

Community Services Policy: Economic and Social Implications

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Publication details:

Working Paper No. 75
Reports and Proceedings
0858237466 (ISBN)

Publication Date:

1988

DOI:

<https://doi.org/10.26190/unsworks/1012>

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SOCIAL WELFARE RESEARCH CENTRE

Reports and Proceedings

No. 75

August 1988

Community Services Policy: Economic and Social Implications

edited by
Peter Saunders and Adam Jamrozik



THE UNIVERSITY OF
NEW SOUTH WALES

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ISSN 0159 9607
ISBN 0 85823 746 6

First printing August 1988
Reprinted July 1989
Reprinted June 1996

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

This report contains the proceedings of the Conference held in Hobart, Tasmania, on 27 May 1988. The theme of the Conference, **Community Services Policy : Economic and Social Implications**, was a further step in our addressing issues of social policy through the medium of interstate conferences. Like the previous conferences held in Adelaide, Perth and Brisbane, the Hobart Conference was jointly sponsored by the Social Welfare Research Centre and local organisations. In this case, I am grateful to acknowledge the assistance of our joint sponsors, the Department of Welfare Studies of the Hobart Technical College, and the Australian Association of Social Workers (Tasmanian Branch).

The seven papers in this report cover a wide range of issues in community services - issues of efficiency, redistribution, equity, equality, administration of services, service delivery, and occupational welfare. This nexus of interrelated issues lies at the heart of contemporary debate over the role of community services in the welfare state and their impact on social welfare. Together, the papers represent analysis of the spectrum of problems and issues confronting the welfare state from a social policy perspective. While this perspective acknowledges the importance of economic developments to the welfare state debate, it places these in a broader social framework that is central to the discussion. Despite the undoubted importance of the economic arguments, informed debate on the nature and effects of welfare state provisions must encompass this broader perspective.

The discussion forum at the Conference raised a number of issues of direct relevance to community services. Problems of measurement in evaluating costs and benefits, economic integration of qualitative aspects of services, the role of local government, particular problems identified in the Home and Community Care (HACC) program, rural/urban differences, and the limitations of resources in certain geographical areas were some major concerns that the participants thought needed more consideration in policy and in the allocation of resources.

The interstate conferences such as the one reported here have become important events on the Social Welfare Research Centre's agenda. They enable the Centre to perform its national role in generating and disseminating social research data and in promoting public discussion of social policy and social welfare issues.

I would like to take this opportunity to thank all of the participants in the Hobart Conference for their contributions. I also want to thank the local organisers of the Conference, particularly the three persons most involved, Nancy Jiracek, Toosey Bannerman, and Elizabeth Dean.

Peter Saunders
Director
Social Welfare Research Centre

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WELCOME - INTRODUCTORY REMARKS

Veronica Coulshed
Head of School - Social Work
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I am very pleased to welcome you all to this seminar on the economic and social implications of community services policy. Looking around, it seems that this topic is not only timely but vital for anyone concerned about possible cutbacks in Tasmania's welfare programmes. By chatting to my colleagues here, I have discovered that the title community services usually relates to non-government welfare organisations. Sometimes, though, the term is used to describe community care as opposed to institutional care or is interpreted as community based service delivery. Today's papers and our discussions will inevitably link all the concepts and show how the government and non-government sectors inter-relate. Because I think that natural helpers are sometimes taken-for-granted I am going to start there. Maybe you, like me, are bewildered by the actual word 'community'. Its definition is said to be as elusive as the notion of equality. In England, it is fashionable nowadays to talk about 'community social work'. In fact it is fashionable to talk about community anything. Community Health, community enterprise, community police; all raise a cheer, especially from the far left although all parties have jumped onto the community bandwagon! Community social work is not the same as community work which is a particular method of social work; community social work is more an attitude of mind, and orientation to helping which gives recognition to the resources of a given locality or group of people.

Usually, we social workers behave as if we were the only ones to care when, in fact, we are the 'junior partners' (Bayley 1982) in terms of helping. It is worthwhile remembering that friends, family and neighbours do most of the work and, normally, we are only called in when other systems fail or when informal networks break down. For instance, I had a client who had to be admitted into an institution, not because her problems had worsened, but because her neighbours had changed. She had always banged on the wall whenever she fell or needed help, but this system did not suit her new tenants, who came to live next door (see Pottle 1984).

What I shall do in this paper is briefly present some findings from a couple of projects where welfare workers and local people worked together showing how, when we recognize community strengths, we are then truly implementing social policy.

It has been known for years that if you are going to have a 'nervous breakdown' then you had better make sure that you have a large and active network (Gottlieb 1981). Indeed, you are less likely to get depressed in the first place if you have friends and family around you. Similarly, people with close supports are less likely to abuse their children and, it seems, have an increased chance of living longer (Garbarino 1986). When we are in trouble we may turn to our family and friends: they can help with child care, illnesses, jobs - and money. Not long ago, I asked a group of students to map their networks. This involves filling in a number of circles on a page showing all the people with whom you have strong links, weak links and stressful links. Of course, some family ties are what is known in mental health as 'noxious'. Some schizophrenic people have networks from which they need to keep some distance, (see Coulshed 1986). I discovered that the students, most of whom were in their mid-twenties, had huge networks. In fact, I had to stop them filling in their maps because it was taking so long: my own network map, in comparison, was tiny. So, the size of your network is important and often users of welfare services have either few supports or have lost their community through institutionalisation, migration or rejection.

Research has shown, however, that working class people turn to their own sources of help before they go to 'the welfare', (Mayer and Timms 1970). If they can trust people not to gossip, clients prefer to consult friends and colleagues rather than intimate strangers. This is not always a good thing, mind you. Advice from lay people can sometimes be wrong; or it can make things worse;

or it can end what was once a beautiful relationship. Many times, when I was a family therapist, the family had been given dubious advice about how to handle their wayward offspring. For example, one father had been told to lock up his eight year old and nine year old sons in their bedroom for the weekend. Unknown to him, they had climbed onto the roof and escaped - sleeping in the open air, delighted at their adventure.

In order to take account of the importance of community networks, projects have been set up to see if formal services and the informal systems of care can work together in a community. Some welfare agencies have decentralised their offices and located them in local neighbourhoods. These are commonly known as patchwork systems based as they are on a geographical patch. The teams comprise a case manager who coordinated a small group of welfare workers, home helps, local street wardens and volunteers. They look after a population of about 10,000 people who tend to form a close-knit community. The idea behind this form of service delivery has been to break down the bureaucracy which has been growing for the past 20 years in human service organisations. Increasingly, systems have become large, slow to respond and distanced from the people they serve. (Distant geographically and emotionally, I think). Urban social workers, in particular, seem to have lost their base in community and so miss the chance to work with grass roots effort, support local initiatives or break down the barriers which exist between professionals and citizens. When I worked in social services it was in a small mining town. Like the district nurse and the housing officer, I was expected to be visible, I was also expected to know everything that was going on and to do something about it - quickly. Mind you, in those days red tape was at a minimum, only one or two forms had to be filled in to get a resource. The patchwork projects also have been largely located in mining towns and villages, although in the last five years I notice that the London boroughs have 'gone patch'.

These programmes have now been evaluated (see Bayley et al 1985). The benefits of working alongside the community include:-

1. The possibility of earlier intervention.
2. Localised services are more flexible and can be tailor-made to suit individual circumstances.
- 3 An office which is situated in the middle of its small catchment area is more accessible to consumers.
- 4 As a result, referral rates go up dramatically.

This finding, that work pours in, could make us think again about the virtue of community-based services. But, it has been shown that speedy, early help prevents long term work. Clients are not stigmatised or made to become more dependent by being part of someone's workload for years. The evaluation found that referrals came from many sources and solutions were worked out in partnership with natural helpers, where possible.

However, there have been some critics of this use of the community's informal networks. Some people, first of all, have pointed out that not all communities care. Everyone does not live in a 'Coronation Street' (although I did until I was 21). People who live in new housing estates or inner city suburbs keep themselves to themselves at times. Perhaps then it is romantic to assume that people still want to care for one another? I must confess that I find that neighbours and relatives may be happy to care **about** rather than **for**. Someone may be prepared to look after your cat when you go on holiday, but not your bedfast physically handicapped relative. As well as this, the literature on community care suggests that unofficial helpers are more likely to give support if they live within five minutes walking distance (Bayley 1982).

Furthermore, social workers do not always work with people who are popular with their neighbours: they may have clients who are scapegoated because they lead disorganised, chaotic lives, hurt their children, or are mentally ill and therefore thought to be dangerous. At the same time not everyone wants the neighbourhood knowing their business or the state interfering too much in their lives. Another criticism is that it is not possible for social workers to engage in partnerships with communities without colonising them - when welfare services partner informal networks do we professionalise them? If we use local people as helpers do they become less a part of their own community? Certainly, when black social work trainees return to their own districts to work it is said that the people despise their conversion to 'middle class' values (Rooney 1981).

A major criticism of using local people as helpers is that these tend to be women. So, the worry about exploiting those who already have enough to do and who feel some moral obligation towards others is a justified concern (Graycar 1983).

A second project, which used bought-in neighbourhood carers, had been similarly queried (Parsloe, 1988). This was a scheme to keep old people out of institutional care by spending the same money, or less, on providing them with care in their own homes. (Challis and Davies 1985). (By the way, young offenders too have been successfully kept out of custody by spending 200 dollars a week on day care rather than 500 dollars on institutional care: This is called Intermediate Treatment, - see Thorpe et al 1980). The experiment which allowed social workers to buy-in local helpers for old people also has just been evaluated. The results are that, compared to elderly people who received 'ordinary' help from social welfare agencies, the experimental group:

- a) lived longer
- b) remained independent longer
- c) had an improved sense of well-being
- d) cost less in terms of service provision.

The costs to the local people, who were probably paid only a low wage, remain to be evaluated.

Conclusion

To conclude, providing that we do not exploit human kindness or aim for services on the cheap, then community social work promotes self help, mutual aid and 'people muscle'. Let us make sure that citizens have choice and power over the services they receive. As professionals we need to remember, after all, who it is who pays for the welfare state. The papers in today's seminar look as though they are going to give us a lot of ideas and encourage some lively debates about the economic and social implications of community services policy.

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KEYNOTE ADDRESS

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'Community Services' is a broad term that covers the provision of social welfare services which are designed to enhance the quality of life for both the individual and the community. It is through the provision of such services that opportunities are given to allow people to move out and away from restricted lives.

It is important, however, to realise that this modern view of community services, the opening of opportunity from restrictions imposed by poverty, disability or other factors over which the individual has no control, is a far cry from the old charity mentality with its notions of 'deserving poor'. Heaven help the undeserving poor, as charity would not.

The historical view of welfare was often characterised by notions of moral righteousness and people 'earning' assistance through being humble and demonstrating their fitness to be members of a rigidly classified society.

There was little notion of professionalism in the provision of services, and no concept of integrated economic and social planning. Persons requiring such services as were available were perceived to be a burden on society, and certainly not as equal citizens with equal rights to other members of society.

Fortunately, much of this has changed and the range and nature of services now provided is a reflection of this change. But before we congratulate ourselves on having become so enlightened it is important to realise that in fact many of the old attitudes are still with us, even if they take a different form.

For instance, the extensive reliance on voluntary assistance in community services is a legacy of the days when genteel ladies undertook parish visits in a spirit of 'do-gooding' or 'Christian charity' that went beyond the concept of 'neighbourliness'.

This is a very real legacy: we see it reflected in the structure of services, the funding of many services and the attitudes of training for services, providers. We see it reflected in other areas such as social planning: an example worth noting is that only in the last few months the Australian Bureau of Statistics undertook a pilot study of the use of time which would enable the identification of how much time is actually spent in voluntary work of this type. Due to budgetary restrictions, it is by no means certain that this pilot study will result in appropriate census questions which would, for the first time, give an accurate measurement of the real level of voluntary work.

The fact is that the depressed level of Government spending on community services rely very heavily on the continuation of such voluntary input.

The service area is the fastest growing sector of the economy. The last 10 years have seen a significant downturn in the manufacturing sector and an increase in the services sector. Despite this growth, however, there is a lack of conceptual clarity within the sector and a related ambiguity about the role of Government in the provision of services. Why is this so? It seems to me that the area of social policy has never resolved the tensions created by two conflicting views of community services: on the one hand we have the school of thought which blames the individual for his or her situation and therefore advocates services which assist that individual cope better; and on the other hand, we have those who believe that there are fundamental structural issues which need to be addressed before the individual will be truly able to be helped.

The tension caused by these conflicting views has some positive aspect in that it leads to a variety of approaches and a range of services with very different philosophies. However, in practical terms, what has happened is that the community services area has been disadvantaged by the lack of co-ordinated planning, underfunding, and an apparent low priority on the social agenda, despite general lip service (and even some sincere individual strivings) to the need for a comprehensive social justice strategy.

In times of economic restraint, the welfare sector is the first to be attacked, as if it were some sort of social optional extra.

Practitioners in the field are, of course, the first to recognise that it is just at these times of economic restraint that community services are even more vital to ensure the continued well being of individuals and the maintenance of a healthy, just society.

The area of community services is therefore a complete one: a variety of services provided by individuals, organisations and governments with differing motivations and certainly very differing perceptions of even the fundamental needs to be addressed.

A British theorist, Wolfenden, has identified four systems for the provision of services:

- informal (such as family help)
- commercial - based on market 'price'
- statutory or government
- voluntary, which impacts on the informal and statutory areas.

The relative importance of each of these systems has varied over time and in the various areas of services provision. There has been a shift in emphasis even within these categories: for example one only needs to look at the area of child care which is moving from fully funded services with a corresponding decline in policy co-ordination and monitoring of services delivery standards.

Such shifts in emphasis have hidden social implications in terms of equality of access. Variation in the level of funding are clearly a means of controlling not only the level of service provision, but also who has access to those services.

The range of community services is worth some comment. In the 1980s we have seen new services emerge which would have been unthinkable, say, 20 years ago. I am thinking in particular of developments such as the establishment of domestic crisis intervention units, sexual assault support services and specialised women's health services. Medicare has done much to take fear out of people's lives by guaranteeing that the medical help is available and a wide range of medical services accessible to people who otherwise would find the cost of such services prohibitive.

Other services such as rehabilitation for instance have taken on a broader role which recognises the human element in what was previously a mechanistic process rather than a process of assisting the whole person.

Some changes in service provision have been the result of Government intervention. For example it was the Commonwealth Government which provided funds for demonstration projects in the area of disability services and thereby promoted the development of new services away from the old institutional model and towards the integration of disabled persons into their local community. In such ways the Government can move ahead of general community attitudes and demonstrate the viability of new and alternative methods of service provision. Of course it is not only Government which take the role of innovator.

Voluntary organisations often have a greater degree of flexibility which enables them to respond to local needs. One thinks of the valuable work done by organisations such as Richmond Fellowship which largely pioneered de-institutionalisation of the psychiatrically disabled, which was later taken up as official Government policy in many areas.

De-institutionalisation is a feature of service provision which deserved closer analysis. What we have seen over the last 20 years or so is gradual recognition that many previously institutionalised people do not require on-going treatment or restraint: that in fact with some degree of support they could live in an open society as equal citizens, making their own contribution to community life. One of the chief pressures for this move, however, was not an idealistic view of the nature of man and society, but rather the fiscal pressures on State Governments anxious to prune large institutional budgets. The tragedy of what happened in the early stages of de-institutionalisation (and is still happening to some extent) is that people were released into society without the necessary support mechanisms which would ensure that they would be able to cope with outside life, with dignity and security. Instead of diverting funds to these support services, Governments tended to abrogate further responsibility under cover of a positive philosophy of community integration. This is an example of how the two facets of economic and social policy can be intertwined and have unintended effects, both positive and negative.

This is an important lesson for us in the current climate of economic rationalism, and fiscal restraint.

What we are faced with in the area of community services as much as any other sector of the community, is the increased application of the cost-benefit type of approach, the commercialisation of services (and its concomitant; the non-provision of services which are not commercially viable), and the introduction of the user pays principle.

It is quite clear that the open market is not an adequate substitute for the proper planning and funding of community services. What, in the face of the number of homeless people, especially the young homeless, and the lack of low-cost housing stock, is the response of the market? Where are the community centres so urgently needed in many areas?

The social cost of non-provision of such needed services is very high, both in human terms and in terms of economic loss to society. This is where a balance must be established between over-servicing on the one hand, and abandonment of social need and social justice on the other.

Community service, which I take to include:

- child care, including family day care, occasional care, etc.;
- rehabilitation services;
- facilities for the physically handicapped;
- programmes for the intellectually handicapped including work therapy centres, sheltered workshops, residential services;
- domiciliary services;
- homeless person's centres;
- psychiatric services in the community;

- outreach services;
- family planning;
- health services;
- income support programmes.

all have one common feature: they provide the human infrastructure for people to live with dignity in society, regardless of their socio-economic status, disability, or other personal characteristics. No-one questions the need for economic infrastructure: yet this human infrastructure is constantly under attack from those who fail to recognise that people are, after all, the greatest resource of all.

This is probably an appropriate point at which to look at some recent proposals in the field of rehabilitation.

Some of you may be aware that the Hawke Government has recently introduced new legislation in relation to Commonwealth compensation. This legislation is yet to be enacted, but one of the proposed provisions is an example of the new economic rationalist approach: previously persons in receipt of Commonwealth Compensation had access only to the Commonwealth Rehabilitation Service for advice on rehabilitation programmes. What is now proposed is that alternative **commercial** rehabilitation services be recognised; this is in fact a form of contracting out services and thereby losing control of service delivery standards in any meaningful sense.

This question of control of standards is linked to that of accountability of services.

Accountability is often discussed only in terms of financial and audit requirements: what is also needed is a broader concept of accountability which encompasses the consumer and which provides for adequate independent monitoring and evaluation of community services. This has never been a high priority in this State and is only addressed in an ad hoc way, even for many national programmes.

Perhaps what we need is an Australian Community Services Standards Association.

Food analysis is, of course, available in some areas. For instance, locally, Dorothy McNeill has prepared **The 'Burnout' Report** for the Australian Social Welfare Union: whilst this report does not analyse any specific service, it draws important conclusions for the training of service providers.

Training is a key issue in the standard of service provision and therefore needs to be examined as a resource issue (to use the jargon of the economic rationalists).

One area I would like to now touch on because it relates to the training issue, is on the on-going debate about 'credentialism'. There are those who argue against increased professionalism in community services and use the derogatory term 'credentialism' to imply a rigid adherence to (unnecessary) formal qualifications: this is akin to saying that teachers only need to like children in order to be able to teach well! An example of this sort of thinking is well documented in a report entitled 'An Industrial Relations stance for the Department of Community Services'.

I do not propose to go through this report in detail, but for those of you who may be interested in following it up the report was prepared by John Niland, Professor of Industrial Relations at the University of New South Wales as an independent consultant to the Department. What I want to draw attention to here is the fact that throughout the report, 'public interest' is equated with

'cost restraint' by implication. The basic thrust of this report is that the Department of Community Services should adopt an active interventionist stance in relation to services which it funds (such as disabled persons programmes) with the explicit aim of keeping the wages of service providers as low as possible.

Professor Niland describes Award provision as (and I quote Page 1) 'Often inappropriate and excessive'. He dismisses the now well recognised need for professionalism in the provision of community services by focusing on 'over matching' of qualifications and tasks. Here he overlooks a fundamental issue that the quality of staff required should not be measured by their physical tasks but by their broader purpose in the service. For instance at a very simple level we cannot say that a person teaching intellectually disabled people basic manual skills is **only** doing that - in fact the real job may be one of task analysis, training, personal counselling and social integration.

A simplistic approach does not do justice to the complexity of work in personally highly demanding areas. I might point out too, that female dominated occupations are a high proportion of the staff in question - once again it would be women who would be relegated to the lower income levels.

An update perhaps on the genteel parish ladies with their jugs of soup for the deserving poor.

To give you an idea of the flavour of this Report, I will just cite the instance (on page 24) where Professor Niland recommends the targeting of a particular funded organisation for closing down as an example that the Department is serious about labour cost containment.

In this address, I have attempted to canvas some of the key issues in the area of community services as I see them, particularly the shifting emphasis in service provision in a climate of economic rationalism, the lessons to be learnt from past experience in areas such as de-institutionalisation, the quality of life aspect, and the need for greater accountability of services.

The growth of consumer awareness as reflected in the new structures of some services (such as self-help groups) augurs well for improved matching of services and needs. However, without adequate resourcing, even such low-cost initiatives will fail.

There is an urgent need for policy makers, service providers and programme administrators to meet the challenge of the current economic climate without losing sight of the fundamental need for appropriate service provision in a manner which enhances the quality of life, not only for individual consumers, but for the community as a whole.

EFFICIENCY, EQUALITY AND THE WELFARE STATE

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Introduction

Just over a decade ago the American economist Arthur Okun introduced the famous leaky bucket analogy to describe the economic conflicts faced by redistributive policies. The nature of the trade-off between equality and efficiency about which Okun wrote was identified at the outset of his analysis. Okun described what he referred to as the split level of American society in the following way:

Its political and social institutions provide universally distributed rights and privileges that proclaim the equality of all citizens. But its economic institutions rely on market-determined incomes that generate substantial disparity among citizens in living standards and material welfare. The differentials in income are meant to serve as incentives-rewards and penalties - to promote efficiency in the use of resources.... yet some economic policies designed to reduce the scope and magnitude of inequality weaken incentives to produce and otherwise impair economic efficiency. (Okun, 1975, p.viii)

Okun's elegant description and subsequent analysis of the trade-off between equality and efficiency has done much to shape the way economists have thought about this issue. Although Okun restricted himself primarily to analysis of money income redistribution through the tax-transfer system, the framework he developed has broader application to the conflict between the whole range of welfare state interventions and economic efficiency.

Few can doubt that the trade off identified by Okun has sharpened in focus since he wrote. In large measure this reflects the deterioration in economic performance and the need to consider policies designed to raise the overall economic product and its rate of growth. In Australia the need for such policies has been reinforced by worsening terms of trade and the resulting balance of payments difficulties. Given this general economic climate, it is not surprising that the welfare state has been brought under the microscope in order to assess its achievements as well as its undesirable consequences. Unfortunately, however, much of the debate has been conducted primarily at an ideological level, leaving Okun's clear-headed analytical approach well to one side. Given the nature of the welfare state, this is perhaps hardly surprising. It was probably inevitable. Yet it leaves a void which social policy research and analysis must fill if the debate is to advance beyond disagreement over purely ideological matters.

This paper utilises Okun's framework to review some contemporary analysis and empirical evidence on the efficiency and equality consequences of certain forms of welfare state intervention. Attention will focus on those welfare state provisions that take the form of non-cash or in-kind services. This approach thus includes the provision of education, health and welfare services, or what was collectively referred to in an earlier paper as community services (Saunders, 1987b). Expenditure on cash transfers, the most significant of which are social security pensions, benefits and allowances, are not considered explicitly although many of the arguments have clear and obvious relevance here also. (See Saunders, 1987a; 1987c; for analysis of social security in Australia.)

Before proceeding, it is useful to review the equality - efficiency trade off as encapsulated in Okun's leaky bucket analogy. Okun described the transfer or redistribution of cash from the rich to the poor as taking place through tax and social programmes that can be thought of in economic terms as a leaky bucket. As Okun describes them, such programmes have:

... an unresolved technological problem: the money must be carried from the rich to the poor in a leaky bucket. Some of it will simply disappear in transit, so that the poor will not receive all the money that is taken from the rich. (Okun, 1975, p.91.)

The analogy raises two crucial questions for such vertically redistributive policies: First, there is the **technical** question of identifying and quantifying the leaks: Second, there is the **value** question of balancing their cost against the improvements in equality that are brought about. It is possible to criticise Okun's (and, more generally, the economist's) framework on the grounds that the leaks are identified at the outset as costs which detract from the benefits of greater equality. This criticism has recently been explored at the empirical level by Walter Korpi (1985) who argues that the welfare state is better viewed as an irrigation system which assists with the smooth functioning of the economy rather than a leaky bucket that acts as a drain on the economic product. Nevertheless, the Okun framework remains very much at the forefront of economic thinking on social policy questions, indeed increasingly so. For this reason, it serves as a useful basis for developing some of the underlying issues.

The paper is organised as follows. The following section provides a brief presentation of recent developments in government expenditure on community services drawing heavily on previous work by the author (Saunders, 1987c). Section 3 discusses the economists concept of allocative efficiency and its implications for the theory of welfare state intervention. Section 4 addresses the relevant dimensions of equality and reviews some arguments and empirical evidence on the redistributive impact of expenditure on community services. Finally the main conclusions of the analysis are brought together in the context of the leaky bucket analogy in Section 5.

Historical Developments

An account of recent trends in government expenditure on community services is provided in Sections 2 to 4 of Saunders (1987c) and only the main features will be repeated here. Community services expenditure is defined to include spending by all levels of government on provision of education, health and welfare services. It is important to recognise that this definition excludes all social security expenditure in the form of pensions, benefits and allowances. The emphasis is thus on the provision of non-cash or in-kind services rather than on income transfers. Not surprisingly, this makes a great difference to expenditure aggregates because of the quantitative importance of social security spending. It also means in the Australian context that the relative importance of the Commonwealth and the States changes towards the States, who have a major role in community service provisions, whereas income support is almost entirely a Commonwealth responsibility. In 1985-86, for example, Commonwealth outlays on income maintenance cash benefits by the Department of Social Security (DSS) amounted to \$15.1 billion (DSS, **Annual Report 1985-86**, p.17), compared to expenditure on non-cash community services of \$21.7 billion in that year, much of it undertaken at the State level.

