increased proportion of part-time and casual jobs, as has been identified in other similar English-speaking countries, notably UK and USA? Harding's analysis of poverty in Australia in 1994 suggests that there is some evidence of poverty amongst full-time employees: about 15 per cent of couples with children living in poverty had a family member in full-time employment; and 14 per cent of working-age single people in poverty were employed full-time. In the light of the lower incidence of low pay in Australia compared with other English-speaking countries (as measured in the early 1990s), there is some evidence that Australia did not experience a pronounced increase in poverty among employed people through the 1980s and early 1990s. For example, *The OECD Jobs Study* (1994) notes that over one-quarter of all full-time workers in the United States earn less than two-thirds of median income, compared with one-fifth of full-time workers in the European Community and one-tenth in Australia. But the stronger emergence of such a trend is likely if market income inequalities increase following intensified labour market and industrial relations deregulation.

5 Public Policy Agendas for Reducing Income Inequality

In this section of the paper I will outline several key public policies which are central to the project of reducing income inequality, preventing and reducing poverty. These include concerted policy efforts to reduce unemployment and long-term unemployment, more broadly, to restore full employment; the development of a more comprehensive and adequate system of income support based on a considerably expanded definition of social and economic participation; strengthening the legislatively protected base of wage fixation, so that enterprise agreements can proceed without the slide to a low-wage labour market for peripheralised workers and without the erosion of conditions central to living a human and sociable life; ensuring that measures to redress gender inequities in women's access to employment and life-course income security are embedded in employment and incomes policies; and institutionalising in all such policies a commitment to anti-racist practices.

Restoring Full Employment

There are some academic and community sector voices insisting that equitably-distributed economic growth, reduction of inequality and promotion of social cohesion depend on restoring full employment (Aspromourgos and Smith, 1995; Commission for the Future of Work, 1996). A comprehensive strategy requires a threefold and interconnected approach: firstly, longer-term employment creation, derived from a

wide-ranging program of infrastructure development and regional development (Taskforce on Regional Development, 1993); secondly, sustained investment in labour market programs, to ensure an equitable distribution of job opportunities and a more efficient, less divided labour market (Australia, Prime Minister, 1994). Thirdly, such a labour market would need to be characterised by high skill levels, less precarious jobs, and by the reduction of labour market dualism. Employment, education and training programs (for the foreseeable future under serious threat) are critical not only in providing job chances for the long-term unemployed and disadvantaged job seekers, to increase their skills and employability, but also in facilitating the movement of disadvantaged workers from marginal, interrupted and casual employment to regular, secure employment with adequate remuneration, training opportunities and employment benefits, traditionally associated with the mainstream of the labour market (Employment and Skills Formation Council, 1994; Freeland, 1995).

As identified in OECD analyses (OECD, 1993), quality labour market programs which are effective and equitable cannot be provided as a cheap option, or as short-term initiatives subject to massive reduction in investment as a sacrifice to fiscal contraction. To do this will increase long-term unemployment and labour market marginality, and in so doing will increase, rather than decrease, budgetary outlays on income support, health and welfare services for unemployed and jobless people and their families. What is required, contrary to current Commonwealth Government policy, is a long-term budgetary commitment to the reduction of unemployment, particularly long-term unemployment, through the public and private sector investments essential for job growth. This demands attention to the equitable raising of increased revenue through the tax system; a national savings strategy with implications for the better regulated investment of superannuation, particularly in infrastructure and in job-generating industries; housing, urban and regional development policies; industry and trade policies (Aspromourgos, 1995). If labour market program reform were to be placed in a comprehensive perspective of this nature, Australian employment policy would move from short-term, reactive responses to high levels of unemployment and long-term unemployment to policies which are designed to maintain a high level of aggregate demand for jobs (Gill, 1995). There is no evidence that such policies are currently part of official debate, or implementation.