Figures 1 and 2 illustrate the significance of total (cash and non-cash) welfare state spending for the overall growth of government spending in the last two decades. In 1965-66, social outlays in total corresponded to 11.1 per cent of GDP while overall spending at all levels of government represented 32.4 per cent of GDP. The corresponding percentages two decades later were 20.3 per cent and 43.4 per cent, respectively. That social outlays grew considerably faster than other areas of government expenditure is thus reflected in the increase in the **share** of total government spending devoted to social (welfare state) outlays from 34.3 per cent in 1965-66 to 46.8 per cent by 1985-86. What is clear from Figures 1 and 2, however, is the extent to which these developments over the period as a whole conceal great differences within the period. Both

total government outlays and total social outlays accelerated rapidly between 1973-74 and 1975-76. Since the mid-seventies, total government outlays have continued to increase relative to GDP, albeit in a haphazard fashion. These developments have, however, been accompanied by a growing significance of State and local government outlays, as reflected in the divergence in the two lines shown in Figure 1. In relation to social outlays (Figure 2), not only have Commonwealth and State/local outlays moved together since 1975-76, both have shown only a slight increase relative to GDP.

These developments imply that the levels of taxation required to finance the welfare state in Australia were no higher in 1985-86, relative to the size of the economy, than they were in 1975-76. This is despite the poor economic performance and high unemployment levels experienced over the decade. When seen in these terms, the so-called financing crisis of the welfare state is put in an appropriate and more modest perspective. That perspective suggests that financing the welfare state is by no means impossible, indeed appears quite manageable. The problem, of course, is that at the **political** level governments have promised reductions in the burden of taxation in general and the burden of personal income taxation in particular. They have chosen this option not only to improve economic incentives - about which we currently know very little - but more significantly to improve electoral prospects - about which governments, at least, think they know very much.

Figures 1 and 2 include both cash and non-cash outlays. Figure 3 makes the distinction between these two types of outlays in the three main welfare state areas, viz. education, health and social security and welfare. In each case, the top line in Figure 3 shows total outlays while the lower line includes only those expenditures that correspond to the purchase of inputs (labour, equipment, buildings, etc.). The difference between the two lines thus corresponds to spending on cash transfers, for which there is no corresponding production.

Finally, Figure 4 shows developments in total expenditure on community services since 1965-66. Expenditure has been adjusted to reflect movements in the Consumer Price Index and expressed per head of population. Even after adjusting for price increases and population growth, the very rapid expansion between 1973-74 and 1975-76 remains apparent. After levelling off between 1975-76 and 1982-83, community services expenditure per head of population has grown in real terms since 1982-83, at a rate very similar to that experienced in the late sixties and early seventies. Table 1 compares developments in real community services expenditure per head with real GDP per head over the period. Except for the period 1977-78 to 1981-82, real per capita community services expenditure growth has exceeded real per capita GDP growth. As a consequence, the contribution of non-cash welfare state provisions to overall living standards has increased, almost doubling over the period from 4.6 per cent of GDP per head in 1965-66 to 9.1 per cent in 1985-86.

Corresponding to the growth in expenditure, employment in community services has also been expanding rapidly. Over the last two decades, community services has been a major source of employment growth in the economy, rising from 10.1 per cent of total employment in August 1966 to 17.7 per cent in August 1986. The community services sector has been a particular important source of female employment, representing 28.6 per cent of all female jobs in August 1986. The corresponding figure for males at that time was 10.6 per cent (Saunders, 1987c, Section 3).

The above developments serve to highlight several aspects of expenditure on community services that distinguish it from expenditure on income support. These differences have significant analytical implications for the welfare state debate and form the focus of the remainder of this paper. As already noted, unlike income support expenditure, which represents a direct transfer of resources to eligible recipients, community services expenditure is incurred in purchasing inputs which are then used to provide services to recipients. Furthermore, unlike expenditure on income support which, if it is adjusted for the number of recipients, provides a meaningful indicator of the output corresponding to that expenditure, the link between

Figure 1

Trends in Total Outlays, 1965-66 to 1985-86
(Percentage of GDP)

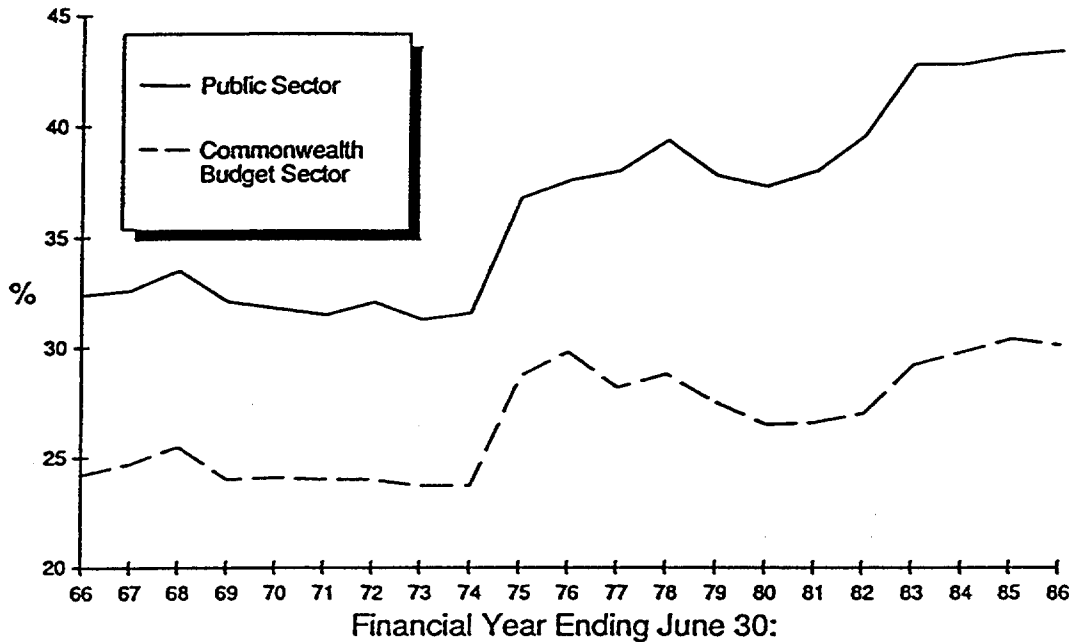
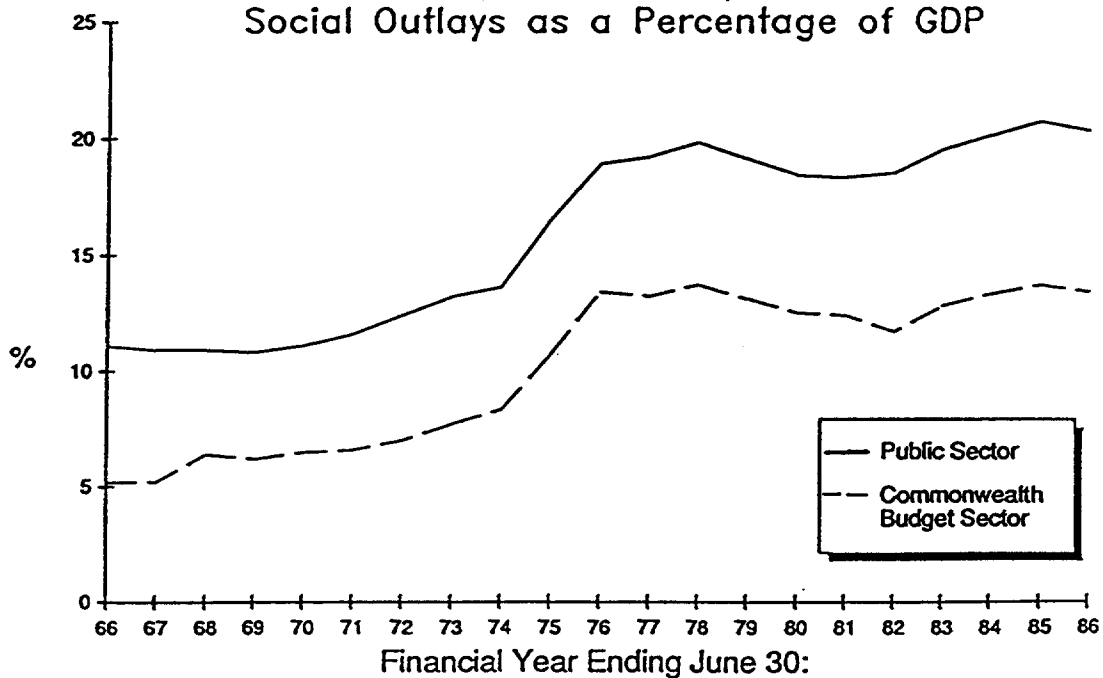


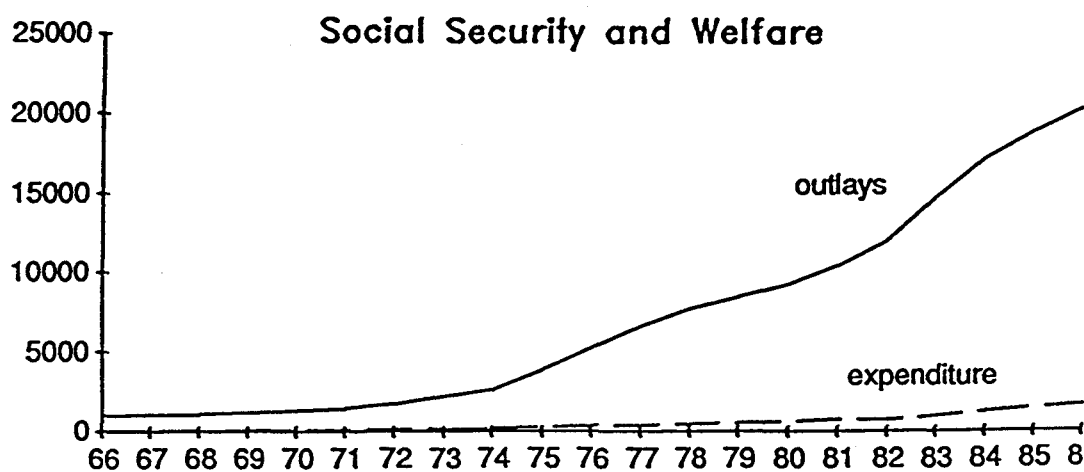
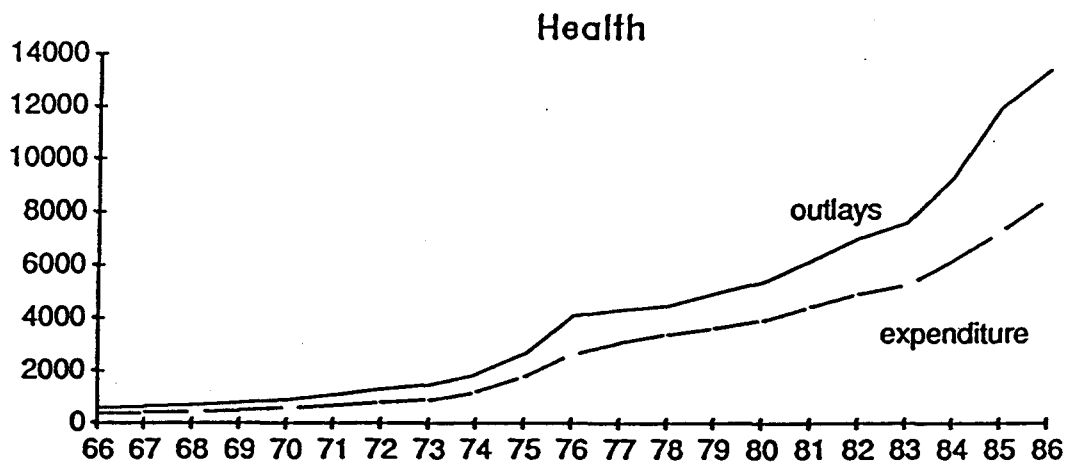
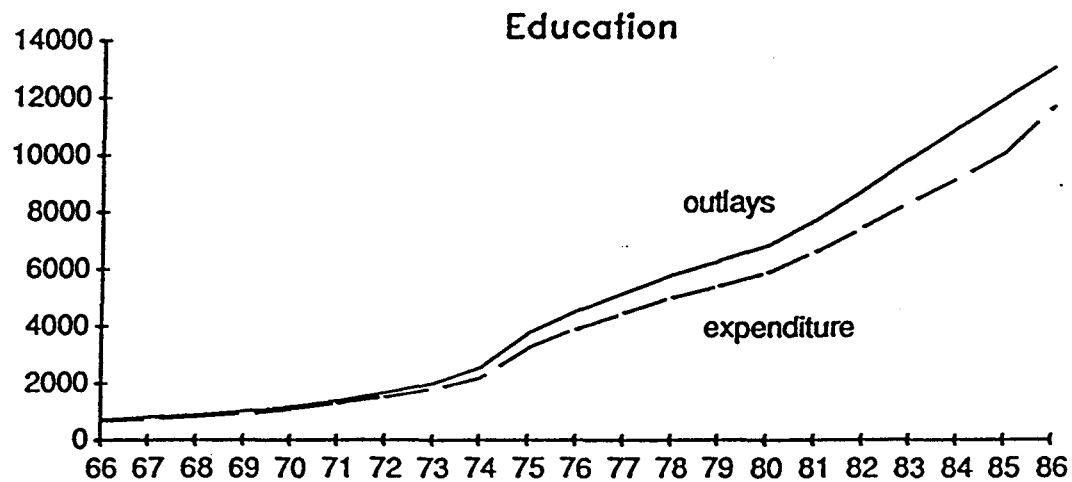
Figure 2

Social Outlays as a Percentage of GDP



Source: Saunders (1987c)

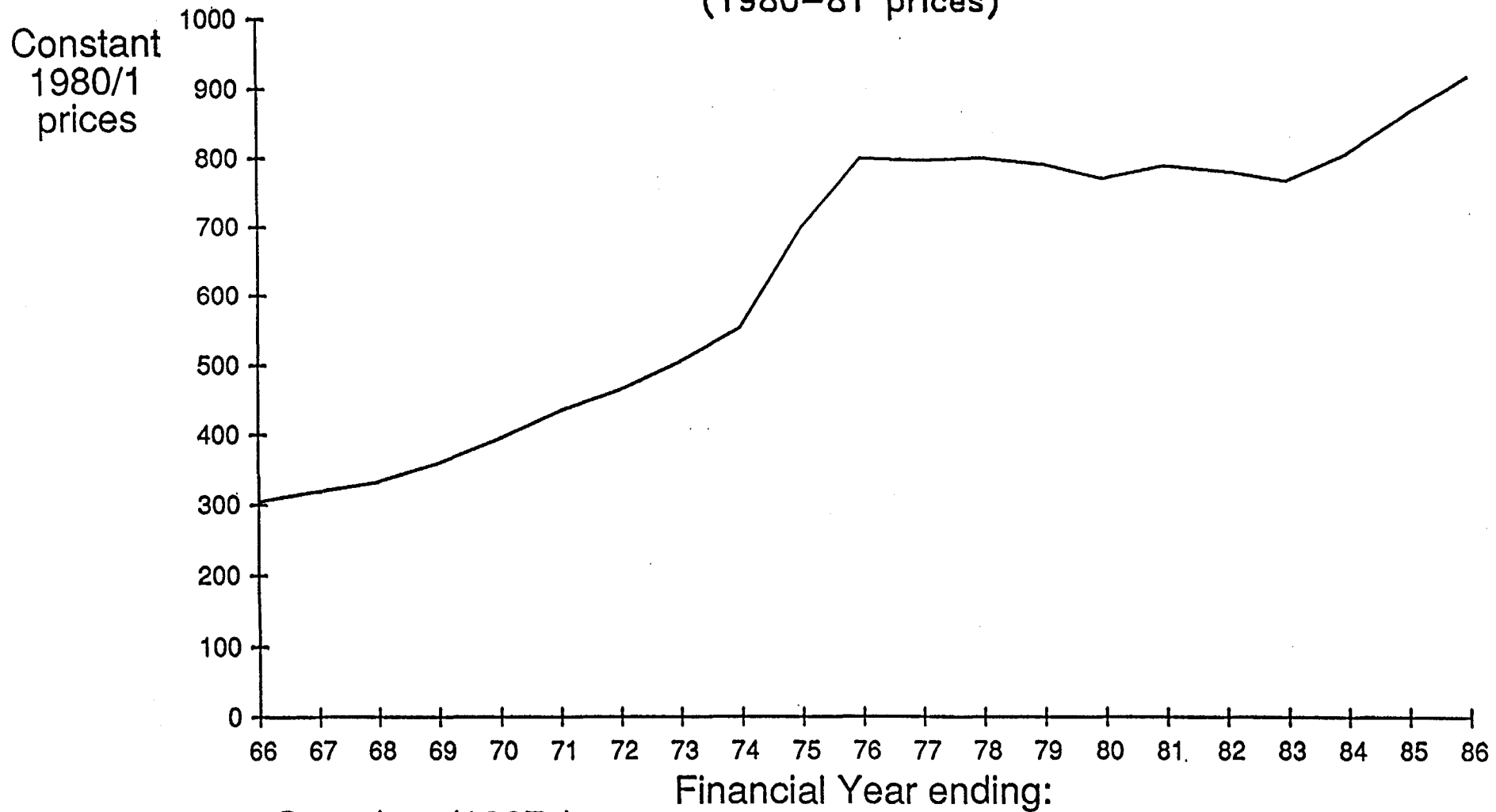
Figure 3
 Social Outlays and Social Expenditures
 1965-66 to 1985-86
 (\$millions)



Source: Saunders (1987c)

Figure 4

Real Per Capita Social Expenditure on Community
Services
1965-66 to 1985-86
(1980-81 prices)



Source: Saunders (1987c)

Table 1

**Real GDP per Head and Real Community Services Expenditure per Head,
1965-66 to 1985-86**

(1980-81 prices)(a)

	Community Services Expenditure:		GDP:		Column (i) as a percentage of column (iii) (per cent)
	(i) Level (\$, 1980-81)	Annual Growth Rate (per cent)	(iii) Level (\$,1980-81)	Annual Growth Rate (per cent)	
1965-66	305		6590		4.6
		6.6		4.0	
1969-70	394		7704		5.1
		8.9		2.5	
1973-74	554		8488		6.5
		9.7		0.9	
1977-78	802		8783		9.1
		-0.6		1.6	
1981-82	784		9357		8.4
		4.1		2.0	
1985-86	922		10141		9.1
1965-66 to 1985-86	-	5.7	-	2.2	-

Note: (a) The price deflator used to deflate community services expenditure was the CPI, while GDP was deflated using the implicit price deflator for GDP.

Sources: Saunders (1987c) and ABS, **Australian National Accounts. National Income and Expenditure 1985-86**, (ABS Catalogue No. 5204.0), Canberra, 1987.

expenditure on community services and the corresponding output is much more complex. This complexity, and the conceptual and practical difficulties it raises, make community services particularly vulnerable when budgetary constraints impose on governments the need to ensure that resources are being used effectively. Adding to this vulnerability are concerns that those responsible for the provision of community services may be tempted to pursue their own agendas, even at times at a cost to the welfare of those for whom the resources are intended. Finally, the voluntary and informal sectors play an important role in community service provision, often integrated with government services but also independent of them. In short, the whole structure of community service provisions is considerably more complex - both to administer and to evaluate - than the income support system. There are more players in the game and a much more complex set of rules, procedures and agenda which guide their activities.

Allocative Efficiency and Welfare State Intervention

With the increasing application of economics to the analysis of social policy has come increased emphasis on the concept of efficiency as a tool for policy assessment. This has brought with it growing concern that the economists concept of efficiency is overly narrow as a means for assessing social policies. It is certainly true that economists have a very specific meaning in mind when they use the term efficiency. However, to label this specificity as narrowness and **thus to dismiss the relevance of the related economic arguments** is to miss the point entirely. Efficiency, even in the specific sense in which economists use the term, has much to do with social welfare and thus is of great relevance to social welfare policy questions. It is, of course, not the **only** aspect of these questions and should never be used as the only criterion for policy assessment. But to argue that because of its narrowness the concept of allocative efficiency has **no** role to play in such assessment is to do the study of social policy a misservice.

Part of the suspicion with which the economists concept of efficiency is treated probably relates to the word itself. The word is one of those which in **general** usage conveys within it a meaning of desirability, for who can realistically argue for any form of inefficiency? Because of this, it is important to understand the **specific** meaning that attaches to the word efficiency when used in an economic context. For economists, efficiency questions relate to the way in which resources are allocated within the economy. To make this specific meaning apparent, the more appropriate term is **allocative efficiency**, and use of this term would certainly do much to reduce the semantic difficulties just referred to. The meaning of allocative efficiency and its application to analysis of the welfare state has recently been outlined with great clarity and insight by Nicholas Barr (1987a; 1987b), whose explanation and analysis will be drawn on heavily in the following discussion.

Allocative efficiency is concerned with making the best possible use of society's limited resources given people's tastes. At any point in time, society has a fixed volume of resources (land, labour and capital) available to it. It also comprises a set of individuals who have tastes or preferences for those goods and services that can be produced from those resources. Allocative efficiency occurs when resources are combined to produce that combination of goods and services that maximises the total satisfaction that individuals can derive from their consumption. It requires that resources are combined in production so as to maximise the output derived from given inputs, that the pattern of outputs is optimal given existing technology and consumer tastes, and that consumer choices in the market place maximise their satisfaction (Barr, 1987a; p.73). An efficient allocation of resources corresponds to a situation of pareto optimality, defined as one in which it is not possible to make one individual better off without simultaneously making someone else worse off. Correspondingly, if resources are allocated inefficiently, then there exists an efficient allocation of those same resources that can improve the well-being of at least one individual without at the same time worsening the position of someone else. This brief description indicates that, far from being a technical abstract economic concept, allocative efficiency has a central bearing on questions of individual well-being and social welfare.

Economists have devoted considerable effort to identifying the conditions under which allocative efficiency will be attained. Research in welfare economics has established that, under certain assumptions, the outcome of a perfectly competitive market environment will be allocatively efficient. This result forms the basis of many economic criticisms of government interventions like the welfare state, for if social well-being is maximised without such intervention, then it follows that **on efficiency grounds** state intervention can only have detrimental welfare consequences. However, to assess the practical relevance of such a powerful theoretical result, it is necessary to consider its underlying assumptions. As Barr indicates, the result requires three key assumptions to hold simultaneously, viz. perfect competition, perfect information and the absence of market failure (Barr, 1987a, Chapters 4 and 5). If any one of these assumptions does not hold, then market outcomes will not be allocatively efficient. In such cases, welfare state (or other government) interventions - whether in the form of regulation, public finance or direct public production - may be justified on allocative efficiency grounds.

Barr (1987b) develops a case that, in relation to both elements of income support and community services, the perfect information assumption is unlikely to hold. For this reason, it will not be the case that market competition will result in an efficient allocation of resources. Furthermore, if intervention can reduce the informational deficiencies, **public provision of welfare state (or community) services can be justified on efficiency grounds**. This result is of particular significance, since it provides a basis for meeting the economic critics of the welfare state on their own terms, rather than appealing to considerations of equity or social justice (and hence, inevitably, to questions of value) as the only basis from which to defend the welfare state. As Barr summarises the argument in his aptly-titled paper 'The Welfare State as an Efficiency Device':

Information problems, more than any other theoretical consideration, suggest that a properly designed welfare state is much more than an instrument of social justice - it also has a major efficiency role. (Barr, 1987b, p.34)

Barr argues that information problems are sufficiently serious in the case of both education and health services (and, with somewhat less discussion, the personal social services), that purely private market outcomes will not be allocatively efficient. In relation to health care, individuals are generally ill-informed about whether or not they are ill, what types of treatment are available, what the probable outcomes of different types of treatment are, as well as about the effectiveness of alternative providers of health care. Furthermore, many types of treatment are not repeated, so that information that is acquired is often of little or no future use. In the case of education, information is lacking about the nature of the product, while decisions are normally taken (except at the tertiary level) not by the consumers themselves but by their parents. Such informational deficiencies could in principle be resolved through the provision of information in a private market environment. However, the costs of such a strategy given the complexities involved in the services themselves are likely to make this an inefficient course of action.

Having established a theoretical case (on informational as well as other grounds discussed in greater detail by Barr) for why the state might intervene in the provision and/or finance of community services, there remains the crucial policy issue of the form such intervention should take. The important point in this context is that Barr's arguments do **not** provide a rationale for **any** form of state intervention, but only for those that overcome the deficiencies associated with purely private market solutions. Barr presents a case that for both education and health, systems of public production, allocation and finance offer tenable solutions more likely to produce efficient outcomes than purely private solutions. More significantly, these arguments rest on technical issues associated with the mechanisms of resource allocation and make no judgements about the merits in terms of equity of the alternative outcomes.

These conclusions clearly have considerable significance for current privatisation debates in the context of welfare state service provisions. Privatisation proposals seek to reduce public involvement in either the production or finance of community services (or both) and replace them with private production or private finance. The arguments outlined above caution against the likelihood that large scale privatisation of welfare state services will, because of the technical nature of the services themselves, produce significant gains in allocative efficiency. Such a conclusion is consistent with the arguments against widespread radical welfare privatisation canvassed in Saunders (1987c). These views do not imply, however, that consideration should not be given to options for reforming present arrangements in order that greater account is taken of the incentives operating within the system and of the need to ensure that consumers are as free as possible to make their own choices on a well-informed basis. It is in these latter, narrower contexts that privatisation is an issue that proponents of the welfare state need to address.

Equality and Redistribution

Considerations of equality or social justice have always been central to the objectives of the welfare state. The continued economic imperative to curtail public expenditure has placed on the agenda the extent to which the welfare state is actually achieving these objectives. The starting point for this discussion in the present context must be to clarify exactly what are the underlying equity or equality objectives of community services. Much of the current debate proceeds as if the appropriate redistributive criterion is similar to that often used to assess income support payments, i.e. to provide assistance to those in greatest need. Leaving aside the issue of whether this is appropriate in the income support context, it is apparent that this approach is clearly **not** appropriate for community services. Taken to its logical extreme, it implies an extension of income testing principles (assumed to be the logical practical application of targeting income support to those in greatest need) to community services like education, health and the personal social services. Last year's arguments for income-testing family allowance become this year's argument for income-testing government subsidies to primary and secondary education, health service provisions, and so on. The problem with this approach is that it focuses on only one aspect of equity or social justice, that associated with vertical equity. In order to place what are undoubtedly legitimate concerns over vertical equity in a broader context, it is necessary to ask what other equality objectives of community service provisions need to be taken into account.

In his analysis of the impact of the redistributive impact of the social services, Le Grand (1982) identifies the following five distinct conceptions of equality: equality of public expenditure; equality of final income; equality of use; equality of cost; and equality of outcome. On the basis of detailed statistical analysis of UK data, Le Grand concluded as follows:

Overall, it is difficult to avoid the implication that the strategy of promoting equality through public expenditure on the social services has failed. It has failed to achieve full equality of whatever kind for most of the services reviewed. In those areas where data are available it has failed to achieve greater equality over time; and, in some cases, it is likely that there would be greater equality if there was no public expenditure on the service concerned. (Le Grand, 1982, p.132)

In responding to Le Grand's provocative analysis, several writers have noted that his assessment of redistributive impact is open to criticism (Harding, 1984; O'Higgins, 1985; Bertram, 1988). There are two main grounds on which such criticism of Le Grand's work have been based. The first relates to the way in which the redistributive impact is measured. As noted by Harding (1984) and O'Higgins (1985), Le Grand's conclusions are based on his analysis of the **distribution** of expenditure benefits as opposed to their **incidence**. The distribution of benefits is measured by the proportion of total benefits received by different categories in the population, while their incidence is measured by expressing benefits as a percentage of income and then comparing how this ratio varies with income. The latter concept corresponds to the way in which tax incidence estimates are made and provides an appropriate and consistent basis for calculating the redistributive impact of expenditure benefits. Expenditure is defined as

progressive (and hence vertically redistributive) if the ratio of benefits to income declines as income rises, with the degree of redistribution depending on the rate of decline. As Harding (pp.19-20) shows, it is possible for the distribution of benefits to favour higher income groups yet for the incidence of benefits to be progressive or redistributive in the above sense.

The second issue raised by Le Grand's analysis is more fundamental. It relates to what is referred to as the **counterfactual**, against which programme impacts are being assessed. The counterfactual is of significance because when estimating redistributive effects it is necessary to compare an actual observable outcome with a hypothetical outcome that is assumed would exist in the absence of the programme under consideration. This latter situation is the counterfactual and it clearly has an important bearing on the measured redistributive impact of the programme.

The significance of the assumed counterfactual for estimating the redistributive impact of public expenditures has been given further emphasis in a recent paper by Le Grand (1987). Le Grand argues that any counterfactual, since it involves an assumption about how the government would behave if the programme under consideration did not exist, is essentially arbitrary. There is simply no basis for deciding whether the government would reduce taxes, increase other expenditures or adjust its overall budgetary balance were any particular expenditure to cease to exist. Yet since each of these three options will have a different impact on the distribution of gross (or disposable) income, they will have different implications for the estimated redistributive impact of the programme under consideration. Faced with these problems, Le Grand suggests two alternative approaches. The first is to concentrate on questions about the distributional impact of public policies which do not involve any assumptions about the counterfactual. For example, one can ask whether such objectives as equal treatment for equal need or the attainment of minimum standards have been achieved, without the need to posit any counterfactual situation. The second approach is to make the assumed counterfactual assumptions explicit in statements about redistributive impact. As Le Grand notes with an example, this makes for considerably more cumbersome statements, but leaves such statements open to straightforward interpretation unlike those statements which, while appealing in terms of their apparent clarity, actually obscure what exactly is meant by the redistributive impact to which they refer.

Rather than pursuing these issues further at this stage, it may be useful to consider some empirical results. The methodology used to produce results such as those of Le Grand and Harding have recently been applied by the Australian Bureau of Statistics to analyse the impact of government benefits in 1984 (ABS, 1987). Briefly, the methodology involves identifying the direct recipients of expenditures, equating the total benefits with the total costs of providing the relevant programmes, and allocating the benefits in accordance with rates of service usage by the identified beneficiaries. (For more discussion see Section 2 of Harding, 1984 and the Appendices in ABS, 1987). Each of these three steps in the process - identification, valuation and allocation - are problematic and open to criticism, as explained further below. Leaving these issues to one side for the moment, the results in Table 2 compare Harding's results for 1975-76 with the ABS results for 1984.

It is important to emphasise that while the data and methodology used to produce these results are very similar, the results for 1975-76 cover Commonwealth expenditure benefits only, while those for 1984 include Commonwealth, State and local government expenditures. It has also not been possible to group households in exactly the same way although Table 2 re-groups them in as comparable a way as possible. The table has been constructed so that horizontal comparisons of the columns provides comparisons over time, while vertical comparisons of the rows provides distributional impacts at a point in time. The results indicate that all three welfare state services (education, health and welfare) are vertically redistributive in the sense that the benefits are distributed more equally than money income. In both years, the redistributive impact at the extreme of the income distribution is greatest for welfare service benefits, followed by health benefits and then - some considerable way behind - by education benefits.

Comparisons over time are hindered by the difference in scope of the two studies. Taken at face value, the estimates in Table 2 suggest, if one compares the ratio of benefit-to-income percentages in the lowest and highest income groups, that the redistributive impact in 1984 was

Table 2

The Vertically Redistributive Impact of Community Services Expenditure Benefits in Australia

(Expressed as a percentage of average weekly household income)

1975-76		1984	
COMMONWEALTH ONLY		COMMONWEALTH, STATE AND LOCAL	
Bottom 22 per cent of households:		Bottom 20 per cent of households:	
	%		%
Education	4.2	Education	10.2
Health	18.9	Health	28.1
Welfare Services	5.4	Welfare Services	12.4
Total	28.5	Total	41.5
Top 18 per cent of households:		Top 20 per cent of households:	
	%		%
Education	2.7	Education	5.8
Health	2.3	Health	4.0
Welfare Services	0.3	Welfare Services	0.3
Total	5.3	Total	10.1

Sources: Harding (1984), Table 2.1 and Appendix E: ABS (1987), Table 3.1.

less than that in 1975-76. (The relevant ratios are 5.4 to 1 in 1975-76 and 4.1 to 1 in 1984.) It is, however, not possible to ascertain whether these differences reflect changes in the redistributive impact of the programmes themselves, or the broader coverage of the 1984 data. If it is assumed that the redistributive impact of Commonwealth benefits was the same in 1984 as in 1975-76, then it follows that the vertically redistributive impact of State and local government benefits is less than Commonwealth benefits. If, Commonwealth benefits have themselves become more vertically redistributive over this period - a not unreasonable assumption in light of changing Commonwealth budget priorities over much of the period (see Gruen, 1985) - then this conclusion is reinforced.

Before one can use such empirical results to draw implications for community services policy, it is necessary to go back one step. Table 2 provides evidence on the vertical redistributive impact of non-cash expenditure benefits. However, as already noted, while this aspect of redistribution has relevance in the context of the incidence of income support and taxation, its relevance to non-cash welfare state services is much more limited since vertical redistribution is not a major policy objective in this case. Thus, to conclude from Table 2 that State and local expenditure benefits are less vertically redistributive than Commonwealth expenditure benefits **does not mean that they are therefore less equitable**. Clearly, if results like those in Table 2 are to provide a useful input into policy assessment, they need to be constructed in a manner more consistent with actual policy objectives in relation to equality and redistribution. If vertical redistribution is not the relevant framework for community services, what alternative redistributive frameworks are more appropriate?

One obvious candidate is the life cycle framework. Given the way in which the beneficiaries are identified in these studies, education benefits are allocated to those in education, while health and welfare benefits are allocated to those utilising such services. This suggests that evaluating the benefits according to the stage of the life cycle might accord more with the underlying policy objectives. Table 3 attempts this for one indicator of life cycle status, the age of the household head. (For a more informative application using UK data see O'Higgins, Bradshaw and Walker, 1988). The upper half of Table 3 shows the vertical redistributive impact of community services. As the last line indicates, these benefits are progressive or vertically redistributive, since the benefits to income ratio declines as income rises. However, the demographic and age composition of the income classes varies considerably, so that the results reveal relatively little about life cycle redistribution.

More is revealed in the results in the lower half of Table 3. These show education benefits to be heavily concentrated among households where the head is aged under 55, health benefits to be roughly equally distributed across all age categories (although rising slightly for those aged 65 and over), and welfare benefits to rise sharply with age. The group which benefits most is those households where the head is aged between 35 and 54, primarily because these households have the largest number of dependent children who are allocated the benefits from education. Thus, these community services provide benefits to individuals that vary in accordance with their needs, where needs are measured more appropriately by age than by income. As noted in the recent report **Towards a Fairer Australia. Social Justice Under Labor**, the underlying social justice rationale in the case of such services is to provide 'fairer and equal access to essential services such as housing, health and education' (Commonwealth of Australia, 1988, Overview, p.i). In light of such objectives, assessment in terms of the impact on vertical inequality is at best mis-guided and at worst downright misleading. Reference has already been made to the assumptions about identification, valuation and allocation that underlie the results in Tables 2 and 3, as well as to the importance of the counterfactual in assessing redistributive effects. As an illustration of the limitation of the allocation and valuation assumptions, consider health care as an example. The conventional approach allocates health benefits in any year to those who actually utilise health services. This procedure produces the perverse result that the measured benefits, and hence well-being, is **negatively** affected by ill health. Conceptually, it is more appropriate to treat health care as an insurance benefit received by all coverees independent of their actual use of health care benefits. The good that families receive from public health care schemes (or from private health insurance arrangements) is protection against medical care costs in times of need. It is an insurance policy. This approach suggests that the estimated benefits

from health expenditure should be allocated across the whole population (possibly on a per-capita basis) rather than just to those utilising the health system in any period of time. Clearly, the choice between this and the conventional approach will have a major impact on how the health system is estimated to affect the well-being of individual families and how the benefits are distributed within the community. Furthermore, in the process of allocating all of the health care benefits to individuals actually utilising health services, the extremely important **social** objectives of public health provision is overlooked. It is thus somewhat ironic that evaluation of the impact of health services and other social programmes begins with an assumption that contradicts the rationale that led to their provision through the public sector in the first place (Saunders, 1988).

A further limitation of the conventional approach is that behavioural changes contingent upon public policies are ignored when evaluating their redistributive impact. In the context of Tables 2 or 3, for example, it is assumed that the level of original income does not itself respond to public policies. If behavioural adjustments do in fact take place, then it follows that the existing observed distribution of household income is not the appropriate counterfactual against which to assess redistributive outcomes, and the results are brought into question. The practical importance of relaxing the underlying behavioural assumptions is illustrated in the work of Piggott (1987) and has also been recently discussed by Le Grand (1987). Le Grand (pp.24-25) discusses as an example the case of the benefits from tertiary education expenditure which, given its current relevance in Australia, is worthy of further consideration.

The conventional assumption is that the benefits of higher education spending accrue solely to tertiary students. On this basis, the results indicate that tertiary education benefits are concentrated among households at the upper end of the income distribution. The ABS study, for example, shows that almost 25 per cent of the benefits from tertiary education accrue to households in the top ten per cent of the income distribution, while almost 40 per cent of tertiary education benefits accrue to households in the top fifth of the income distribution (ABS, 1987; Table 3). However, as Le Grand notes, such estimates assume that the subsidies to tertiary students have no impact on the demand for tertiary education and hence on the supply of graduates. Relaxing this assumption produces a different result with quite different implications, as Figure 5 illustrates.

The lines S_1 and D_1 in Figure 5 indicate the supply of graduates (which equals the demand for tertiary education) and the demand for graduates, respectively. Assuming no subsidisation of tertiary education, the equilibrium wage for graduates is equal to W_1 . Assume now that the government introduces a subsidy, through the abolition of fees and/or the introduction of student allowances. The cost of tertiary education thus declines and, if the demand for education rises, the supply of graduates will (some years later) shift from S_1 to S_2 . If the demand for graduates is unchanged, the graduate wage will fall from W_1 to W_2 . It follows therefore that **part of the benefits from the subsidy to tertiary education accrues to those employers who employ graduates**. The extent to which employers benefit from the subsidy will depend upon the elasticities of supply and demand for graduates. The employers' share of benefits will be zero if either the supply of graduates is totally inelastic, or if the demand for graduates is perfectly elastic. In these cases the graduate wage will not change and hence all of the benefits of the subsidy accrue to tertiary students, since the cost of their education is lowered while the wage they ultimately receive is unchanged. If these assumptions seem implausible, it is worth recalling at this stage that they are implicit in the conventional approach adopted by Harding and ABS. As Le Grand himself notes (p.25), '... the assumption in most studies in this area that the whole of the subsidy is incident upon the nominally recipient is wrong'.

Now consider what Figure 5 implies if the government were to remove (or reduce) the subsidy through the re-introduction of tertiary fees, the imposition of a graduate tax, or whatever. Using the same logic as before, the supply curve will now shift from S_2 back towards S_1 and the graduate wage will rise back towards W_1 . Thus, **for the same reasons that employers received some of the initial benefits from the subsidy, they will bear some of the costs of its removal**. It is not necessary to impose a charge directly on employers to achieve this, since it

Table 3

**Redistribution and Community Services Benefits:
Vertical and Life Cycle Aspects, 1984
(\$ per week)**

Vertical Redistribution

Income Distribution Class:

	First Quintile	Second Quintile	Third Quintile	Fourth Quintile	Fifth Quintile	All Households
Gross Income	116.1	238.5	388.9	568.4	957.0	453.6
Estimated benefits:						
Education	11.8	33.9	40.3	47.1	55.6	37.7
Health	32.6	36.5	34.2	34.5	38.2	35.2
Welfare Services	14.4	10.0	4.7	3.9	3.1	7.2
Total (\$ per week)	58.8	80.4	79.2	85.5	96.9	80.1
(% of gross income)	50.6	33.7	20.4	15.0	10.1	17.7

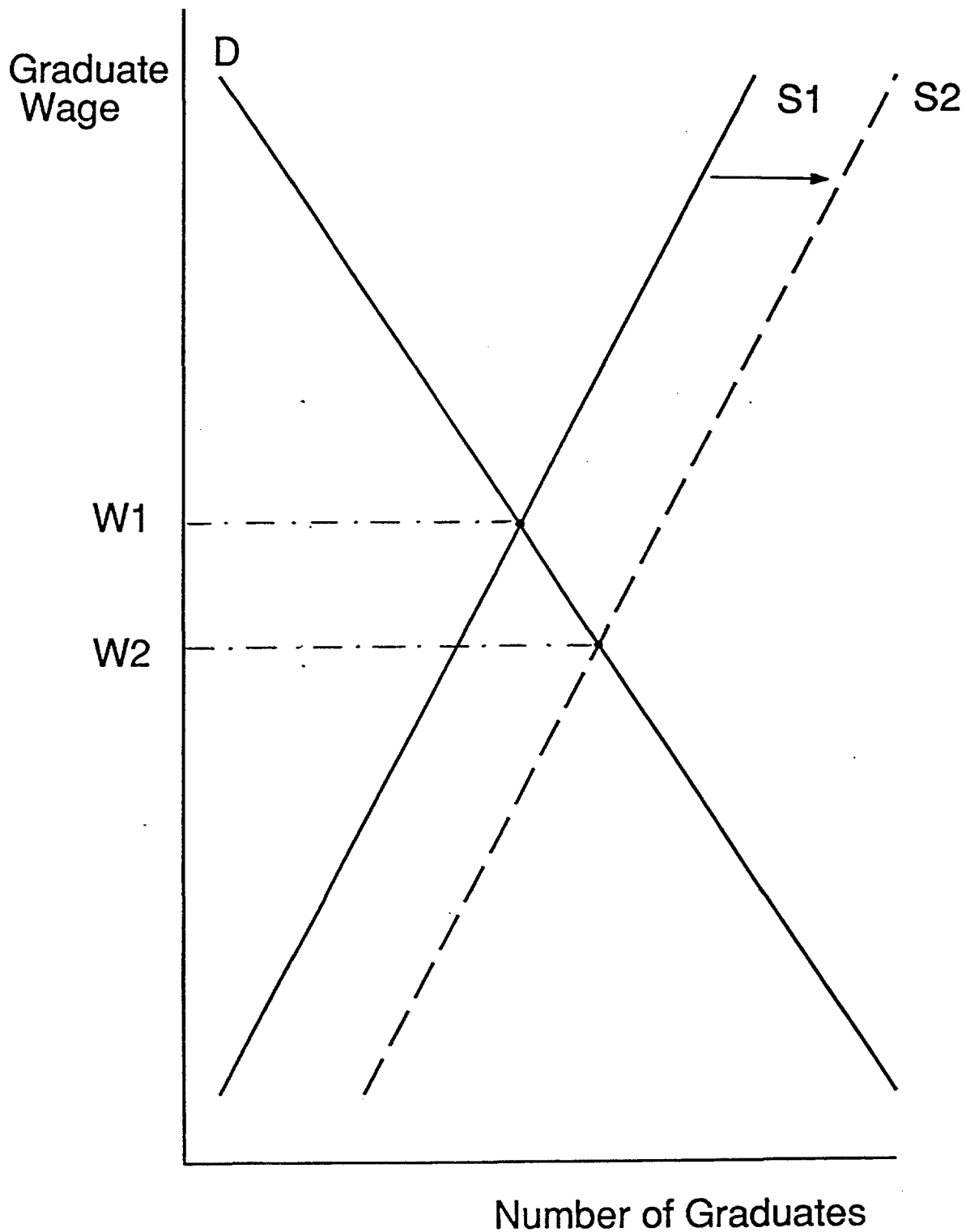
Life Cycle Redistribution

Age of household head (years):

	Under 25	25 to 34	35 to 54	55 to 64	65 and over	All over
Households						
Gross Income	426.5	490.1	567.9	421.1	229.5	453.6
Estimated Benefits:						
Education	27.8	36.3	69.2	15.5	3.0	37.7
Health	24.3	32.9	34.6	35.0	43.2	35.2
Welfare Services	3.8	3.3	4.8	9.1	16.0	7.2
Total (\$ per week)	55.8	72.5	108.7	59.7	62.2	80.1
(% of gross income)	13.1	14.8	19.1	14.2	27.1	17.7

Source: ABS (1987), Tables 3.1 and 3.2.

Figure 5:
Tertiary Education Subsidies
and the Market for Graduates



results automatically from the behavioural adjustments that accompany removal of the subsidy to tertiary education. Although this analysis provides an interesting insight into the issue, it ignores two important practical considerations. The first is that the supply of graduates is effectively determined by the extent to which governments are prepared to fund tertiary education. The second is that changes in the supply of graduates may also affect the quality of graduates and hence the demand for them.

In Figure 6, the effective supply of graduates is shown as the vertical line S_1 , reflecting the existing level of funding of tertiary education. Now assume that the government imposes fees (or a graduate tax) and uses some of the revenue raised to fund more tertiary places. The increased cost to students will cause the supply curve to shift to the left (from S_1 towards S_2), but this will be offset by the new additional tertiary places. The net impact will be a rightward shift in supply to S_3 . However, the policy is likely to set in train forces also operating on the demand for graduates. First, the increased number of tertiary places will presumably cause a decline in entry requirements and thus a drop in the quality at entry of tertiary students. The demand curve will thus shift to the left. However, as more resources are now being devoted to the tertiary sector, the quality of graduates at exit from their education should rise, causing a shift to the right in the demand curve. While the overall impact on the demand curve cannot be determined without more information, Figure 6 indicates that as long as the demand curve remains to the left of D^* , the net outcome will be for the graduate wage to fall. In this situation, employers of graduates will receive some benefit from the policy switch and the question arises of whether or not they should bear some part of the cost of the policy change.

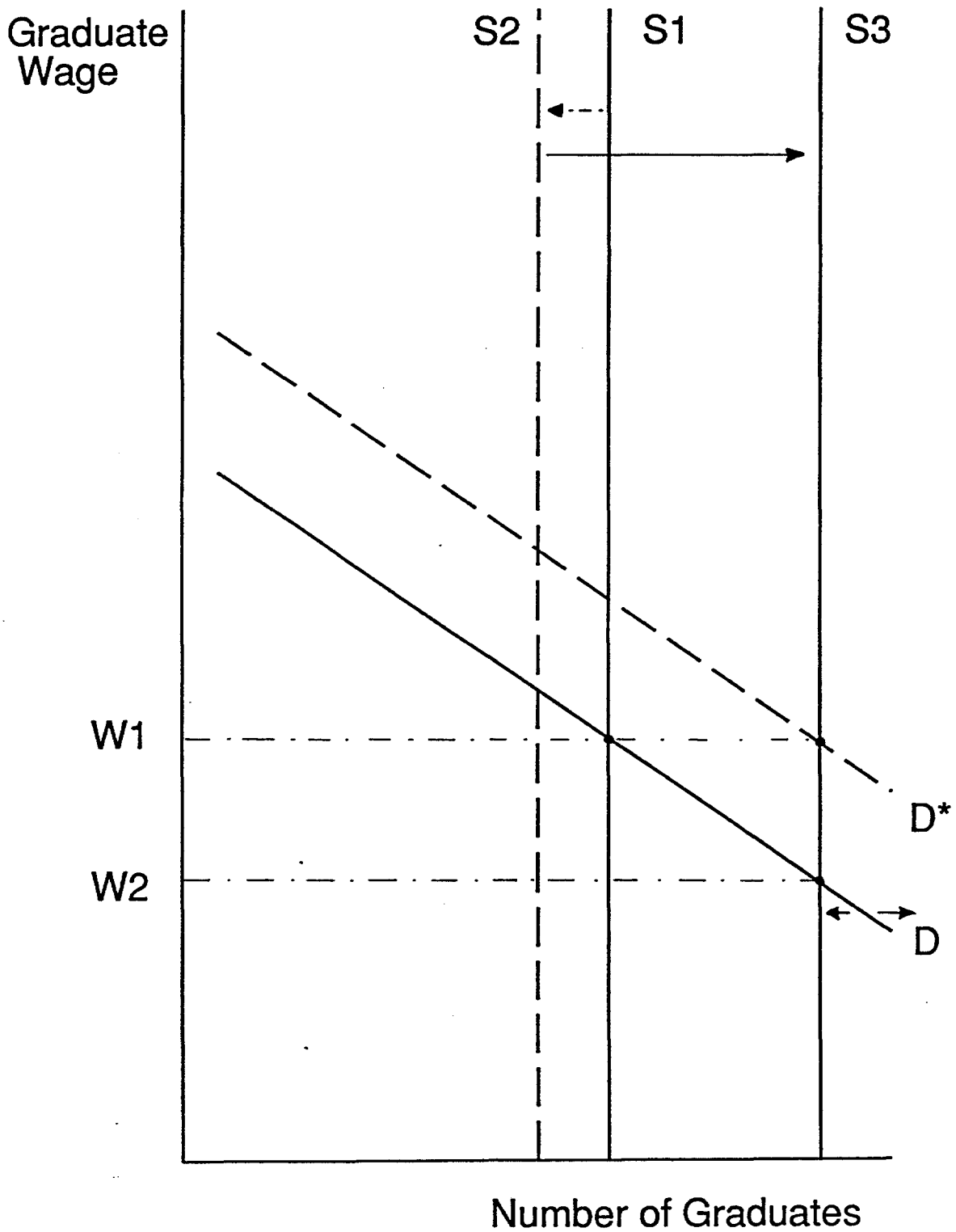
This example is not intended to provide a comprehensive or definitive account of the economics of the graduate labour market. There are many complexities that are not captured by the analysis in Figures 5 and 6, not least of which is the static framework they apply to a situation where the dynamics are of great significance. What the analysis does indicate, however, is the sensitivity of available estimates of the redistributive impact of tertiary education subsidies to a number of underlying implicit assumptions. Changing the behavioural assumptions causes quite dramatic alterations to the distribution of the benefits, which in turn suggest quite different policy implications. Similar kinds of analysis would undoubtedly bring into question all of the other results presented in this section.