On the contrary, the very significant reduction of investment in employment, education and training programs announced in the Australian Commonwealth Budget in 1996, on OECD evidence will have the effect of increasing the duration of unemployment, with consequent effects on the level of unemployment. Set against the projected reduction of \$1.8 billion over four years in employment, education and

training programs announced in the 1996 Commonwealth Government Budget, the recent announcement by the Coalition Government of a scheme to place young people in temporary employment for about two or at best three days per week, in community sector projects, at an estimated cost of \$15 million per annum, with no guarantee of any training or education as part and parcel of the employment experience, at the same level of remuneration as youth rates of unemployment income support (the so-called work-for-the-dole scheme), seems little more than a political distraction from the development of policies which generate high quality jobs and enhance education and skills.

A Participation Income Recognising Many Forms of Social Participation in a Changing Labour Market

Turning now to income support policy, one of the forms of policy advocacy articulated in Europe to counter economic liberalism is the concept of *Citizens' Income*, which is defined in manifold ways, but is reasonably characterised as a universal transfer payment or minimum income guarantee, made to all citizens, not on the basis of current or previous income, workforce history or willingness to undertake paid work, or demonstration of incapacity for employment, but based only on the criterion of citizenship (Van Parijs, 1992; Purdy, 1994). The debate in Australia is well analysed by Perry (1995).

In order to engage with the debate in the Australian context, I begin with a redefinition of work as 'human activity that generates fulfilment and serves a social purpose' (Cass and Cappo, 1995). This definition is analogous to that elaborated by Tony Atkinson in his cogent advocacy for a guaranteed minimum income for Britain, which he conceptualises as *participation income* (Atkinson, 1993). Participation is defined as involvement in a range of social and economic spheres: participation in paid work, both full and part-time; being unemployed and looking for work; participation in education or training; *and* involvement in unpaid, non-market caring work in family, household, extended kin network; and participation in a range of community projects.

The conditions for receipt of this payment would be based not only on relationship to paid work, but a wider definition of *social contribution and participation*. The crux of the debate centres on the apparently competing objectives of establishing a universal and flat rate basic income, on the one hand, based unconditionally on the criterion of citizenship rights, or, on the other hand, ensuring adequacy of income for people whose social citizenship would otherwise be denied by their poverty and labour

market marginality or by their responsibility to care for dependent children, relatives or close friends. The objective is to ensure that combinations of market income and income support provide adequate social protection and the basis for participatory citizenship. If this is not done, then it is highly likely that the debate about basic income or citizen's income will pay insufficient attention to the objective of adequacy, and with that pay insufficient attention to the very basis of ensuring citizenship for those whose market-induced disadvantages would otherwise remain without redress. This would seem to undermine the very reason for introducing a citizen's income. It is the principle of *adequacy* which demands urgent priority and adequacy of income derived from combinations of market earnings and social transfer payments in a much more integrated way than is now the case.

These are only some criteria of social participation: unemployment and availability for paid work (either full-time or part-time); part-time employment, as an employee or in self-employment, which does not provide an adequate income and where the person is seeking unsuccessfully to work more hours, or does not seek full-time employment because of family responsibilities; low market wages, in particular for single people, who under current conditions do not have similar income support safety net entitlements to those which apply to low income families; caring full-time or part-time for dependent children or elderly, sick or disabled family members or friends; participation in various forms of community work; participation in education and training. For people with a disability, social participation must be understood on the basis of individual capacities and opportunities to take part in various forms of education, training, employment, family, friendship and community life, taking fully into account the additional support required to enable various forms of participation to occur.

The overarching objectives of a 'participation income' of this nature would be to recognise and support adequately periods of the life course when labour force participation is made impossible by market failure (unemployment), illness and disability and old age; recognise and support non-market forms of caring work carried out in family, household and community; support the transitions into market work from education, unemployment and caring work and the transitions out of full-time market work; support combinations of market work and caring work likely to be undertaken not only by parents but also by people with the responsibility to care for elderly and disabled relatives and partners; support full-time education and training and the combinations of education and training with market work increasingly likely to be undertaken through the life course; provide a social wage 'floor' in a deregulated and casualising labour market.