Conclusions

This paper has reviewed some of the recent literature on efficiency and equality aspects of non-cash welfare state or community service provisions. The arguments canvassed suggest that the populist image of a debate in which the economic arguments suggest a reduction in welfare state intervention for efficiency reasons, conflict with the social arguments in favour of increased intervention for reasons of equality, is misleading and possibly wrong on both counts. There are good economic arguments in terms of informational deficiencies which provide a justification for government involvement in the provision and finance of community services in order to improve allocative efficiency. In contrast, despite the fact that concerns of equality and redistribution lie at the heart of welfare state objectives, relatively little is currently known in Australia on what the redistributive impacts actually are, and even the information which is available appears very sensitive to the rather restrictive assumptions on which it is based.

The analysis in the paper suggests that Okun's leaky bucket analogy is not particularly appropriate as a characterisation of the many forms of redistribution that take place as part of the welfare state. One reason for this is that Okun's leaks are only of concern in his analysis once redistribution actually takes place. The arguments developed by Barr suggest, to the contrary, that there are many holes in the bathtub that cause a drain on the economy even if no redistribution is attempted. Indeed, this line of analysis suggests that community service

Figure 6:
Tertiary Education Subsidies
Under Supply Constraints



provisions, far from introducing a leaky bucket into an otherwise watertight system, may actually serve to stem the leaks which already exist. To pursue this analogy one step further, the analysis and discussion in Section 4 raises questions not only in relation to the identification of the beneficiaries of the water carried in the redistributive bucket, but more fundamentally about the nature of the objectives and intended beneficiaries of the redistributive bucket in the first place. There is clearly a considerable need for further investigation of the leaks, ebbs and flows that characterise a system which encompasses the major concerns of both economic and social policy.

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HUMAN RESOURCES IN COMMUNITY SERVICES: INADEQUATE INVESTMENT OR WELFARE OVERLOAD?

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The aim of this paper is to address some of the issues in social policy which arise from the use of human resources in the economy of an industrial society like Australia, and particularly in the use of these resources in the field of social provisions referred to broadly as community services. The issues addressed revolve around such questions as: What do we mean by 'human resources'; how are these resources generated; how they are used and where; and what outcomes do they produce.

The paper is based on the research program conducted at the Social Welfare Research Centre in which we examine the allocations of material and human resources to a range of provisions which come under a broad term of 'welfare services'. Guided by such concepts as 'community services', or 'the social wage', we examine the mechanisms through which the resources are translated into services, and with what effects.

The issues raised in the paper have direct implications for social policy, for a number of reasons. First, as will be shown in the paper, the use of human resources in community service has grown substantially over the past two decades, both in quantity (the numbers of persons employed) and in quality (the qualifications of persons employed). Second, in recent years increasing pressures have developed towards reducing public expenditure in these areas. Third, questions can validly be raised concerning the value of these resources to the society, that is, does the investment in human resources employed in community services produce the outcomes expected of these services. These questions are not easily answered because the very nature of community services is such that positive and normative elements in these services are intertwined, and for this reason the views on the purpose of services and on their value are not uniformly shared.

This paper presents a further elaboration of issues which have been discussed in some earlier reports published by the Social Welfare Research Centre (e.g. Jamrozik 1983, 1986, 1987). The paper is still by and large exploratory, although the arguments presented are supported by statistical data derived from the surveys conducted by the Australian Bureau of Statistics (ABS). Further results of the ongoing research will be published in future reports.

Community Services

Much of the research on social policy and social welfare in recent years has focused on income distribution, taxation, and various related forms of 'cash transfers'. Less systematic research has been done on the large and diverse field of provisions which consist of human rather than material resources, such as health, education, welfare and related services, which are referred to in broad terms as 'community services'. The responsibility for the provision of these services lies with the Commonwealth, the States (in some areas a joint responsibility) as well as with the non-governmental welfare sector or even in the private sector (e.g. care of the aged, child care). Public expenditure on community services (Commonwealth and States) is very large, exceeding by far the expenditure on pensions and benefits. The complexity of funding arrangements, responsibility, organisation and professional orientations presents considerable difficulty in ascertaining how the system of community services works, which forces determine or influence the direction of services, who benefits from services and to what extent, etc. It is therefore important to examine the dynamics of these arrangements so that the effects of services and any implications for social policy can be ascertained.

The feature of community services is high usage of human resources. What these services provide is the knowledge and skills of professional and paraprofessional personnel which are used by the recipients to maintain, or improve their health, to acquire knowledge and skills necessary to enter the labour market, or to receive assistance in child-rearing (as in child-care services). Thus, in contrast to income support payments such as pensions and benefits whose function is to provide basic minimum income for the individuals and families who do not receive adequate income from the market, so as to enable them to survive at a minimum level of subsistence, community services have a facilitative function in that they enable the recipient to function in the market economy.

Community services are a labour-intensive industry. In terms of employment this has been the fastest-growing sector of industry for a long period (at least since the 1960s) and the growth of employment in this sector has continued even in the years when total employment was at a standstill. It is now the second-largest sector (after wholesale and retail trade), accounting (in 1987) for 18 per cent of all employment, compared with 10.1 per cent of all employment in 1966. It is also the most professionalised sector, employing over half (55%) of all employed professional and para-professional persons, and close to half (45%) of all employed persons with tertiary degrees or equivalent qualifications. Human capital investment in community services is thus very high, and most of this investment comes from the public purse. People employed in community services are in the 'public' and in the 'private' labour market but most of their income comes from the Commonwealth and States' expenditure.

It needs to be noted here that Commonwealth and States' expenditure on non-material services (professional personnel services, administration, etc.) is extensive. As I have noted elsewhere (Jamrozik 1987:60),

Expenditure on social security and welfare is the only area of government outlays in which most of the expenditure (around 90%) consists of direct cash transfers to pensioners and beneficiaries. All other areas have a large component of expenditure on salaries and associated costs (e.g. overheads, such as contribution to employee's superannuation and other 'fringe' benefits, accommodation, travel, equipment, etc.). Thus much of what counts as expenditure in such areas as health and education means income of the providers of services by way of salaries and associated costs.

The importance of human resources in community services is likely to increase, as will the corresponding costs. For this reason, and for the reasons noted above, a study of human resources and community services is therefore clearly indicated.

Human Resources

In my little dictionary 'resources' are defined as 'the collective wealth of a country or its means of producing wealth' and, more appropriate to human resources, 'available means afforded by the mind or the personal capabilities'. In other words, the term 'human resources' is taken to mean human productive capacities.

It is a feature of industrialised societies - and especially of societies that some people define as 'post industrial' - that fewer and fewer people are needed to produce material goods, and more people are employed to distribute goods, provide services and manage the economic and social production and organisation.

In the formal labour market we can identify four broad categories of labour used:

1. Skilled manual labour; e.g. miners, farmers, riggers, carpenters, etc;
2. People who distribute material goods; varied levels of skills - e.g. drivers, salespersons etc;
3. People who provide personal services; e.g. hairdressers, waiters and entertainers;
4. People who manage production, and economic and social organisation, especially the latter.

There is also a fifth kind - **the surplus labour**. On the ABS classification of industries, it is the fifth largest in terms of the number of people involved, after the wholesale and retail trade, community services, manufacturing, and finance, property and business services (601.9 thousand in August 1987).

We need to note that human resources are not used only in the formal labour market. In fact, they are produced, developed, controlled and/or provided by a number of distinct sectors which may be classified in a variety of ways, e.g.

Informal:	Primary groups:	family, relatives, friends, community (neighbourhood) groups
	Commercial:	the 'black' labour market
Formal:	Commercial:	the private sector labour market
	Non-Commercial:	non-government organisations: welfare, health, recreation etc.
	Government:	Commonwealth, State, Local

In fact, there is a competition among these sectors about the control over human resources. This is evident in the debate about privatisation, calls for reducing public expenditure, private and public health and education services, public (government) and private (non-government) welfare services.

So, human resources are important. There are many reasons for this, including the characteristics of these resources. Human resources are:

Renewable
Malleable
Take a long time to become productive
Once productive, they are long lasting
(longer than most machines)
Most are underdeveloped.

All these characteristics provide good reasons why we should look at human resources more closely, so as to see how they are created, managed, utilised, and with what outcomes. There are also additional important reasons such as the current consumer trends, entrenched unemployment, useless material production, destruction of the environment, to mention a few.

Evidence indicates that human resources are not always used with great efficiency or effectiveness. At present we experience at the same time a high rate of unemployment which is entrenched among certain sections of the labour force, and shortages of labour in other areas of industry - a phenomenon referred to as structural unemployment. This is the effect of a

changing production process which includes changes in the skills required as well as in the organisation of production. In that process some skills are no longer useful while others are in short supply.

This problem exists to varied degrees in most industrialised countries but is particularly serious in Australia because we have neglected to consider the educational needs of an economy based on a changing and advancing technology. Partly this has been due to the traditional 'anti-education' attitudes - the fear of an 'overeducated' population - and partly to the international capital which might have contributed to the economic growth of this country but at the cost of increasing dependence on foreign capital and know-how.

To a certain extent Australia has maintained the supply of human resources through immigration, although it has not always made the best use of the imported skills. Resistance to recognition of overseas educational qualifications, especially by professional and trade bodies, has resulted in much waste of human resources which would have been used to much greater advantage than has been the case.

Human resources might be created, developed, maintained and utilised in a number of sectors but in an industrialised society the main mechanism through which the productive capacities of human resources are enhanced is the education system. Increasingly, to be suitable for the labour market a person needs to stay in the education system beyond the compulsory school attending age (15 or 16 years) and needs to have some post-school qualifications. At present close to one-half (46%) of all employed persons have some post-school qualifications.

People with post-school qualifications have better access to employment, better access to good employment, higher participation rates, lower unemployment rates and, if unemployed, shorter duration of unemployment. The most advantageous position in the labour market is held by persons with tertiary degrees and the number of employed persons with degree qualifications have increased rapidly over recent years (Table 1).

Conversely, the lack of post-school qualifications figures prominently as the characteristic of unemployed persons. As may be seen in Table 1, in February 1987, persons without post-school qualifications accounted for just over one-half (52.0%) of all employed persons but for over two-thirds (68.2%) of all unemployed persons.

The levels of educational attainment of employed persons are not the same in all industries. In most industries less than one-half of employees have post-school qualifications but the differences are most marked in the employment of persons with degrees (Table 2). Industries engaged in management rather than material production, while accounting for one-third of the employed labour force, cream off the large majority (71%) of persons with degrees. By contrast, industries engaged in material production, which also account for one-third of the employed labour force, account for only 15 per cent of employed degree holders. Thus we employ the most highly qualified people in industries which do not produce material goods but which manage, organise, control and maintain material (capital) and human labour resources.

The relationship between tertiary qualifications and employment in management and related services rather than material production is evident in the field of study which the qualified persons had undertaken. As can be seen in Table 3, the majority of employed persons with post-school, non-trade or apprenticeship qualifications are qualified in fields of study unrelated to material production.

The management industries as defined here (see Table 2), are located in both the public and the private sector, although some of them which are in the private sector are financed by public expenditure.

**TABLE 1: EDUCATIONAL ATTAINMENT AND LABOUR FORCE STATUS
FEBRUARY 1987**

Characteristics	The Labour Force			
	Total Labour Force*	With Post-School Qualifications		Without Post-School Qualifications
		Total	With Degrees	
Total Labour Force ('000)	7697.8	3420.4	712.9	4116.5
Total Labour Force (%)	100.0	44.4	9.3	53.5
- Employed ('000)	6998.2	3239.6	687.3	3639.6
- Employed (%)	100.0	46.3	9.8	52.0
- Unemployed ('000)	699.6	180.8	25.6	476.9
- Unemployed (%)	100.0	25.8	3.7	68.2
Men				
In Labour Force ('000)	4626.3	2189.5	471.3	2365.7
Participation Rate (%)	75.9	83.5	88.6	74.3
Employed	4230.9	2091.9	456.8	2086.1
Employed Part-Time (%)	6.4	4.1	4.4	6.7
Unemployed ('000)	395.4	97.6	14.5	279.6
Unemployment Rate (%)	8.5	4.5	3.1	11.8
Duration of } - Mean	56.7	53.2	50.0	60.5
Unemployment } - Median	20.0	17.0	13.0	24.0
Women				
In Labour Force ('000)	3071.5	1230.9	241.6	1750.9
Participation Rate (%)	48.9	64.6	75.6	42.7
Employed ('000)	2767.3	1147.7	230.4	1553.5
Employed Part-Time (%)	38.0	33.1	22.6	38.9
Unemployed ('000)	304.2	83.2	11.1	197.3
Unemployment Rate (%)	9.9	6.8	4.6	11.3
Duration of } - Mean	33.2	23.2	19.9	39.8
Unemployment } - Median	10.0	8.0	11.0	13.0
Change 1979-1987				
All Employed Persons ('000)	+ 963.6	+ 996.9	+ 262.2	- 85.7
All Employed Persons (%)	+ 16.0	+ 44.4	+ 61.7	- 2.3
All Employed Men ('000)	+ 330.9	+ 516.3	+ 143.2	- 209.2
All Employed Men (%)	+ 8.5	+ 32.8	+ 45.7	- 9.1
All Employed Women ('000)	+ 632.7	+ 480.6	+ 119.0	+ 123.5
All Employed Women (%)	+ 29.6	+ 72.0	+ 106.8	+ 8.6

Source: ABS (1987, 1988) Labour Force Status and Educational Attainment,
February 1986; 1987; Cat. No. 6235.0

* Total Labour Force includes persons 15-20 years still at school.

TABLE 2: EMPLOYMENT: INDUSTRY AND EDUCATIONAL ATTAINMENT
FEBRUARY 1987
(N = '000)

Industry	All Employed Persons*	With Post-School Qualifications		Without Post-School Qualifications
		All with Qualific- ations	With Degrees	
All industries				
N	6998.2	3239.6	687.3	3639.6
%	100.0	46.3	9.8	52.0
Material production				
- N	2310.3	1024.3	105.2	1271.4
- %	100.0	44.3	4.6	55.0
- % of all employed	33.0	31.6	15.3	34.9
Services: distribution				
- N	1928.3	677.3	74.5	1166.1
- %	100.0	35.1	3.9	60.5
- % of all employed	27.6	20.9	10.8	32.0
Management industries				
- N	2277.4	1360.6	486.4	910.7
- %	100.0	59.7	21.4	40.0
- % of all employed	32.5	42.0	70.8	25.0
Recreation, personal services				
- N	482.1	177.4	21.2	291.4
- %	100.0	36.8	4.4	60.4
- % of all employed	6.9	5.5	3.1	8.0

Material production	=	agriculture and other primary; mining; manufacturing; electricity, gas, water; construction
Services: distribution	=	w'sale and retail trade; transport and storage; communication
Management industries	=	finance, property, business services; public administration and defence; community services
Recreation, personal services	=	Entertainment, restaurants, hotels, personal services, domestic services, etc.

* Includes persons still at school

Source: ABS (1988) Labour Force Status and Educational Attainment, February 1987; Cat. No. 6235.0

**TABLE 3: MAIN FIELD OF STUDY OF EMPLOYED PERSONS WITH
POST-SCHOOL QUALIFICATIONS
FEBRUARY 1987**

Main Field of Study	All Employed		Men		Women	
	N('000)	%	N('000)	%	N('000)	%
All Employed with post-school qualifications (a)	3239.6	100.0	2091.9	100.0	1147.7	100.0
Degree	687.3	21.2	456.8	21.8	230.4	20.1
Certificate, Diploma	1309.0	40.4	495.2	23.7	813.8	70.9
Trade, Apprenticeship	1217.9	37.6	1129.8	54.0	88.1	7.7
Degree	687.3	100.0	456.8	100.0	230.4	100.0
Administrative (b)	113.4	16.5	89.9	19.7	23.5	10.2
Law	33.2	4.8	26.2	5.7	6.9	3.0
Education	104.8	15.2	44.9	9.8	59.9	26.0
Medicine	66.5	9.7	44.4	9.7	22.2	9.6
Science, Computing (c)	134.6	19.6	94.6	20.7	40.0	17.4
Engineering	77.2	11.2	75.2	16.5	*	-
Architecture	15.0	2.2	13.8	3.0	*	-
Social Sciences (d)	122.8	17.9	53.6	11.7	69.2	30.0
Other	19.8	2.9	14.2	3.1	5.6	2.4
Certificate or Diploma	1309.0	100.0	495.2	100.0	813.8	100.0
Secretarial	294.6	22.5	*	-	290.4	35.7
Health	268.3	20.5	30.1	6.1	238.3	29.3
Engineering	130.3	10.0	122.9	24.8	7.4	0.9
Education	175.2	13.4	45.3	9.1	129.9	16.0
Business	193.4	14.8	138.5	28.0	54.9	6.7
Science	70.8	5.4	61.3	12.4	9.6	1.2
Social Studies	52.1	4.0	17.4	3.5	34.7	4.3
Other	124.3	9.5	75.5	15.2	48.8	6.0
Trade, Apprenticeship	1217.9	100.0	1129.8	100.0	88.1	100.0
Service	56.1	4.6	12.5	1.1	43.6	49.5
All other Trades	1161.8	95.4	1117.3	98.9	44.5	50.5

- (a) includes persons with other post-school qualifications
 (b) includes business studies and commerce.
 (c) includes mathematics, veterinary and agricultural science.
 (d) includes arts and humanities.

Source: ABS (1988) Labour Force Status and Educational Attainment,
Australia, February 1987, Cat. No. 6235.0.

Of the 2277.4 thousand persons employed in those industries in February 1987 the distribution of employment was as follows (in '000):

All management industries	2277.4	100.0%
Finance, property and business services	723.6	31.8%
Public administration and defence	342.3	15.0%
Community services	1211.5	53.2%

Thus over two-thirds of those persons are employed in the public sector or are financed directly from the public sector.

The largest of these three sectors - community services - is also the most professionalised and the largest employer of women (in August 1987, 479.9 thousand, or 55.1% of all employed professionals; and 860.3 thousand, or 29.5% of all employed women) (Tables 4 and 5).

In August 1987, the distribution of employment in community services was (in '000):

All community services	1280.3	100.0%
Health services	509.0	39.8%
Education, libraries, museums	498.6	38.9%
Welfare and religious organisations	108.9	8.5%
Other services (police, etc.)	163.7	12.8%

Community Services: A Cause for Concern?

As mentioned earlier, in terms of employment the sector of community services has been the fastest-growing sector over the past two decades. In fact, over this period the rate of employment growth in community services has been 3.50 times higher than the rate of growth for total employment (163.4/46.6% - see Table 6). Moreover, the rate of growth has been sustained in periods of economic growth as well as in periods of economic recession; neither did changes in government in Canberra seem to have affected the rate of growth in this sector (The periods shown in Table 6 are related to the years in which one or the other political party held office in the Federal sphere. As the data show, the rate of employment growth in community services was not affected much by changes in government or by changes in the rate of growth in total employment.)

The growth of employment in the public sector, especially in the diverse field of community services, has been a subject of public concern for some years. Critical opinions about the growth of these services have been raised in various quarters. Views have been expressed that these services do not necessarily achieve the aims of social welfare policy towards greater equity or equality but tend instead to benefit the more affluent middle classes. These observations have not been confined to Australia and have been made in other countries as well. Expressions such as 'middle-class welfare', 'middle-class capture', and 'infiltration of the welfare state by the middle classes' are frequently used in the press as well as by social scientists and researchers. There is also evidence that there might be considerable validity in these criticisms as shown in the studies by Anderson and Vervoorn (1983) on education; or studies by Sweeney and Jamrozik (1982, 1984) on child care.

**TABLE 4: EMPLOYED PERSONS: EDUCATIONAL ATTAINMENT AND INDUSTRY
FEBRUARY 1987**

Educational Attainment	(1) All Industries		(2) Community Services		
	N('000)	%	N('000)	%	% of (1)
All Employed Persons	6998.2	100.0	1211.5	100.0	17.3
- Men	4230.9	60.5	434.3	35.8	10.3
- Women	2767.3	39.5	777.2	64.2	28.1
All Employed Persons	6998.2	100.0	1211.5	100.0	17.3
- With post-school qualifications	3239.6	46.3	835.0	68.9	25.8
- With degrees	687.3	9.8	310.8	25.7	45.2
- Without post-school qualifications	3639.6	52.0	373.4	30.8	10.3
- Still at school	119.0	1.7	3.1	0.3	2.6
Men: All Employed	4230.9	100.0	434.3	100.0	10.3
- With post-school qualifications	2091.9	49.4	316.4	72.9	15.1
- With degrees	456.8	10.8	168.0	38.7	36.8
- Without post-school qualifications	2086.1	49.2	117.4	27.0	5.6
- Still at school	52.9	1.3	0.5	0.1	0.9
Women: All Employed	2767.3	100.0	777.2	100.0	28.1
- With post-school qualifications	1147.7	41.5	518.6	66.7	45.2
- With degrees	230.4	8.3	142.8	18.4	62.0
- Without post-school qualifications	1553.5	56.1	256.0	32.9	16.5
- Still at school	66.1	2.4	2.6	0.3	3.9

Source: ABS (1988) Labour Force Status and Educational Attainment, Australia, February 1987; Cat. No. 6235.0.

**TABLE 5: EMPLOYED OCCUPATIONS: ALL INDUSTRIES
AND COMMUNITY SERVICES
AUGUST 1987**

Occupation	(1) All Industries		(2) Community Services		
	N('000)	%	N('000)	%	% of (1)
All Employed Persons	7073.2	100.0	1280.3	100.0	18.1
- Men	4262.3	60.3	450.0	35.1	10.6
- Women	2810.8	39.7	830.3	64.9	29.5
All Employed Persons	7073.2	100.0	1280.3	100.0	18.1
- Professionals	871.6	12.3	479.9	37.5	55.1
- Para-professionals	440.7	6.2	239.3	18.7	54.3
- Managers, Administrators, Clerks	2007.3	28.4	247.1	19.3	12.3
- Other Occupations	3753.6	53.1	314.0	24.5	8.4
Men: All Employed	4262.3	100.0	450.0	100.0	10.6
- Professionals	530.5	12.4	221.4	49.2	41.7
- Para-professionals	248.9	5.8	74.7	16.6	30.0
- Managers, Administrators, Clerks	915.5	21.5	43.9	9.8	4.8
- Other Occupations	2567.4	60.2	110.0	24.4	4.3
Women: All Employed	2810.8	100.0	830.3	100.0	29.5
- Professionals	341.1	12.1	258.5	31.1	75.8
- Para-professionals	191.8	6.8	164.6	19.8	85.8
- Managers, Administrators, Clerks	1091.8	38.8	203.0	24.5	18.6
- Other Occupations	1186.1	42.2	204.2	24.6	17.2

Source: ABS (1987) The Labour Force Australia, August 1987;
Cat. No. 6203.0.

**TABLE 6: CHANGES IN POPULATION, EMPLOYMENT AND
PENSIONERS/BENEFICIARIES, 1966-1987**

Period (Years)	Population 16 years + N('000)	Persons Employed		Pensioners & Beneficiaries N('000)
		All Employed N('000)	Community Services N('000)	
1966-1987				
1966	7969.8	4823.9	486.0	861.6
1987	12241.2	7073.2	1280.3	2718.7
Increase N	4271.4	2249.3	794.3	1857.1
Increase %	53.6	46.6	163.4	215.5
Increase % p.a.	2.6	2.2	7.8	10.3
1966-1972				
1966	7969.8	4823.9	486.0	861.6
1972	9270.3	5609.9	663.9	1133.4
Increase N	1300.5	786.0	177.9	271.8
Increase %	16.3	16.3	36.6	31.5
Increase % p.a.	2.7	2.7	6.1	5.3
1972-1975				
1972	9270.3	5609.9	663.9	1133.4
1975	9633.1	5841.3	793.2	1643.6
Increase N	362.8	231.4	129.3	510.2
Increase %	3.9	4.1	19.5	45.0
Increase % p.a.	1.3	1.4	6.5	15.0
1975-1983				
1975	9633.1	5841.3	793.2	1643.6
1983	11373.4	6284.5	1073.6	2618.1
Increase N	1740.3	443.2	280.4	974.5
Increase %	18.1	7.6	35.4	59.3
Increase % p.a.	2.3	1.0	4.4	7.4
1983-1987				
1983	11373.4	6284.5	1073.6	2618.1
1987	12241.2	7073.2	1280.3	2718.7
Increase N	867.8	788.7	206.7	100.6
Increase %	7.6	12.5	19.3	3.8
Increase % p.a.	1.9	3.1	4.8	1.0

Source: Australian Bureau of Statistics, **Population and Labour Force Data** Department of Social Security, **Annual Report 1985-86, 1986-87.**

Note: Pensioners/Beneficiaries includes Age, Invalid and Widows' pensioners; and Supporting Parent, Unemployment, Sickness and Special Beneficiaries.