Under current labour market and industrial relations conditions, it is likely to be even more essential that the income support system be made stronger, more adequate and more seamless, particularly given the increased prevalence of 'precarious labour'. The evidence indicates, however, that the Federal Government emphasis on increased enforcement of a more stringent activity test for unemployed people and increased penalties for infringement move even further away from the concept of a generic and secure income support payment for people of working age. Rather, income support is to become more conditional and precarious: income support for students through Austudy is to be much more tightly income-tested and available to considerably fewer students as the age of official independence is increased; while eligibility for unemployment allowances for unemployed young people aged 18-20 (as well as for those aged 16-17) will be tested on parents' as well as their own income, making welfare more precarious as labour becomes more precarious. In addition, as a consequence of Budget changes, while the most disadvantaged unemployed and jobless people will find income support arrangements more precarious and conditional, they are also highly likely to be 'screened out' of eligibility to participate in labour market programs because they are judged unable to benefit: a harsh rationing of opportunity which is a denial of citizenship both through market work and through social security. Under these conditions, a seamless Citizens Income is on the one hand even more desirable, on the other hand even more elusive.

Industrial Relations Safeguards

Strong industrial relations legislation and the retention of necessary forms of centrally institutionalised wage determination through the Australian Industrial Relations Commission are essential to provide an adequate safety net of both wages and conditions, as enterprise bargaining proceeds. Also essential to ensure good living standards where family and human needs are recognised is the strengthening rather than the eroding of leave arrangements, including recreation and sick leave, leave for family purposes, maternity and parental leave; the movement to shorter rather than longer working hours; safeguarding the conditions of part-time employment so that it does not become increasingly casualised; safeguarding the principle of 'equal remuneration for work of equal value'; safeguarding the right to collective representation. These are basic human freedoms to live the life of a fully social human being in family and community.

Combating Race and Ethnic Inequality and Discrimination

Redressing the economic and social disadvantages and cultural and material harm perpetrated against Aboriginal and Torres Strait Islander peoples is an urgent priority. Colonisation and decades of destructive social policies have had a devastating effect on traditional indigenous family life, resulting in a history of separation of many indigenous Australians from their land, their families, their culture, traditions and their spirituality. The Mabo Judgement followed by the Wik Judgement in the High Court, the *Native Title Act* (1993), the establishment of the Land Fund to enable indigenous people who are not able to establish native title to their traditional land to buy land, and the policy of indigenous/non-indigenous Australians' reconciliation have provided the framework for consultative and negotiated policy-making which focuses on the resource bases of land acquisition, education, training, jobs, primary health care and appropriate housing which are essential for material, cultural and social well-being.

To turn to matters which affect the well-being of Australians of non-English-speaking background, bilingualism is recognised as being both a valuable personal asset and contributor to family cohesion, as well as being of great value to the economic and social development of Australian society. As such, language is an important part of developing a sense of cultural and personal identity, with many parents from non-English-speaking backgrounds encouraging children to maintain the language of their heritage. At the same time, while English remains the language of education and the labour market, proficiency in English remains central to secure job opportunities, and to participation in a range of community and political contexts where decisions which affect the distribution of well-being and living standards are made. This makes policies of English language acquisition, entry to employment, education and training programs, together with unconditional, rather than precarious access to social security income support vital to the economic welfare of migrants of non-English-speaking background.

The most compelling issues for multicultural Australia therefore are support for public policies which sustain adequate investment in employment, education and training programs and income support, housing and community services, since it is in this context that notions of respect for cultural diversity can go well beyond tolerance (with all that this connotes of condescension and conditionality) and be transformed into institutions which distribute resources and opportunities more equitably.

A Democratic Choice

The choices facing Australian democracy are poised between a new model based on distributive justice, developed from Australian conditions; or a neo-liberal model, influenced by USA, UK and New Zealand, where labour market and wage deregulation, the reduction of wage protections for the least powerful employees, and increased residualisation of income support systems have resulted in greater levels of income inequality than in Australia over the 1980s and early 1990s. To what extent will the social institutions of Australia's civil society resist and modify the unequalising trajectories of deregulated markets, increased levels of unemployment and precarious employment? There is little doubt that the reduction of poverty and inequality and the fostering of social cohesion and integration must rest on policies which adopt a 'social investment', rather than a 'social expenditure' approach to economic as well as social policy, and that necessarily requires a long-term view of social as well as economic costs and benefits. Only when social exclusion as a result of unemployment, joblessness, inadequate income support and low pay is considered both officially and in broader public estimations as anathema, will policies of poverty prevention and mitigation become central to Australia's political and social institutions.

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