* Simple % per annum, (i.e., % growth for the period/N years)

In the public debate the criticisms of the growth of employment in community services and of the corresponding increase in public expenditure have come from all sides of the political spectrum. For example from the right, The Australian Institute of Public Policy (Perth, WA) published in 1986 a booklet on **The Future of the Welfare State**, with contributions from John Nurick, Clifford Orwin, Nathan Glazer, and Wolfgang Kasper. In the Foreword to the booklet Hal Colebatch says, inter alia,

After many years of apparently self-evident wisdom that 'more is better' the destructive effects of excessive welfare spending are coming to be recognised. Excessive welfare spending, it is now being understood, harms not only the productive sectors of the community, who must bear its burden through excessive taxation and the stinting of other government functions, but also the very people the welfare industry and its attached political lobby profess to help ...

Often the real beneficiaries of the tax-payers' dollars have not been the poor but those within the welfare industry who have made careers in administration for themselves, or those cunning enough to exploit the system at the receiving end beyond their needs ... (1986:5-6)

And the Australian Financial Review in an **Editorial** on education, 'The three needs: knowledge, skills and character' (23 June 1987 - before the last Federal elections) wrote:

For too long the main beneficiaries of the enormous sums spent on education have been the educators and the bureaucrats rather than our children ...

One of the most important of these [much more deeply rooted problems] is the increasing non-accountability of teachers and educational administrators ... [etc. etc.]

An interesting comment which reveals some of the concerns of the AFR is the statement in the Editorial which questions the values and perception of issues presented to students in schools. The Editorial clearly infers that the values of capitalism should not be questioned. It says,

At the same time, an 'anything goes' attitude pervades our schools regarding moral and social values. Business parents would be surprised at the anti-business attitudes being promulgated under the guise of 'consumer education' and the attempts to blame all the problems of less developed economies on the advanced capitalist countries.

And on tertiary education, The Editorial continues,

Shouting bands of privileged middle-class students, supported and encouraged by well-paid, tenured academics, should not be allowed to thwart the improvements in both efficiency and equity which the reintroduction of tertiary fees would unquestionably produce.

It would seem, then, that the right and the business community complain that social welfare expenditure benefits the affluent rather than the poor. Coming from these quarters the concern may be regarded as rather strange but we need to acknowledge that these criticisms are not very different from those expressed by some members of the Labor party. Furthermore, much of that criticism is reflected in the studies of social services by such people as Julian Le Grand (1982) George and Wilding (1984) and in my own studies (1983, 1986, 1987). For example, from their analysis of the British welfare scene George and Wilding comment,

the overwhelming body of evidence shows that inequalities in the areas of the social services have remained fairly constant during the period covered by this study... the higher socio-economic groups have easier access to services than the lower socio-economic groups; and they often have access to better services. (1984:253)

A similar situation certainly exists in Australia, whether one examines access to higher education (Boland and Jamrozik 1987), early childhood services (Sweeney and Jamrozik 1984) or good quality employment (Jamrozik 1987).

The evidence thus indicates that in the provision of services such as health, education and welfare, as distinct from the provision of income support through pensions and benefits, inequalities in access tend to reflect the social and economic inequalities of the market economy.

The distinction between income support payments and services is important because the path between aggregate allocation of expenditure and the recipients is essentially different in each category. In cash transfers (pensions, benefits) the path is fairly straightforward, indicating a relatively small number of mediators, that is, persons involved in the administration and allocation of funds to the recipients. A different matter entirely takes place in the provision of non-cash collective services, such as education and health, as the cost of these services consists almost entirely of incomes earned by the providers of services, the service itself being of a 'non-tangible' nature in direct cash terms, although it may have an economic value to the recipient, in due course. Such services thus generate certain self-interest for the providers of services, which may or may not be conducive to an effective performance of the function the expenditure on these services was intended to achieve.

In the provision of community services there are many 'intervening variables' between aggregate allocation of resources and the recipients, such as organisational arrangements, professional interests, location of services, administrative policies, and many others (see Figure 1 - for a more detailed explanation of this issue see Jamrozik 1987).

One of the important intervening variables in the provision of services is the specialised knowledge and expertise of the professional, which is exercised, often with the sanction of the law but with the discretion the professional is allowed in interpreting rules and in applying them to individual recipients of services or to group categories of recipients. As Titmuss observed some years ago,

In the modern world, the professions are increasingly becoming the arbiters of our welfare fate; they are the key-holders to equality of outcome; they help to determine the pattern of redistribution in social policy...we substitute, in effect, the professional decision-maker for crude decisions of the economic market place. (1968:196)

The growth in the numbers and diversity of professionals has been the feature of the welfare state. However, it is this growth and corresponding public cost that have now been included among the reasons for the attack on the welfare state. At the same time, there are also indications that significant inadequacies do indeed exist in certain areas of community services. Whether the inadequacies exist because of insufficiency of resource allocation, or because of other reasons might be a matter of interpretation of values or interests. Whatever the reasons, the provision of community services is currently one of the main concerns in the debates about the welfare state.

FIGURE 1
CASH TRANSFERS AND SERVICES:
CHARACTERISTIC FEATURES AND PROCESS OF ALLOCATION

Cash Transfers	Characteristic Features	Services
<ol style="list-style-type: none"> 1. Tangible (quantitative) 2. Value determined in money terms 3. Entitlement determined by legislation and administration 4. Value allocated = value received 5. Immediate benefit 6. Mainly maintaining function 	<ol style="list-style-type: none"> 1. Intangible (qualitative) 2. Not easily determined in money terms 3. Entitlement determined by administrators and service providers 4. Value allocated cannot be equated with value received 5. Benefit not always immediate 6. Mainly facilitative function 	
Process of Allocation		
<p>Aggregate allocation</p> <p>Units of allocation - direct to individuals, families</p> <p>Administration - relatively simple - few intervening variables</p> <p>Transfer (bank, post)</p> <p>Recipient - receives the benefit</p>	<p>Aggregate allocation</p> <p>Units of allocation - to departments, agencies, schools, hospitals etc.</p> <p>Administration - complex - many intervening variables</p> <p>Transfer - mediated through diverse bodies</p> <p>Recipient - does not necessarily receive the benefit</p>	

Is the Concern Justified?

The criticisms and concerns levelled at community services revolve around two main issues: it is argued, first, that these services are now too costly and the economy cannot afford them; and, second, that the services do not produce the intended effects. Both arguments have considerable validity but both also conceal a number of assumptions which are based on ideological normative values and/or certain interests. For both reasons, a study of community services presents not only methodological problems but, first and foremost, a number of value questions related to ideology, politics and group interests.

To take the issue of cost, what the economy can afford is not an amount of resources that can be ascertained scientifically but a question of choice among certain values. Quite often, the need for service itself is not under question but rather the manner of its provision. This is at the basis of the currently ongoing debate on privatisation where it is argued that certain services should not be provided through the public sector and should be transferred to the private sector. The reasons advanced in favour of privatisation are numerous and, often, the reasons are contradictory. It is argued, for example, that public enterprises are inefficient but it is also argued that governments should not operate profitable enterprises. Or, it is argued that governments cannot raise sufficient funds but private enterprise can. While most of these arguments are presented in economic terms, the advanced economic arguments are often spurious; the real reasons are based on ideology and group interest.

As to the second issue, in order to determine whether the services achieve the intended effects it is necessary to consider first what the intended effects are expected to be. This is by no means clear because manifest policy objectives are not always the same as the real policy objectives. Furthermore, as shown in Figure 1, the path between aggregate allocation of resources and the actual service delivery is long and not straightforward. Among the many intervening variables the interests of policy-makers, administrators and service providers are powerful factors which affect the eventual outcome of services. These interests are rarely complementary; more often than not they are in conflict because various groups compete against one another for their share of resources (as well as competing, as one group, against interest groups in other areas).

Ideally, any study of a community service which is based on human resources should include, or at least take account of, all intervening variables between the aggregate allocation of resources and the actual service delivery. This is simply not feasible because:

1. Aggregate allocation of resources takes place at a high level of policy decision-making. Along the path towards service delivery other resources might be added or some resources might be diverted towards other purposes. Some resources might also be dissipated on activities which might be only slightly related or even unrelated to the intended purpose of allocation.
2. At various organisational levels of the system the interest and perceptions of the actors involved might differ from the aims of the service as perceived or intended by the policy makers who were responsible for the aggregate allocation.
3. The aggregate allocation is in terms of funds; these have to be converted into human resources - a process of considerable complexity.
4. The manifest purpose of the service might be only one of a numbers of aims the service is intended to achieve. The aims are not necessarily compatible with one another, and the incompatibility might not be easily identified because some of the aims are either latent or deliberately concealed.

In effect, it is at times difficult to say whether a given service achieves the intended effect because it is not clear what the intended effect is supposed to be: various actors involved in the provision of service might hold different views of the service's aims and measure its effectiveness accordingly. Furthermore, the service might be judged to be effective at a local level but the effect of the entire program might be different.

As far as community services are concerned, one effect of their provision is fairly clear. In the important areas of education, health, and also child care, the services are provided with the stated purpose of providing equal opportunity of access, but the effect is quite different. As suggested earlier in this paper, there is a substantial body of evidence which indicates that these services have become a new source of social and economic inequality because they tend to benefit the more affluent middle classes, often to the exclusion of the less affluent working classes.

Let us come now to the question posed in the title of this paper: Is there, or has there been, an **inadequate investment in human resources or a welfare overload?**

First, let me make this observation: the welfare state came into being because the market economy was not able to take care of the whole population; the market economy created a 'human residue' that needed to be 'looked after'. Furthermore, the market economy was not able to function without the socialisation of certain costs, provision of material and human infrastructure, regulating mechanisms, and the maintenance of social order.

The welfare state provides income support and community services. In our (Australian) selective system of social security, cash transfers are used mainly to provide income support for those who cannot obtain the means of survival from the market. In contrast, community services are mainly facilitative; they enable people to function in the market economy.

However, this is not the only function that these services perform: they play an important role in maintaining social order and social control. In fact, the welfare state has not managed to change the nature of the capitalist system. On the contrary, its organisations and provisions (mode of operation) as well as its values have increasingly acquired the characteristics of the capitalist system (see Marshall, 1981).

The main inroads, as it were, that community services have made have been into the informal sector. On the one hand, the services have been instrumental in facilitating some people's social functioning, and in reducing the capacity for social functioning in others. In other words, community services have played a significant role in maintaining and reproducing the class structure of society.

Let me give you a few examples:

1. In education, the division between private and public school systems has been one of the main causes of social and economic inequalities. Over the past 20 years, and especially in the last decade, the private school system has grown in significance, to the relative detriment of the public school system. This has been achieved with deliberate policies of Commonwealth and State governments (see Boland and Jamrozik 1987).
2. In child care (heavily subsidised by the state) the relatively affluent families are the main users. In contrast, the poor families are overrepresented in child welfare (see Jamrozik, Drury and Sweeney 1986).
3. The focus in currently topical problems - child abuse and neglect, family violence - is on the relatively poor families.
4. In health services, there is a well established and growing two-tier system between public and private hospital systems.

So, there has been inadequate investment in some areas and an overload in others. As a result, community services have been instrumental in replicating the inequalities of the market economy and in creating some new inequalities.

Let me demonstrate this with a simple illustration of what may be regarded as something of a paradox.

Over the past 21 years, the growth of the GDP has exceeded the growth of population by a factor of 1.51. In other words, in crude terms, we are 50% better off, more affluent than we were in 1966 ($2.12/1.40 = 1.51$; see Table 7). At the same time there has been a growth of dependence on the state for income maintenance by a factor of 2.25 over the growth of the population ($3.25/1.40 = 2.25$).

Over this period of time, all governments, and especially the current government, have been manifestly concerned with alleviating poverty; yet the extent of poverty is greater now than it was in 1966. So is the extent of inequality in income distribution and in access to resources which facilitate social functioning. This means that the forces working towards greater inequality have been stronger than the measures aimed to reduce the inequality. However, we need to note that there have not been any significant measures taken by governments towards reducing inequality. Most measures have been aimed towards alleviating poverty. I do not think that one can alleviate poverty without first reducing inequality.

The concern with poverty has been continuously expressed since the early 1970s. In 1972, the then Coalition government established the Commission of Inquiry into Poverty. In 1973, Whitlam Labor government extended the terms of reference for the Commission and appointed four additional Commissioners to investigate specific areas of poverty: education, social/medical aspects, the law, and selected economic issues, such as urban and rural poverty.

In the Preface to its Main Reports, the Commissioners wrote:

... poverty in Australia is inseparable from inequalities firmly entrenched in our social structure. Inequalities in income and wealth 'reinforce and are reinforced by inequalities of educational provision, health standards and care, housing conditions and employment conditions and prospects'. To these must be added the difficulties encountered by poor people, not exclusively those with the lowest cash incomes, in gaining knowledge of and access to legal processes.

If poverty is seen as a result of structural inequality within society, any serious attempt to eliminate poverty must seek to change those conditions which produce it. (1975:viii)

It is interesting to note that since then the concern about poverty - in government policies as well as in much of social policy/social welfare research - has focused almost exclusively on income maintenance, more specifically, on counting the numbers and identifying the categories of persons below the 'poverty line'. The neglect to widen our perceptions to the issues of inequality which were seen by the Commissioners as the structural causes of poverty has been, I think, one of the reasons for the paradox I have illustrated.

What Can We Conclude from All This?

If we look at the recent and current trends in Australian society we can identify a number of divergent trends. Growth of affluence and growth of poverty. Shortages of labour power and entrenched unemployment. Much concern about human resources and neglect of human resources.

TABLE 7: SOME FEATURES OF CHANGE, AUSTRALIA, 1966-1987

Population/C'wealth Government Outlays	Years		+ Change 1966 - 1987	
	1966 N('000)	1987 N('000)	N('000)	Ratio
Population				
Total Population	11599.5	16249.3	4649.3	1.40
. 0-14 years	3419.7	3680.2	260.5	1.08
. 15-64 years	7193.5	10826.8	3633.3	1.51
. 65 + years	986.3	1741.9	755.6	1.77
Labour Force				
Labour Force	4902.5	7675.1	2772.6	1.57
. Employed	4823.9	7073.2	2249.2	1.47
. Unemployed	78.6	601.9	523.3	7.66
Pensioners/Beneficiaries				
All Pensioners/Beneficiaries	861.6	2718.1	1856.5	3.15
. Age Pensioners (+ carers)	641.0	1346.7	705.7	2.10
. Unemployment Beneficiaries	19.5	550.9	531.4	28.25
. Others	201.1	820.1	619.4	4.08
Commonwealth Budget(\$M)*				
Total Outlays	18563	44796	26233	2.41
. Social Exp Outlays	5674	21453	15779	3.78
. Social Security and Welfare	3299	12281	8982	3.72
Gross Domestic Product *	74766	158194	83428	2.12

* At constant 1980-81 prices (1980-81 = 100; 1966 = 30.4; 1987 = 167.2)

Source: Various data from the Australian Bureau of Statistics, Department of Social Security and Commonwealth Budget Papers.

Looking at the trends in the economy, in the labour market especially, there are distinct indications of a high level of unemployment, increasingly entrenched among certain sections of the population - the new underclass - a substantial waste of human resources, in economic as well as human and social terms - a human residue of the market economy. On the other hand, over the past 20 years we have seen a growth of investment in human resources through education (Tables 8 and 9). The majority of the people who qualify as professionals of one kind or other work with people rather than things: they manage, organise, teach, control, heal, cure, counsel, examine, research. They provide services which facilitate other people's social functioning or services which control and often inhibit other people's social functioning. In discharging these functions they make the market economy viable, but they also reproduce the inequalities of that economy.

Some would argue that the maintenance of the system is the function of the helping professions. Evidence certainly indicates that the helping professions have been successful in discharging this function. Whether this is the best we can, or should, expect from this substantial investment in human resources is the question worth some consideration.

This question needs to be directed at, and considered by, the people at all levels of social and social welfare organisation: in policy formulation and policy making, administration and service delivery. In particular, it needs to be directed at and considered by those who educate and train the future professionals, the professional bodies and the practising professionals.

In the government sphere, the Commonwealth government provides the framework and the direction of social policies, but in the field of community services where human resources are mainly used it is the States and the non-government sector that need to consider this question.

Utilisation of human resources in welfare and related areas of public provisions is already high and is likely to increase in the future. By and large, welfare services based on human resources rather than cash transfers are expected to perform facilitating functions rather than maintaining functions. If effectively used, human resources in community services can assist the recipients of services in gaining independence and autonomy, thus reducing the need for certain provisions such as income support. Thus while income support provisions may be regarded as the necessary **safety net**, facilitative services may be perceived as the necessary **primary services**.

How these services are provided in terms of efficiency and effectiveness; which social values they encourage and pursue; and whom do they benefit - these are some of the questions that will be in the forefront of social policy issues for the foreseeable future. How these social issues are resolved will also be a significant factor in the future direction (some would say, even survival) of the welfare state.

The welfare state was expected to become a countervailing force to the inequalities generated in the capitalist market economy. That promise has not been fulfilled, except at the extremes of inequality. Income maintenance measures might have an element of redistribution but to a large extent, income maintenance measures which have benefited the lower socio-economic strata have been negated by the trends which have developed in the provision of community services which clearly tend to benefit the middle and the upper socio-economic strata.

Now, we know that in the field of community services the **providers** of services also figure high among the same class of people as the **consumers** of services, especially of those which facilitate the recipients' social functioning (e.g. education, child care). In other words, the way these services operate, they have become another source of inequality. As I mentioned earlier, they serve to reproduce the class structure. The issue, therefore, is not so much one of 'more welfare' or 'less welfare' but one of aiming to ensure that the high investment into human resources that community services represent is not used to maintain inequalities in the society.

TABLE 8: CHANGES IN EDUCATION, AUSTRALIA, 1967-1983

Population in Education/ Social Outlays	1967		Years		+ Change 1967 - 1983	
	N('000)	%	N('000)	%	N('000)	%
Population	11799.1	-	15393.5	-	3594.4	30.5
School Enrolments						
: All grades	2581.2	100.0	3015.8	100.0	434.6	16.8
: Primary	1733.4	67.2	1809.0	60.0	75.6	4.4
: Secondary	847.8	32.8	1206.8	40.0	359.0	42.3
Non-government						
: All grades	593.7	23.0	732.8	24.3	139.1	23.4
: Primary	374.4	21.6	398.0	22.0	23.6	6.3
: Secondary	218.7	25.8	336.7	27.9	118.0	54.0
University Enrolments						
: Total	95.4	100.0	169.4	100.0	74.0	77.6
: Men	69.0	72.3	94.5	55.8	25.5	37.0
: Women	26.4	27.7	74.8	44.2	48.4	183.3
CAE Enrolments						
: Total	107.2(1)	100.0	179.9	100.0	72.7	67.8
: Men	61.4	57.3	93.3	51.9	31.9	52.0
: Women	45.8	42.7	85.8	47.7	40.0	87.3
Commonwealth Government Outlays \$M (2)						
- Total Outlays	18087	100.0	38329	100.0	20242	111.9
- Social Outlays (3)	5529	30.6	17692	46.2	12163	220.0
- Education Outlays	452	2.5	2919	7.6	2467	545.8
- Education as % of Social Outlays	-	8.2	-	16.5	-	8.3
- Education as % of GDP	-	0.6	-	2.2	-	1.6
- Education per head of population	\$38.3	-	189.6	-	151.3	395.0
Gross Domestic Product	72849	-	129855	-	57006	78.3

(1) Data for 1974

Note: Enrolments of TAFE not included

(2) All outlays at constant 1980-81 prices:

CPI 1980-81 = 100.0; 1967 = 31.2; 1983 = 127.3.

(3) Social outlays include education, health, social security and welfare, housing and community amenities, and culture and recreation.

Source: ABS (1984) Social Indicators No. 4, Cat No, 4101.0.

TABLE 9: CHANGES IN EDUCATION, AUSTRALIA, 1983 - 1987

Population in Education/ Social Outlays	1983		Years		+ Change	
	N('000)	%	1987	%	1983 -1987	%
	N('000)		N('000)		N('000)	
Population	15393.5	-	16248.8	-	855.3	5.6
School Enrolments						
: All grades	3015.8	100.0	3005.7	100.0	-10.1	-0.3
: Primary	1809.0	60.0	1697.8	56.5	-112.2	-6.1
: Secondary	1206.8	40.0	1307.8	43.5	101.0	8.4
Non-government						
: All grades	732.8	24.3	814.6	27.1	88.1	11.2
: Primary	398.0	22.0	416.8	24.5	18.8	4.7
: Secondary	336.7	27.9	397.8	30.4	61.1	18.1
Tertiary Enrolments						
: Total(1)	256.5	100.0	289.0	100.0	32.5	12.7
University Enrolments	131.6	51.3	143.4	49.6	11.8	9.0
CAE Enrolments	124.9	48.7	145.6	50.4	20.7	16.6
Commonwealth Government Outlays \$M (2)						
- Total Outlays	38329	100.0	44796	100.0	6467	16.9
- Social Outlays (3)	17692	46.2	21453	47.9	3761	21.3
- Education Outlays	2919	7.6	3120	7.0	201	6.9
- Education as % of Social Outlays	-	16.5	-	14.5	-	-2.0
- Education as % of GDP	-	2.2	-	2.0	-	-0.2
- Education per head of population \$	189.6	-	192.0	-	2.4	1.3
Gross Domestic Product	129855	-	158194	-	28339	21.8

(1) Equivalent full-time students units

(2) All outlays and GDP at constant 1980-81 prices:
CPI 1980-81 = 100.0; 1983 = 127.3; 1987 = 167.2.(3) Social outlays include education, health, social security and
welfare, housing and community amenities, and culture and
recreation.

Note: TAFE not included

Source: Commonwealth Government (1987) Budget Papers 1987-88, Budget Paper
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COMMUNITY SERVICES AND OCCUPATIONAL WELFARE: WHO BENEFITS? AND WHO PAYS?

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Abstract

This paper uses primary ABS data and research data produced by other SWRC researchers to present a discussion of community services and occupational welfare. It considers each of these areas of social welfare expenditure within the context of the overall social division of access to social welfare in Australia. It argues that our social welfare system to date, has not been a particularly efficient mechanism; either for the promotion of equity, or for the long-term redistribution of economic and social resources and that community services have been no exception in this regard.

By focusing on the greater benefit derived from social welfare allocations by middle and upper income households the paper discusses the implications of these inequalities for contemporary welfare policy and social policy research.

Examination of readily observable patterns of differential access to community services and occupational welfare indicates that our social welfare system to date, has not been a particularly efficient mechanism; either for the promotion of equity, or for the long-term redistribution of economic resources.

Focusing on the greater benefit derived from social welfare allocations by middle and upper income households also enables us to draw on aspects of these social divisions of welfare and to make comments on contemporary welfare policy and social policy research generally.

I would like to do this today by drawing on a framework of analysis which has its origins largely in the formulation of three divisions of welfare; occupational, fiscal, and social, which Richard Titmuss originally presented in the early 1950s. His original framework has undergone considerable extension and modification since that time however (both by Titmuss himself and others), and we now find his original categories, which were originally fairly rigidly defined and homogeneous in nature, tending to be incorporated into the more dynamic conceptualisations of a 'mixed economy of welfare' (eg. Rein 1981, Sinfield 1978); that is one in which the state and the private sectors are envisaged as mutually dependent upon each other and integrated to a point where they are often indistinguishable in an economic sense.

The mixed economy of welfare approach is one which involves examining how and where social welfare expenditures act as a supplement for wages and other private income, and where they subsidise (or socialise) a proportion of the operational costs faced by employers, in all areas of the market. It is a model which perceives a positive economic role for social welfare and along with other areas of public expenditure; in transport, communications, and defence for example, a model which reveals the many other instances whereby public expenditures, and social welfare expenditures particularly, socialise some of the operating costs of the 'private' sector.

Titmuss' original framework, in many ways, reflected the wider economic impact of the Keynesian economic policies of his day. In the terms of the social theory of that time social welfare represented one component of a general economic regime of taxation and social expenditure designed: to stimulate the economy, to 'compensate for inequality', and to maintain full employment. This paradigm, given prominence by William Beveridge in England in the 1930s and 1940s, was also influential in the development of Australian social policy. However,

where the Keynes/Beveridge philosophy, embodying the principles of redistribution through taxation, social welfare and social insurance was intended to launch post-war Britain as a cradle-to-grave welfare state society which in Beveridge's words, was to be 'as free as is humanly possible, from the five great evils of Want, Disease, Ignorance, Squalor, and Idleness' (1945:27) the post-war Australian welfare state was arguably more conservative in the sense that it never really embraced broad social insurance principles to the same extent (Castles 1987). Other significant principles of Beveridge's welfare policy, however, including the pursuit of social equity through the application of progressive income tax policies and the redistribution of income via social security were incorporated into post-war Australian social policy and until the recessions and stagflation of the 1970s and 80s were seldom disputed. It is in this past decade and a half or so of economic instability and recession however, that the legitimacy of social expenditures has generally diminished and come under increased criticism.

The critiques have come from many political quarters: right, left, and centre. They are often based, in part, on a similar set of observations, namely that:

The state's ability to pay for social welfare is limited.

That previous expenditures have done little to alleviate social inequity in a long term or permanent sense.

And thirdly that welfare expenditures represent some sort of drain on the economy.

What I will be saying today is broadly in agreement with the first two points. That is, that the welfare state's ability to pay is finite, and that little has been done to alleviate the broader social inequities of our society. However, I will be taking issue with the suggestion that welfare expenditures are necessarily a drain on the economy, and suggesting, because their social distribution is broader and their positive economic effect more pervasive than is generally appreciated, that in fact the reverse is the case.

Unfortunately, as mentioned in the second of these observations, it appears that the greatest benefits from social expenditures are gained by active labour market participants. That is to say while the data indicate the positive economic role of welfare expenditures, these same data do not substantiate the view that social welfare allocations are redistributive or that they operate to redress the personal, social and economic inequalities which arise as the naturally occurring consequence of market forces. In fact some data show this view to be largely ideological, to have little basis in fact, and to obscure the actual economic role, or impact, of social welfare expenditures.

Furthermore, this view incorrectly promotes a perspective in which the main beneficiaries of social welfare are the poor when in actual fact our social welfare system provides more benefit, through social wage expenditures and occupational and fiscal welfare to people in the labour market rather than out of it. Furthermore it appears that the greatest benefits of social welfare accrue to middle and high income earners and that partly because of this a preoccupation with income transfer policies while necessary is not a sufficient strategy for poverty alleviation.

Socialisation of cost

It is generally accepted that cost socialisation, that is, the transferral of costs to the public sector which would otherwise either be borne by the market or by private individuals, is one function common to almost all welfare state expenditures. Social welfare expenditures are no exception in this respect and can be further categorised into two general sub-types: the income transfers

which we know as social security and which are generally considered to provide the minimal benefits 'necessary' for survival, and secondly, other expenditures which confer a more positive benefit on individuals.

The former expenditures take the form of **income support and maintenance** and involve a redistribution of income in the form of pensions, benefits and other allowances to persons judged to be in need, and ideally have the alleviation of poverty as their aim. The latter expenditures, which include the community services have a different quality from social security expenditures and are **claimed** to compensate for related structural social inequalities, by means other than income transfer. They are often also referred to as the **social wage**.

Access to social welfare of this type, which generally takes the form of **enabling services**; for example legal aid, health care, child care, education and so on, unlike social security provisions, is often not means tested and is therefore ostensibly available on a universal basis. It is this claimed universality that I will be questioning today and suggesting instead that access to social welfare is upwardly selective, in the manner suggested in Figure 1 which reproduces a table prepared by Adam Jamrozik and which appears amongst other places in SWRC Reports and Proceedings No. 65 (1987a:7).

For this and other reasons it is important to maintain the distinction between income transfers and other types of welfare and the two should not be confused or considered jointly when we speak about social welfare. For when they are, it seems, **income redistribution is confused with the reduction of social inequality**, and the outcome is one which promotes and reinforces misconceptions about the actual extent of the social distribution of welfare benefits, and therefore of the range of welfare beneficiaries in society. This, in turn, contributes to or reinforces limited visions of the economic role of welfare benefits and stigmatises social security recipients.

This, in turn, manifests itself in the development of short-term residualist social welfare policies focusing overly on the alleviation of poverty, rather than on the reduction of structural inequalities by means of the redistribution of social resources, **other** than in the form of income support. That is to say, when the many diverse aspects of social welfare are **not** considered separately we tend to devalue the economic impact of community services and focus unduly on restructuring social security pensions and benefits as a mechanism for reduction in inequality.

The result is arguably social policy which, **under the rhetoric of equality and poverty alleviation, ensures the physical survival of our welfare dependent and low income populations at the expense of providing services which ensure, maintain and facilitate the active economic and social participation of these persons.**

Social welfare provisions cover a vast range of goods and services available in both the public and the private spheres. They may be either direct financial allocations or taxation expenditures and in the instance of occupational welfare, for example, which involves additions in earned income, in cash or kind gained through employment, they may be barely distinguishable from normal wages and salaries.

However, where occupational welfare is a benefit conferred through labour market participation, eligibility for social security payments, that is income transfers from the state to private individuals, is generally predicated on the recipient's being temporarily or permanently absent from or having only a marginal or no attachment to the labour market.

Also where social security payments are actual public **expenditures**, occupational and fiscal welfare, on the other hand, mean that the public sector has to **forgo revenues**, ultimately at a cost to the taxpayer, and to the detriment of funds available for other areas, whether they are other welfare areas, community services, defence, or even new Federal Parliament Houses, and so on. A glance at any set of Federal budget papers reveals the range of expenditures to be very diverse.

FIGURE 1 : PUBLIC EXPENDITURE (COMMONWEALTH) AND ITS BENEFICIARIES

Selective in favour of low-income groups	Universal provisions	Selective in favour of high-income groups
1. Direct Allocations (means tested)		
Unemployment Benefits		
Family Income Supplement		
Invalid Pensions		
Supporting Parent Benefits		
Widows' Pensions		
Age Pensions		
Public Housing		
2. Collective Provisions (no means test)*		
Family Allowances		
Dependent Spouse Rebate		
Public Transport		
Public Schools		
Public Health System		
Technical (TAFE) Education		
Early Childhood Services		
Employment in Public Sector		
Colleges of Advanced Education (CAEs)		
Universities		
Culture, Recreation		
Private Health System		
Private Schools		
3. Taxation Expenditure (Revenue Forgone)		
Superannuation Concessions		
Occupational Welfare Concessions		
Assistance to Industry		
Concessions to Business		
Tax-Free Dividends		
'Condoned' Tax Avoidance		
'Condoned' Tax Evasion		

- * Some of these benefits/provisions entail taxation expenditures but they are available to recipients on a universal basis, irrespective of income.

Source: Jamrozik, A. "Winners and Losers in the Welfare State: Recent Trends and Pointers to the Future" in Social Welfare in the Late 1980's: Reform, Progress, or Retreat? Saunders, P. & Jamrozik, A. (Eds). SWRC R. & P. No. 65, 1987. p. 64.

What I would like to do today is present a series of observations on the social distribution of a few of these Federal welfare expenditures, to indicate: firstly, that the Australian Federal social welfare system confers many benefits on individuals, not on the basis of need but substantially on a basis which is **positively related to income and labour market status**. Secondly, that this occurs to such an extent such that, the higher one's social position in these terms, the greater is the derived benefit from social welfare - whether social, occupational or fiscal welfare and as such, those who benefit most from social welfare are not those most in need, and thirdly, that community services are no exception in this respect.

Furthermore, it appears that inequalities in the social division of welfare are compounded over time in that there is a tendency for social welfare, originally targeted to the needy, to become increasingly universalised, through several means.

Goodin and Le Grand (1986:2-9), provide us with four mechanisms through which this sort of 'invasion' of social welfare can occur: through the removal of boundary problems associated with withholding benefits from additional persons with eligibility criteria which are similar to those originally specified (the example they use being once a benefit has been denied to deserted wives, it is hard to then justify denying it to deserted long term co-habitees); secondly, through bureaucratic empire building and the associated desire for increasing personal power by the extension of bureaucratic jurisdiction; thirdly, by behavioural responses whereby people originally denied a benefit by virtue of means testing alter their circumstances and thereby become eligible; and lastly, through political pressures arising either as a consequence of governmental desire to attract political support or from the lobby of government by specific groups which threaten the removal of their support if they are not included as beneficiaries.

Of course it should be pointed out that redistribution is not a **sole aim of all welfare expenditures** and that other goals such as social integration, political stability and continued popular support for welfare and other outcomes may well be served by a universal distribution of benefits from welfare state expenditures.

Political forces therefore collectively appear to be, and to have been in the past, major causal factors in the determination of the structure of the social division of welfare and of the contradiction between the taken-for-granted redistributive merit of welfare expenditures and their actual, observable, social distribution. Examining the political basis of these divisions, however, is not the purpose of this talk which, rather, seeks to outline some social policy implications of the division itself.

Speculation on the tendency for social welfare programmes, initially targeted to people in genuine need, to be 'invaded' by the non-poor is fairly common as is speculation that the major beneficiaries of social welfare are not poor or disadvantaged persons but rather, the relatively well off middle income groups who have increasingly found well paid work associated with the administration of these same social policies as Gould (1981) points out. Indeed Jamrozik suggests that this process has become concretised to the point where the welfare industry has actually fostered the development of a new social class in Australia (1987b).

Leaving aside for the moment Orwellian visions of well paid administrators regulating the income and life style minutiae of the whole population, including social security recipients, these claims do have some basis in fact. The social division of welfare, that is differential access to welfare, appears to be largely a class based phenomena, determined in large part by one's occupation and income, in association with gender and ethnic characteristics. In areas of social security, fiscal, and occupational welfare the patterned differential access of one form or another is beyond dispute, and as the material below indicates, the community services are not an exception in this regard.

Any definition of community services will include provisions and expenditures in the areas of health, education, housing, welfare services and community amenities. Under the Australian Standard Industrial Classification (ASIC), the term community services includes, in addition to the areas mentioned above, libraries, museums, scientific research, meteorological services, business and labour organisations, police, prisons and fire brigades (ABS 1981) and presumably

also the various regulatory organisations associated with industrial health and safety and environmental control.

Figure 2, produced by Peter Saunders (1987) also appears in SWRC Reports and Proceedings No. 65. It indicates the expenditure profile of the two community service areas: education and health; and compares them to social security outlays. In this figure, wages and salaries and related capital expenditures appear in the expenditures component while the final social outlays figure reflects the proportion allocated to cash transfers. The figure highlights, to some extent, the labour and capital resource-intensive nature of community services (represented in the 'expenditure' component which appears below the dotted line) and the cash transfer basis of the social security system (which is the residual component above this same line).

Occupational welfare

In contrast to the community services, occupational and fiscal welfare, and social security payments are based on the transfer of income in **cash or kind** but by both direct **and** indirect means, and mainly through processes in which government employees play only a minor facilitative role.

Whereas the benefits of social security are survival-oriented, providing as they do the requirements of a minimal existence, the provisions of occupational and fiscal welfare, unlike social security confer genuine advantage, that is they are **enabling**. They constitute real additions to earned income. Jamrozik, Hoey and Leeds summarised the characteristics of occupational welfare as constituting,

...additions to earned income, in cash or kind, which permit improvement in living standard or increase individuals' purchasing power. Their source is associated with an individual's employer; they are normally counted by the employer as a cost of production and thus represent a loss to taxation revenue as well as a cost to the community in the form of correspondingly higher prices of goods and services. (1981:14)

If we examine the distribution of occupational benefits we find that their social distribution is decidedly unequal, and that the greatest benefit flows to upper socio-economic groups. Despite this, and particularly before the introduction of the recent Fringe Benefits Taxation legislation, the cost of occupational welfare has been borne by the whole community and low income groups therefore effectively pay for part of this unequal and regressive allocation of welfare benefits as Table 1 (cols. 2 and 4), which again uses material from Jamrozik, Hoey and Leeds 1981 study, indicates. They also represented this pattern in the form of the accompanying Figure 3.

We can highlight this point by examining individual benefits in greater detail and I have chosen superannuation for this purpose. We find, as ACOSS recently noted that,

the cost to government of the present system of tax concessions relating to superannuation costs the government at least \$3.5 billion and possibly \$5 billion or more each year

[this] can provide greater assistance to a high income earner than to a low income earner (even if their superannuation contributions are the same); [and this they conclude provides]

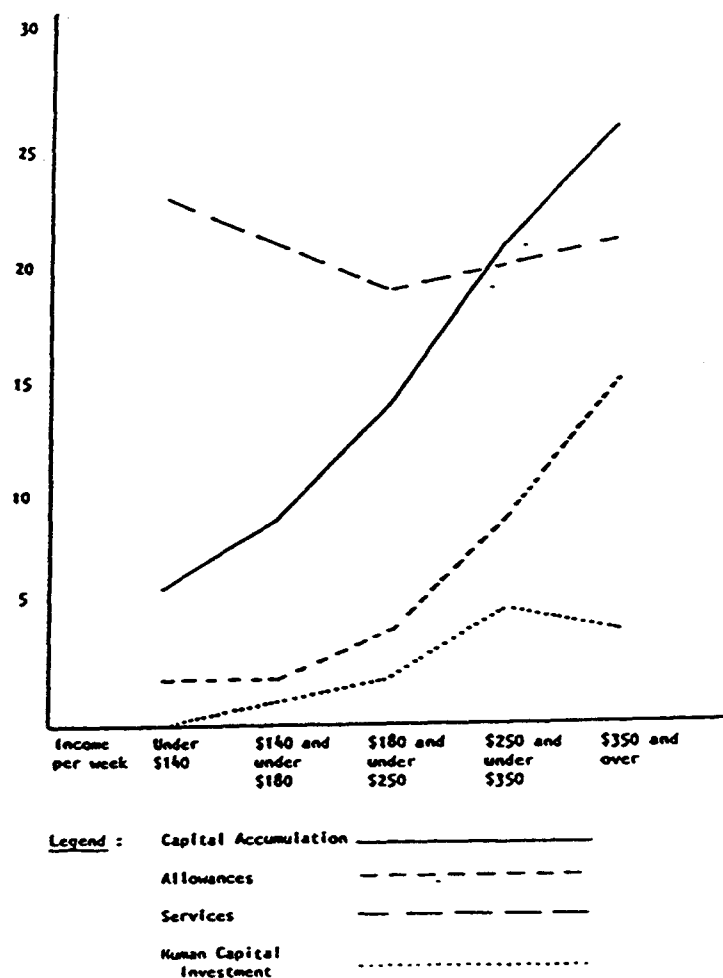
far more assistance to many wealthy people than they would receive if they had less wealth and thereby qualified to receive an age pension. (1988:1-2 passim)

Table 1 : Employment Benefits and Income (No. of Benefits Received)

<u>WEEKLY EARNINGS</u>	<u>EMPLOYEES('000)</u>	<u>NUMBER OF BENEFITS RECEIVED</u>				
		None	One	Two to four	Five or more	One or more
		<u>Per Cent of Employees</u>				
Under 120	563	43.1	39.2	16.0	1.6	56.8
120 £ under 140	314	37.9	41.6	17.7	*	62.1
140 £ " 160	544	39.8	40.3	19.2	*	60.2
160 £ " 180	658	34.2	37.8	26.8	1.2	65.8
180 £ " 200	466	29.7	39.4	30.2	*	70.2
200 £ " 250	871	24.1	36.2	36.9	2.9	76.0
250 £ " 300	401	13.6	34.3	44.4	7.6	86.3
300 £ " 350	208	12.7	29.1	48.7	9.6	87.4
350 and over	200	8.6	25.5	49.1	16.9	91.4
All Employees	4,320	29.7	37.0	30.0	3.3	70.3

Source: Jamrozik, A. et al. Employment Benefits: Private or Public Welfare? SWRC R. & P. No. 15, 1981. p. 39

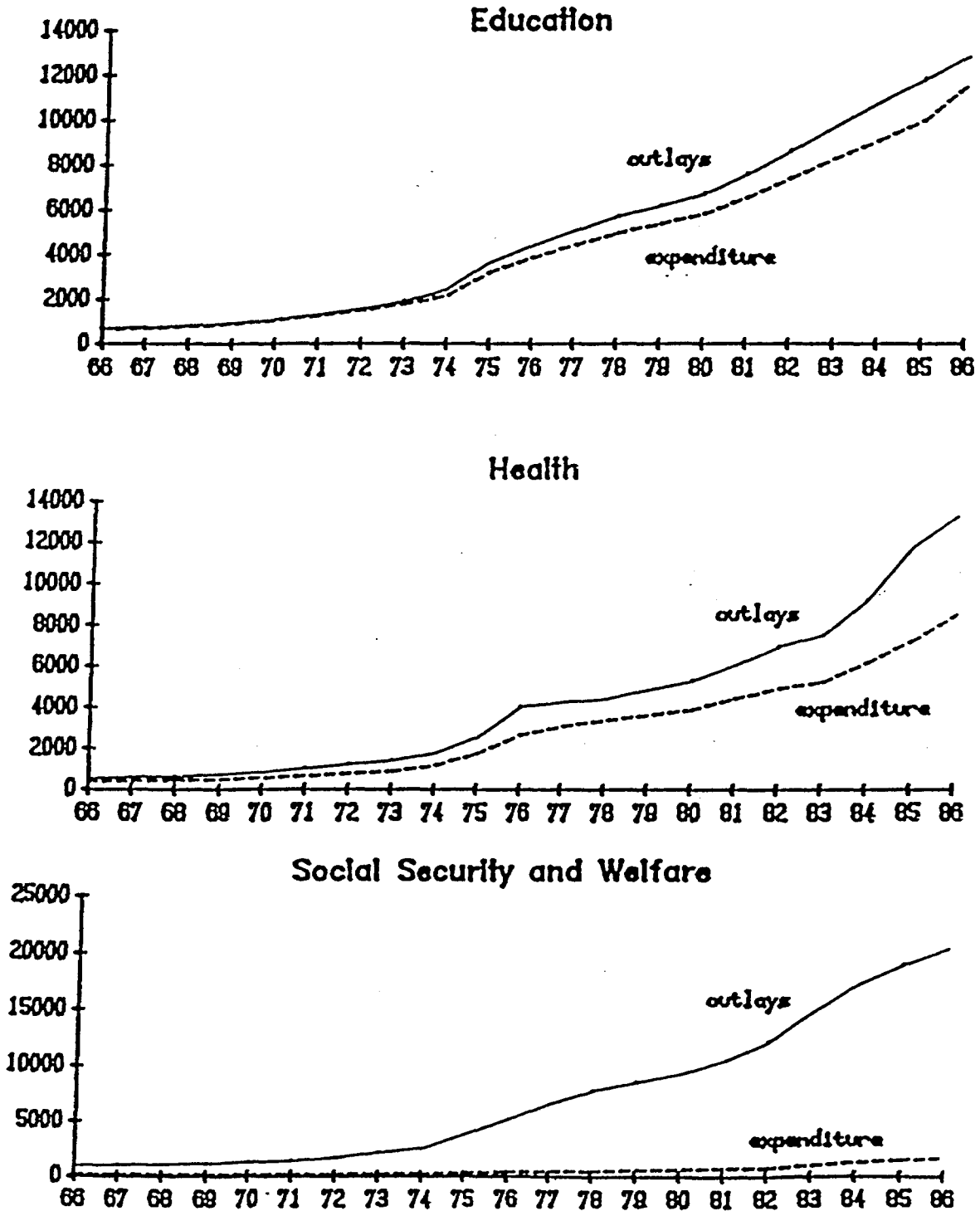
Figure 3 : EMPLOYMENT BENEFITS BY INCOME



Source: Jamrozik, A. et al. Employment Benefits: Private or Public Welfare? SWRC R. & P. No. 15, 1981. p. 38

FIGURE 2

Social Outlays and Social Expenditures 1965-66 to 1985-86 (\$millions)



Source: Saunders, P. "An Economic Perspective on the Finance and Provision of Community Services" in Community Services in a Changing Economic and Social Environment. Saunders, P. & Jamrozik, A. (Eds). SWRC R.& P. No. 70, 1987. p. 16

Returning to the community services; similar regressive and/or non-redistributive aspects emerge to suggest, once again, that the main beneficiaries of community services provisions are in fact persons in middle and high income households and that in most instances the size of benefit derived is positively related to the size of ones reported income. That is, the higher the reported household income, the greater is the overall benefit in dollar terms from community services.

Figure 4 which uses data from the 1984 Household Expenditure Survey shows this was so in 1984 for education expenditures at least. Figure 5, which uses data from the same source, whilst perhaps not as explicit, shows this to be so for the health services also; if we allow for the observed age-related consumption effects of old age and the higher than average concentrations of aged persons (aged pensioners) in the second and third deciles.

Figure 6 indicates the pattern of utilisation of these services and also for social security benefits and it is the **apparently** redistributive quality of social security outlays which is, I feel, partially responsible for the misconceptions which prevail about the social division of access to community services.

If we examine the pattern of utilisation of child care services (Table 2) we find, as columns two and four show, that similar patterns of income-related unequal access exist, and because priority is given to families in which both parents are employed, the apparently labour market bias of this community service benefit is quite pronounced.

Because nothing in the economy which occurs on this scale occurs in isolation from other areas of the economy arrangements such as these obviously must have a fairly significant impact on the income and life style of those in the upper income deciles, particularly when we remember that direct benefits (that is, social security) are usually provided for people whose incomes are at or below the poverty line and the distribution for indirect enabling benefits is weighted towards the upper incomes deciles.

As such, apart from providing income redistribution at a level necessary for the maintenance of life at a minimum or subsistence level, the benefits of Commonwealth welfare expenditures, including those allocated to the major categories of community services do not appear to confer much in the way of genuine advantage to those on low incomes.

As such while we tend to think of social security and community services as being alike, or complementary aspects of welfare, with each fulfilling benevolent functions either by means of reducing income or other social inequalities through the provision of state run services for those unable to obtain these services in the market this is not completely evident from the data I have presented today.

I want to suggest also that because a good deal of the outcome of occupational welfare is reflected in the increased usage of community services, and secondly, because community services, almost without exception are not redistributive and fail to meet the egalitarian aims which we normally ascribe to welfare expenditures, too much is made of the apparent relationship between community services and social security and the ability of both social security and community welfare to be, in combination, an egalitarian social policy instrument capable of: redistributing income, alleviating poverty (particularly non-income deprivation), and for implementing social justice strategies.

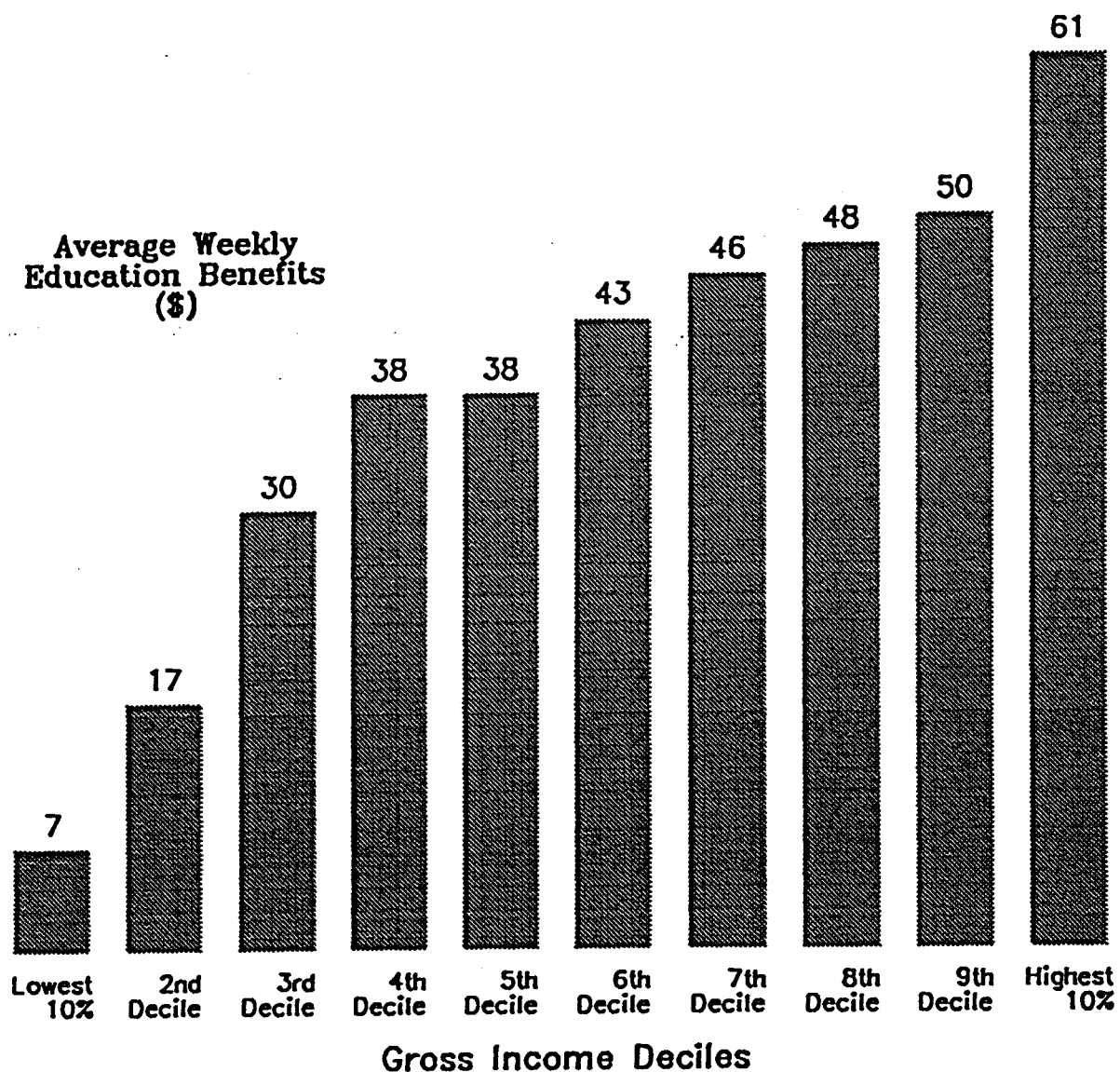
In actual fact, it appears that community services, are contrary to this, not so much an instrument for alleviating social inequity as an enabling mechanism for middle and upper income households. **In this sense the social and economic effect of at least some community services is arguably more akin to the regressive distributions of occupational and fiscal welfare.** Figure 7 represents the combined benefits of social security transfers and community services welfare (direct and indirect benefits) in dollars per household for income deciles in 1984.

Table 2: Child Care Arrangements, Australia, November 1984
Families with Children under 12 years Using Formal Child Care

Family Income per Week \$	(1) All families with Children under 12 yrs N('000)		(2) Families using Formal Child Care N('000)			(3) Families using Formal and Informal Child Care N('000)		
		%		%	% of (1)		%	% of (2)
Less than 200	266.2	16.0	37.2	11.7	14.0	11.1	9.8	29.8
201 - 300	251.2	15.1	43.4	13.7	17.3	12.3	10.9	28.3
301 - 400	318.9	19.2	59.3	18.7	18.6	19.6	17.3	33.1
401 - 500	284.8	17.2	58.0	18.3	20.4	20.4	18.1	35.2
501 - 600	165.6	10.0	37.6	11.8	22.6	15.5	13.7	41.1
601+	246.8	14.9	62.0	19.5	25.2	27.6	24.4	44.5
Not Stated	126.3	7.6	20.3	6.4	16.0	6.5	5.7	32.0
Total	1,659.8	100.0	317.8	100.0	19.1	113.0	100.0	35.6

Source: Jamrozik, A. The Changing Class Structure in the Welfare State: Labour, Capital and the New Middle Class. Ph.D. Thesis. 1987.

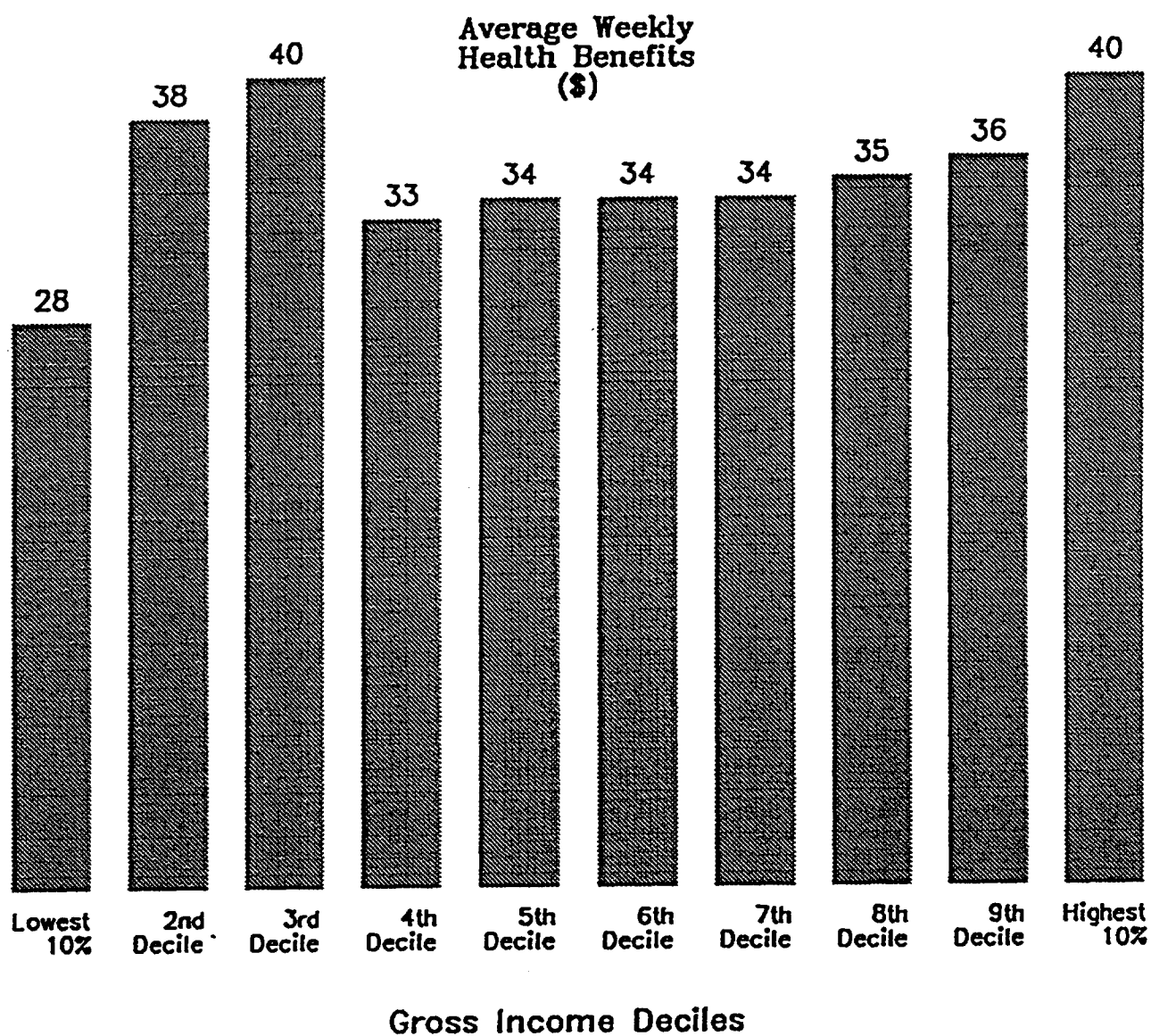
Figure 4: Average Total Education Benefits By
Gross Household Income Decile



Note: Rounded to nearest dollar.

Source: ABS Household Expenditure Survey 1984.
Cat. No. 6537.0 Table 3.1.

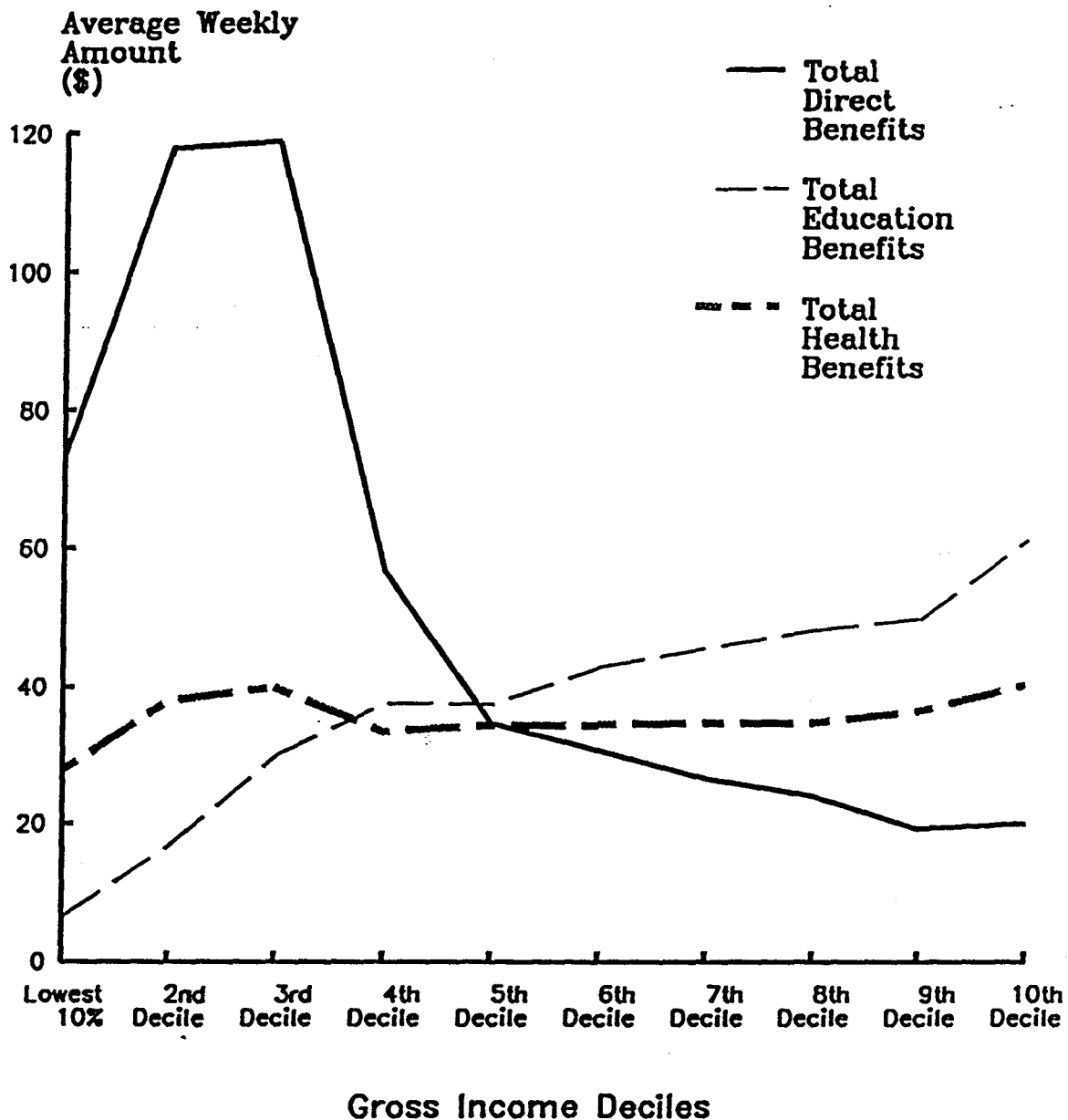
Figure 5: Average Total Health Benefits By
Gross Household Income Decile



Note: Rounded to nearest dollar.

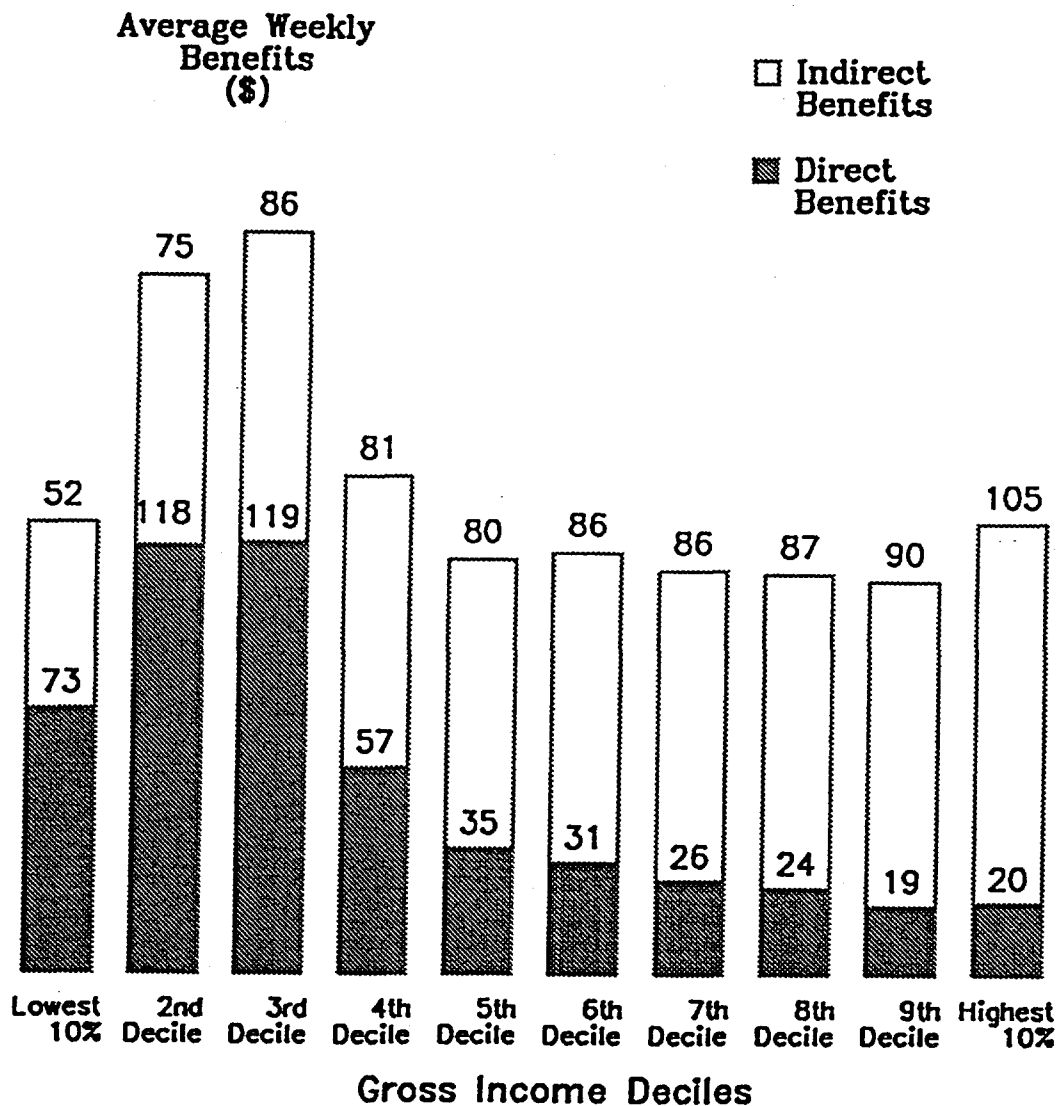
Source: ABS Household Expenditure Survey 1984.
Cat. No. 6537.0 Table 3.1

Figure 6: Averages for Selected Benefits By Gross Household Income Decile



Source: ABS Household Expenditure Survey 1984.
Cat. No. 6537.0 Table 3.1

Figure 7: Average Direct and Indirect Benefits By Gross Household Income Decile



Note: Figures rounded to nearest dollar.

Source: ABS Household Expenditure Survey 1984.
Cat. No. 6537.0 Table 3.1

We can see from this that any advantage from direct benefits is all but negated when we examine them in this context and if we add the associated benefits of occupational welfare, which we can admittedly do only in a rough fashion (by superimposing Figure 3 on Figure 7), and that of the general social distribution of welfare favours middle and upper income households. This remember, is without representing the benefits of fiscal welfare (eg taxation minimalisation), including those derived from Commonwealth taxation expenditures on housing which despite community service expenditures on public housing, and fiscal welfare, have traditionally favoured home purchasers and home owners through a range of measures including tax deductible interest on mortgages, non-taxable capital gains and through the non taxation of imputed rents (Labour Resource Centre 1987:20). These arrangements thereby also favour middle and upper income households (Carter, Milligan and Hall 1988: Table 3.20). When we account for these factors the distribution favours higher income households quite markedly. That is to say the social distribution of the benefits of social welfare expenditures in Australia is very much one skewed in favour of middle and high income households.

Speculation on the effects of occupational welfare and other social expenditures on personal incomes, on business and on the market in general was **conservatively** estimated by SWRC researchers in 1981 to be in the order of \$5 billion and possibly as much as \$10 billion per annum. Subsequent work by other researchers indicates that even this figure is an underestimate and we should remember that estimates of this sort are relatively independent of the benefits which **employers** derive as a group from the community services.

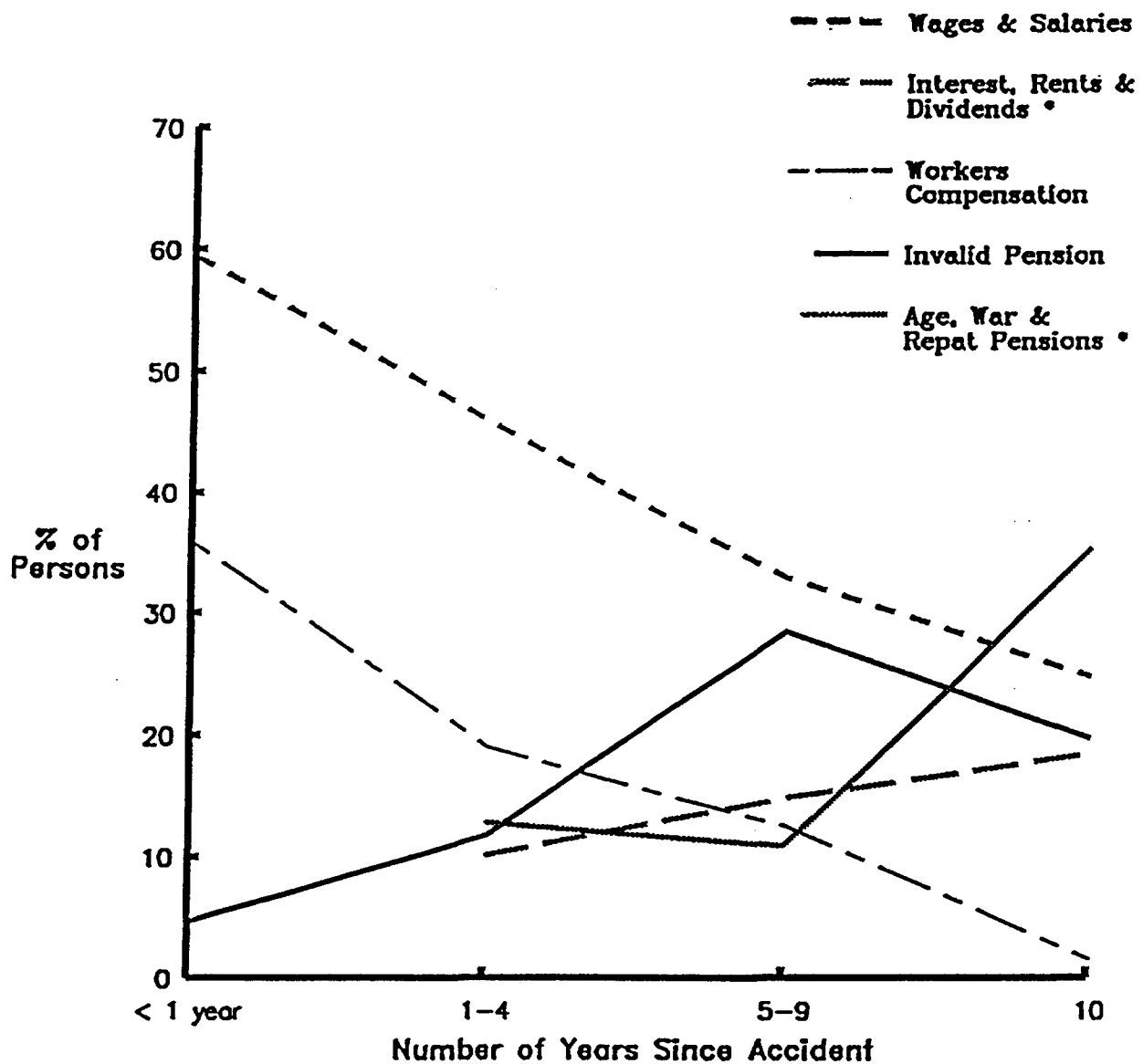
The benefits derived by employers are extremely diverse and subtle and the example of industrial injuries can be used to demonstrate this. Turning to Figures 8 and 9, which indicate a pattern of replacement of workers' compensation by social welfare benefits for handicapped persons whose major cause of handicap was an accident at work, we see an example, not only of employers apparently deriving a benefit from the social security expenditures through the replacement of workers' compensation by the Invalid and other pensions but also from the associated usage of the public health infrastructure which accompanies this usage.

This figure is, however, not only an example of the way social welfare expenditures socialise production costs through the provision of income support and maintenance. The transfer of responsibility to the public sector which this figure indicates also points to those transfers of the associated costs of health care and other services which result in instances of long term progression from workers' compensation to social welfare dependence. That is, the associated legal transfer of all health care and income maintenance from employers to the public sector. This is an interesting example of the almost direct financial nexus which operates to link social welfare, including the community services, with employers and the wider market and therefore of the diversity of arrangements which can characterise the mixed economy of welfare mentioned earlier. These arrangements and others like them arguably complicate the question I posed in the title of this paper, that is, who benefits? and who pays?

When we consider this question in terms of the broad nature of the ASIC classifications of community services which I provided earlier we can see that the role of the community services is far reaching and that its beneficiaries are diverse. One thing which community services **do not** appear to be, however, at least in terms of the examples I have offered today, is either redistributive, or disposed to the promotion of equity and or equality of opportunity.

As the critiques of the activities of the welfare state have become more conservative in the past decade or so we have seen an associated increase in those statements calling, not for the complete cessation of social expenditures, but for their reduction and targeting to those in genuine need rather than directing them to those sections of the population allegedly best served by the market: privatized health care, education and so on. Reductions are also called for in other so called 'superfluous' areas of welfare generally found in the community services including ethnic services, legal aid, community welfare and preventative health care and, perhaps ironically, for the adaption of alternative 'user pays' principles.

Figure 8: Selected Sources of Income Reported by Persons Whose Disability Was the Result of an Accident at Work by Number of Years Since Accident.
(Expressed as % of Total Reported Sources of Income)

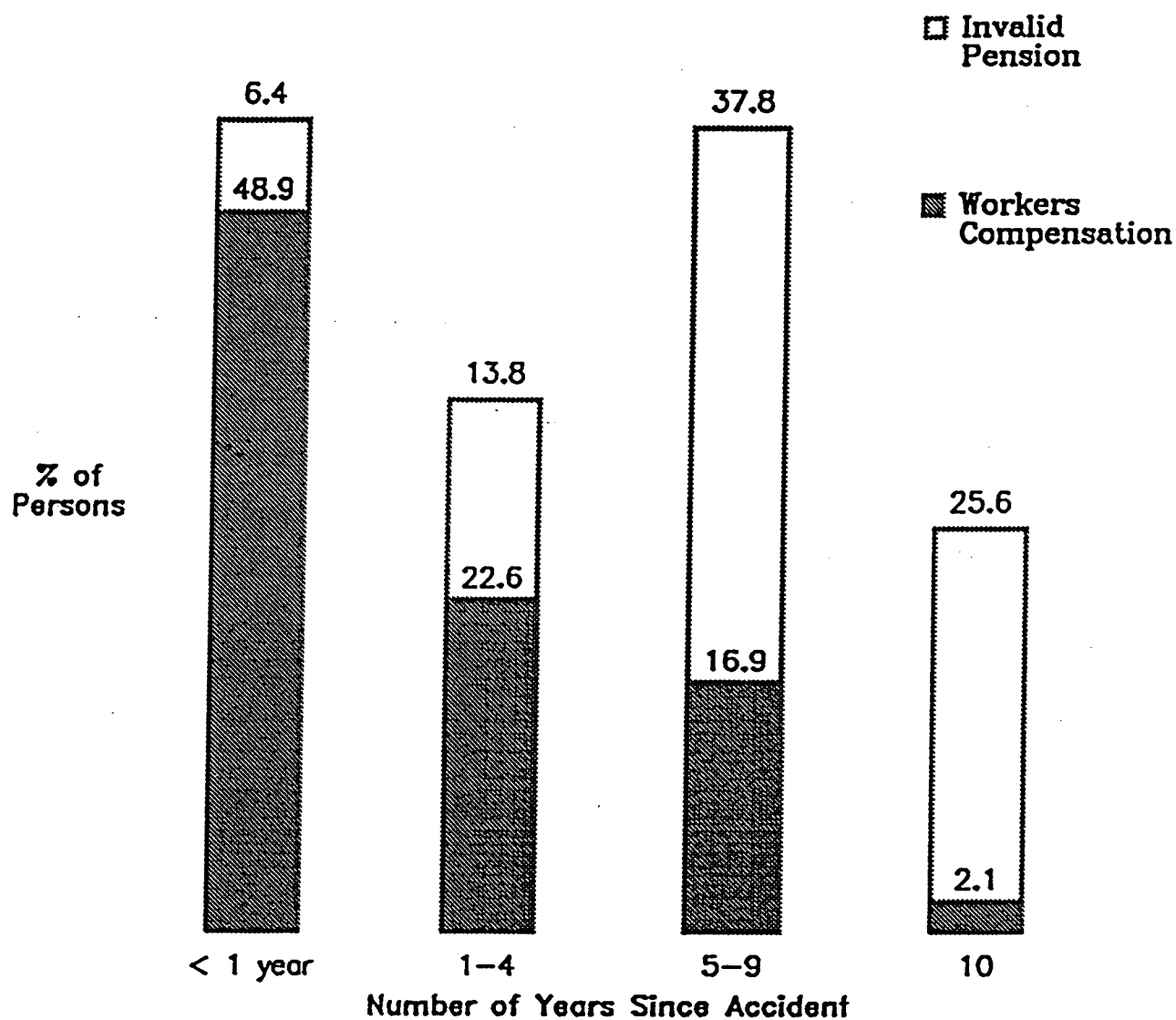


* Indicates no data available for '< one year'

Note: Persons may report more than one income source.

Source: ABS. Handicapped Persons Australia 1981.
Cat. No. 4343.0.

Figure 9: Persons Reporting Invalid Pension and/or Workers Compensation as a Percentage of All Persons Whose Disability Was the Result of an Accident at Work by Number of Years Since Accident



Source: ABS. Handicapped Persons Australia 1981.
Cat. No. 4343.0.

We see these targeting principles when we look at the current Federal Government's preoccupation with the alleviation of child poverty (not adult poverty, or all poverty) through the manipulation of social security policy, not embracing strategies which address these other areas of social inequity, that is inequalities which are predominantly related to the community services and the social wage. These inequalities are not amenable to alleviation by means of raising the income of individuals to a point which is above a technically defined poverty line and the targeting measures, therefore, will not counter the structural inequities responsible for child poverty.

On the other hand, reskilling and retraining policies appear to be a step in the right direction in the sense that they are a departure from expenditure on universal community services programmes. Whether these policies can form the basis for reducing general social deprivation associated with endemic unemployment and the regressive distribution of expenditures on community services (and, in a wider sense, reducing poverty) remains, however, to be seen.

For many reasons, some of which have been canvassed in this paper, I feel that concentrating on poverty alleviation through the application of social security incomes policy **alone** in the hope of achieving greater income equality is shortsighted if only because it fails to consider the central economic role of entrenched and apparently increasing inequities which can be found when we examine previous and current trends in the utilisation of community services.

I am not presenting an argument for any unfettered expansion of community welfare and other social expenditures. Rather, I have provided examples of selective access to community services and occupational welfare to highlight the need for constant critical evaluations of social welfare policy which contain reference to both the social and the economic dimensions of social welfare allocations. Without this, valuable social welfare institutions, founded on welfare principles of equity and redistribution, may become increasingly available to middle and upper income groups, to the absolute or relative exclusion of the poorer sections of the community.

This renders them increasingly vulnerable to conservative anti-welfare sentiments; if only because the continued inequities within them reinforce the sometimes valid observation that we live within a welfare system which has provided welfare for middle and upper income groups to a greater extent than it does to the poorer sections of the community.

Finally I would like to close by noting that if there is an element of pessimism or cynicism detectable in what I have said today it should be interpreted in a positive manner for while I am being critical of the current social distribution of social welfare and whether it might not be more equitable, I am not condemning social welfare institutions per se.

Rather, inequities of access to community service, I suspect, indicate a need, not for **less** social expenditure, but for **more**, provided of course that it is better targetted, and for **more** evaluation of the economic basis of the social divisions within the Australian social welfare system, and finally for the adjustment of the fiscal, occupational and community services components of welfare in order that existing equities are enhanced and poverties of a non technical, income related, kind are reduced.

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OPPORTUNITIES FOR INNOVATION: THE EXAMPLE OF HACC, TASMANIA *

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The Home and Community Care Program (HACC) was introduced in Tasmania in 1985/6, a year after the Commonwealth Government announced its intention to restructure support for those in need of home care services. The new program was to be administered on a joint Commonwealth State basis; in Tasmania through the Division of Community Health, Department of Health Services. Four existing Commonwealth Acts under which various programs were funded were incorporated into the new Program:

- (1) State Grants (Home Care) Act
- (2) State Grants (Paramedical Services) Act
- (3) Home Nursing Subsidy Act
- (4) Delivered Meals Subsidy Act

The aim of the Commonwealth Government in combining the statutes was to **provide a comprehensive range of integrated home care and community based services in each locality, thereby providing a realistic alternative to premature or inappropriate long term residential care.** The program was directed particularly towards meeting the home care needs of the frail aged and younger disabled people and their careers. Accommodation was specifically excluded from the program as was respite care, programs for the drug and alcohol dependent, day care centres or other services provided to residents of institutions. Limitations were also placed on rehabilitative home services, home treatment in convalescent or post acute cases, palliative care of services primarily for families in crises. These latter were to be incorporated into other programs by further negotiation between State and Commonwealth.

A formal Agreement between the Commonwealth and the State Governments incorporated these arrangements and established National Guidelines for the provision of HACC in the State. The Agreement also established a Community Advisory Committee which would **provide advice on the community's expectations and priorities for the allocation of funds and the potential re-arrangements of existing programs to achieve more efficient delivery of services.** The advice was to be tendered to both the Commonwealth and State ministers after liaising with those community organisations concerned with the programs or their delivery. At the same time a Co-ordinating Committee of officials from the Commonwealth Department of Community Services and the State Departments of Health Services, Community Welfare, Mental Health Services Commission, and Treasury. The stated goal of the Agreement and these structures was to allow scope to respond to new ideas derived from service providers and users and to assess more effectively whether services are meeting identified needs.

As a cost shared program, HACC is planned as a package of home care services including home help, delivered meals, home maintenance, home nursing and paramedical services. By this method it was anticipated that new initiatives could be allowed and existing services expanded with the inclusion of transport, linen and laundry and some allied health care such as podiatry. A sum of \$300 million was allocated over a period of three years by the Commonwealth Government from fiscal 1984/5 on the basis of 3:1, 2:1 and 1:1 cost sharing over those years. Best use of this injection of funds was expected to be made if particular groups of needs could be more directly targeted. This meant widening the net of NGWOs to be brought into preparation of proposals and definition of needs.

* This paper would not have been possible without the research assistance of Jan Halley and Maryanne Graham. Funds were made available through the Research Committee, University of Tasmania.

Those NGWOs already receiving subsidies under the original statutes welcomed the new program when it was announced in 1984. The commitment by the Commonwealth Government to increased consultation was seen as crucial to its success. Reservations were expressed, however, about the extent to which it would be possible to receive details of the implementation of the program and become involved in the decision-making processes. Nevertheless most NGWOs welcomed the Federal initiative.

Another possible beneficiary of consolidation of these funding arrangements was local government. However, in Tasmania, apart from a few large, urban authorities, local government has not made any serious attempts to take up funds for community services. This is in sharp contrast to some of the other states, such as Victoria where these services are almost wholly provided by local authorities (see Appendix A). Some of the reasons for the reluctance of Tasmanian local government are discussed in Lyndall Scott's paper (see below).

Funds for service provision under HACC are obtained in Tasmania through a process of submission from the providers or carers. These submissions are called for through advertisement in the local press, for example in 1985 the advertisement appeared in January with submissions due one month later. Submissions were for funds for the 1985/6 financial year and had to be made out on a very complex and detailed form supported by audited accounts for the past year. After the submissions are received they are subjected to the process of evaluation, shown in Appendix B.

There have been a number of criticisms of the submission process in Tasmania largely on the grounds of its apparent bias towards those NGWOs which already have an organisational base. The limited time frame for applications to be completed (one month) and what appears to be very limited staffing in the key Commonwealth and State departments make submissions impossible for many small groups who are without some paid staff. Information about the guidelines was hard to find (the Department of Community Services information pamphlet was not available until well into 1986) and there still is nothing to indicate what type of activity is most likely to be funded.

There seems to be no specific central focus for the enquiries about funding and no on-going circulation of information. Knowledge about community services in Tasmania is very limited, mostly remaining with the professionals. Voluntary organisations wishing to establish, maintain or extend some very local activity are generally unaware of what funding is possible outside their own local fund raising cake stalls. They rarely recognize that opportunities are being offered by such programs as HACC unless someone deliberately brings it to their notice. There are only two officials in this field in Tasmania, one from the Commonwealth and one from the State. It is impossible for them to undertake a full information service, for example there is no contact telephone number for specific enquiries from interested persons.

The available information is usually obtained from the limited advertisements previously noted, public, evening meetings for interested persons, or through the informal networks of professionals. This latter route makes it likely that only the major NGWOs with paid staff make submissions that will be successful. Most of the submissions are for funds for activity which are clearly set within the guidelines given even though it may not be exactly what is essential for the organisation or clients. As will be seen from the successful applications, of the HACC programs currently (May 1987) funded only two or three are from what might be called 'fringe' NGWOs - Brighton Home Nursing Auxiliary and Chigwell Neighbourhood House (Appendix C).

Two other interesting features about these successful submissions are the purposes for which funds have been given. On the one hand it is clear that the majority of funds are routed through government agencies, such as the Department of Community Welfare, Health Services (and hospitals under the control of that department) or Mental Health Commission. The other feature is that of the eighteen specific submissions approved half are for the employment of professionals to 'research' or 'coordinate'. These factors would seem to indicate either that those making submissions are told that this is necessary to be successful or that the assessment criteria must be biased in these directions. A further point is the difference between the upper limit of approval column and estimated expenditure. The latter column is what the Department

of Community Welfare expect will be spent during the financial year, thus it seems that about half of what is approved is 'lost' to the recipients and has to be applied for again. There are also complications here with the upper limit figures in relation to the matching grants expected from the State. Quite often the Commonwealth approval comes through so late in the year that money from the State cannot be allocated.

Establishing the priorities in the State for evaluating submissions is through the Advisory Committee mentioned above. The Committee does not consider submissions individually but they do influence the types of submissions sent forward for approval. They have met on six occasions and held five public consultations in the eight months since they were established. Members are appointed for a three to five year period by ministers as representatives of the community who, through their work and/or personal involvement, have some expertise and knowledge of the HACC target group. Although it may be too early to say, there seems to be very little done by the Committee, other than meet. Not one of the bodies to whom grants had been made under the Program actually knew of their existence. They have no staff assigned to them specifically and are serviced by the same two officers mentioned above. The community links that are expected to build up through such a body have obviously not yet emerged.

Most of the evaluation of submissions is undertaken therefore by the Coordination Committee of officials before it is sent off to Canberra to the Department of Community Services. It seems that it is here that the major evaluation is undertaken. Indeed complaints have been made that organisations are given only a month to submit while Canberra takes six to evaluate and approve, resulting in the loss situation referred to above. Nor has it been entirely clear on what criteria funds are being granted since no reasons are given for unsuccessful applications.

What of the service delivery that has taken place? In a survey conducted in Tasmania, June 1987, awareness of services available was indicative of the issues mentioned above. Everyone questioned was aware of the Home Nursing service and had views about it but were unaware of its link with HACC. 98% were aware of meals on wheels and only a slightly smaller number about Home Help. However at the other end of the scale only 26% knew about the handyman services and even fewer knew about podiatry, night nurses or laundry services. The former services are those provided in the main through the hospitals and the Department of Health Services. It seems that very little has been done to raise the level of information to the community in general about the alternative services or innovations which were supposed to be one of the aims of the revised program. There appears to have been a continuation of the same activity as occurred under the original statutes prior to their integration. If this interpretation is correct (as it appears to be in Victoria where local government has continued to dominate the delivery of community services) it is appropriately termed 'adaptational drift' (Bennett, 1976).

Adaptational drift consists of a movement of decisions and adjustments in a certain direction due to the preservation of cultural style and the sanctioning of decisions by traditional precedent, usually for reasons of social stratification. The striking thing about adaptational drift is that it is frequently accompanied by an aura of rationality...essentially drift is a prolongation of the status quo disguised as planning.

I want now to turn to a more general discussion of the HACC Program in Tasmania derived from this general observation. There seems to be a remarkable similarity to the experiences of those observing the Community Health Program between 1973 and 1981 (Furler et al, 1982). They noted five issues arising from their study:

- (1) Source of funding and its effect on service delivery
- (2) Conflicting philosophies about public and private provision of services
- (3) Conflicting models of service as between community care and individual client care
- (4) Organisational issues of control and accountability
- (5) Issues of evaluation.

These are somewhat analogous to those issues of public or private provision, federal/state relations, organisational flexibility and adaptiveness, and determining the role of government which are used by Graycar and Silver (1982) in their study of Western Australian agencies serving disabled people.

Federal Funding

The availability of funds in Commonwealth Government coffers makes it possible through special grants under S. 96 to become involved in provision of public goods outside their own jurisdiction. The constitutional position is that this function is only possible because of the funding situation. The responsibility that sphere of government has for the actual delivery of services or for the quality of service provision is negligible.

One of the major questions which must be addressed and which becomes quite clear in looking at the Tasmanian experience in HACC, is the extent to which Commonwealth officials intervene directly in service provisions. There are two levels of intervention. On one level the practice of having a veto over submissions through the submission process makes it possible for Canberra to act as gatekeeper. In this way the nature of the services to which funds are granted can be controlled without any reference to local needs or to the specific interests of the clients. The whole situation becomes one in which accountancy takes precedence over service and responsibility is related to the former rather than the latter.

On another level however there is more insidious influence taking place through the extent to which officials of the State and Commonwealth bureaucracies dominate the process. It is not without significance that a very large proportion of funds are granted to the major hospitals and departments in the State. In Victoria a similar situation has occurred but with the emphasis being on the continuation of the dominance of local government in service provision. It was noted in Furler et al that a major difference in the Community Health Program was the by-passing of state decision processes. In this way direct control over organisations being granted funds could be maintained. This is aided, of course, by the extent to which a professional network of social workers is built up across the jurisdictional boundaries and also between NGWOs and federal government.

Public/Private Services

The issue of the extent to which government should be responsible for service delivery is an unresolved question which has more to do with political ideology than effectiveness of service delivery. It also has much to do with what governments see as a 'reasonable' cost factor for human services. Human service organisations are mandated and supported by external bodies, such as NGWOs. The argument which led to HACC being established was that the cost of institutional care for the frail aged, the disabled and otherwise handicapped was likely to get out of hand. Organisations which dominate the provision of these services have been hospitals, medical centres, mental health centres, social service agencies, public health agencies, nursing homes and such others as correctional institutions, probation services and welfare sections of housing and education. While most are public, there are some private arrangements made with NGWOs and other voluntary groups but not enough to take the burden from the public sector. Home based care or community care was seen as the answer to this problem, it being assumed that such care would be less expensive through the opportunity to transfer the provision of human services to the voluntary sector.

However, moves to home based care lead to **individual** rather than **group** treatment through private medical practitioners or casework social workers operating on a one-to-one basis. The other professionals whose views must be taken into account here are the nurses whose daily visit is often the major event in the lives of home-bound persons. These various groups of professionals occupy different sectors of the human services spectrum, some being wholly within the private sector, others being in NGWOs and yet others being firmly implanted in bureaucracies.

People who are served by the voluntary sector or who are active within that sector should have a major input into any organisational arrangements that are made for service provision. Differences of opinion about what goals of human service organisations should be make it easy for displacement of goals to occur and frustration of people through conflicting priorities. In these circumstances it is imperative for those managing in the organisations responsible for service delivery that they act as advocates of the programs managed rather than merely functionaries for those who provide financial resources.

The potential for conflicts about the appropriate nature of the service that Furler et al referred to are also in evidence in HACC program delivery in Tasmania. Medical practitioners are well to the fore in such organisations as the Mersey Leven Welfare Association and as Chairman of the Advisory Committee. The dominance of NGWOs as recipients of grants for such purposes as buses for transportation of the elderly and disabled or coordinators' salaries provides another indicator. Finally the 'professional network' within the bureaucracy is well represented in the amount of funds being given to the state government agencies. The medical practitioners were extremely influential in South Australia in ensuring that primary health care was provided on a private fee for service basis either through a community health centre or adjacent private practice associated with the centre. Professionals have been equally successful here in Tasmania in making sure that the Home Nursing facilities are kept within the control of hospitals. The activities of NGWOs or other community based voluntary groups has been considerably restricted as a consequence.

Models of Service

The discussion about philosophical approaches to service delivery also play a part in defining the particular model for delivery. Obviously supporters of private patient care will be devoted to the medical model of client-professional relationship. This ties in with notions of cure in hospital situations rather than prevention in a community setting. The former relies on the opportunities for increasing a one-to-one interaction and thus looks for funds to that end. The aims of such submissions are to build on a system of after-cure treatment for the individual, very often through a 'coordinated service'. On the other hand community care approaches the situation from the perspective of preventing the growth of demand for cure. Submissions for assistance in this group are intended to build up a 'partnership' between providers, carers and recipients. A teamwork approach is intended through which community awareness will reduce the incidence of persons in need of cure.

The extent to which either of these models dominates the criteria on which submissions are evaluated is an open question. There is some evidence which indicates that professional medical people predominately influence the service delivery system in Tasmania. This arises from the fact that the program itself has been located in the Community Health Branch of Health Services. It is perhaps surprising that it did not find its way into the Department of Community Welfare or that local government itself did not move in. In the event it remains to be seen what the overall result of that location turns out to be, at present it means that the bulk of the programs are provided through hospital administrations.

Organisational Control

Coordination of service delivery through hospital administration has meant that there has not been much community involvement in the management process. This might also have something to do with the fact that there is not much community awareness of HACC in Tasmania. There is a similar gap amongst voluntary agencies which are not 'in the big league'. Most of the NGWOs in receipt of grants, like Red Cross, RAFT or Multiple Sclerosis Society, have large and often anonymous managements. They are more like some of the government agencies from the perspective of the locality in which a service is requested, such as Brighton.

One of the expressed principles of the HACC Program was to ensure joint Commonwealth/State decision-making in consultation with service providers and users. Thomas (1981:2) saw a strong case for reducing the fragmentation of service delivery, following the Report of the Commonwealth Task Force on Welfare and Health (The Bailey Report, 1976). She notes that any new forms of voluntary sector involvement in social service provision is likely to cut across traditional social service networks, especially where all the action takes place within the government agencies. Conflicts over the allocation of resources **confronts major funding bodies with the dilemma of deciding how much of their resources should properly be devoted to meeting their statutory obligations and how much can be spared to support the establishment of community service and self-help groups embodying contemporary welfare goals and principles** (Thomas, 1981:6).

The processes adopted in Tasmania have not enabled those involved from both sectors to adopt a satisfactory system of consultation and cooperation. The control of organisation has been maintained in the professional ranks either through the hospitals or the social workers employed in the bureaucracies of the government or the larger NGWOs. The extent to which this control has been dominant may be seen from the fact that in the area of transport hospital administrations have taken over the use of buses. It is true that this was partly due in Southern Tasmania to lack of coordination of use by a number of organisations but even the Red Cross was not allowed an opportunity to take control.

There is another issue embedded in this context which relates to the possibility of 'community' care. In a very valuable and insightful essay on the UK Barclay Report, Allen discussed the assumption in that Report about **the maleability (sic) of individual relationships and the consequent social networks that people create** (1983:419). Allen goes on to point out that the concept of 'community' is a very ambiguous one, to say the least. There are elements of locality, attachment, social involvement, cohesion, and shared interest in the notion. It is not easy to be clear on what significance each might have in comparison with others. Instead of attempting to clarify what they mean by community the members of the Barclay Committee sidestepped the issue and use the word to refer to networks of relationships that occur between people. Indeed this seems to have been an assumption of the HACC Program too.

These assumptions logically produce a particular view of how community care might operate. The community is regarded as necessarily locality based and derived from interaction through individual and collective responses to shared adversity. The coalition of common concerns that emerges will, it is anticipated, mobilise for the benefit of the particular interests and make submissions for funds. Allen points to the fallacy of this assumption,

The result of using the network notion in this imprecise, vague fashion is to diminish whatever potential the idea has for overcoming the difficulties of 'community'. Indeed it renders it suspect to exactly the same problems and, in particular, rather than revealing the real potential or otherwise of informal relationships in social life, encourages a misleadingly romantic view. ... Just like the notion of community, the continued reference to an unspecified network of carers pervasively envelops the argument in the warm and rosy hue of communal integration. (1983:421)

The notion of a community of individuals carers forming some kind of network through which a service might be delivered, given that they are funded, dominates the idea of HACC. This influences the social work effort to devote more time to identifying, or indeed forming, such groups to make submissions than to seeking service delivery. The endeavour is performance based on the amount of funds utilised rather than on the effect of the service provided.

This is especially the case where those evaluating submissions and performance are based in Canberra rather than in the locality. As noted above their responsibility is for the expenditure rather than for the service. Working within their own ideological guide-lines rather than those of the community makes the statements of concern for community involvement little more than rhetoric. It remains to be seen whether sufficient non-professional interest can be generated in the HACC Program in Tasmania to make decision-makers worry about its demise. On present indications that is not the position.

Evaluation

Everyone agrees on the importance of evaluation but no one has yet found a method which has a reasonable chance of acceptance. It is said that for a proper evaluation to take place objectives have to be clear and unambiguous. In respect of the HACC Program in Tasmania this is obviously not the case. No one has made any attempt to spell out exactly what the aims might be, other than to assume that they will be the same as those articulated by the Commonwealth Minister in his introductory statement. Yet at least one of the purposes he mentioned was to provide opportunities for innovation in service and service delivery. The words used also included **testing and evaluation of new and differing approaches to planning, coordination and service delivery.**

While this paper has not made any rigorous attempt to evaluate the Tasmanian HACC Program it does seem time to do so. One may be forgiven for thinking from this fairly superficial overview that it has been more of the same as pre-1984. The traditional modes of service delivery have been maintained and even strengthened but innovation has not been welcomed. This may be rather too facile a judgement yet the evidence so far gleaned has not led to discovery of any reason to doubt it. Perhaps a much earlier comment about federal welfare programs might be used to distil what this paper has found.

Jones argues in his paper on the Bailey Report (1978:315)

The Federal Government has never shown any real capability and interest in monitoring the effectiveness of its specific purpose programs or indeed any of its activities in the health-welfare-education area. Centralism has never really been tried. The experience of the large scale 1954 Federal Aged Persons Homes Act is a good example of this unwillingness to monitor programs. It has never been investigated in even a rudimentary fashion. Who benefits from it is a mystery.

Indeed there is the same mystery about who benefits from the HACC Program. One thing appears clear, however, and that is that it benefits very few persons who were not previously recipients of some form of service. Opportunities for innovation and for a partnership between service providers, carers and users have been ignored.

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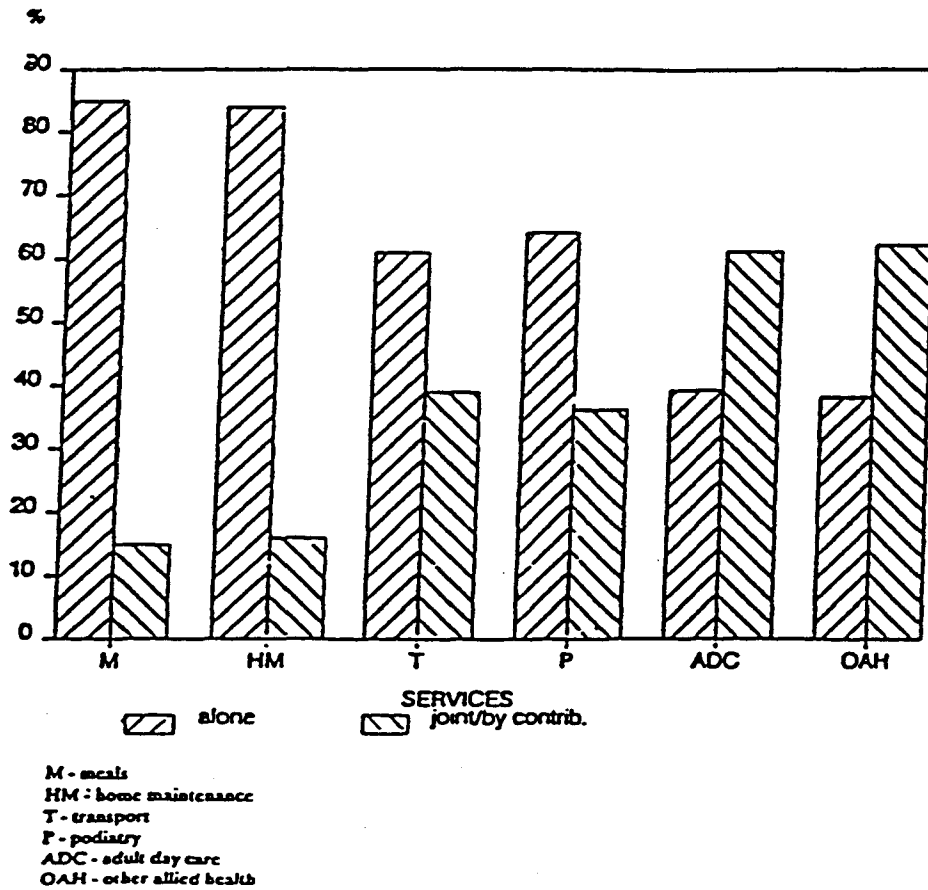
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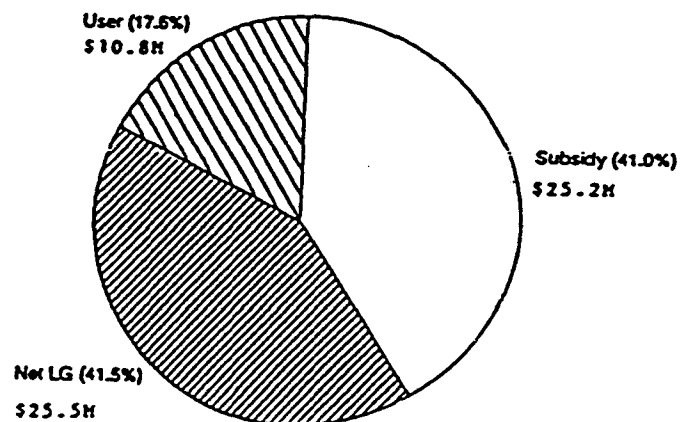
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APPENDIX A

PERCENTAGE OF LGA'S PROVIDING SERVICES ALONE AND JOINTLY OR BY COUNCIL CONTRIBUTION, BY SERVICE PROVIDED



TOTAL RECURRENT EXPENDITURE BY SOURCE OF CONTRIBUTION
1984/5



4. PROCESS FOR APPROVING APPLICATIONS

ADVISORY COMMITTEE

Consult with community groups and individuals to determine what gaps there may be in service provision, to decide how these gaps may best be filled and to determine priorities for the establishment of new or expanded services. These recommendations go to the Ministers.

CO-ORDINATION COMMITTEE

Made up of representatives from:

- Department of Health Services
- Department of Community Services
- Mental Health Services Commission
- Treasury Department
- Department for Community Welfare

This group prioritize submissions according to need areas as indicated by the Advisory Committee. Funding recommendations are then made by the group to the State Minister for Health and the Commonwealth Minister for Community Services

MINISTERIAL APPROVAL

SUCCESSFUL APPLICATIONS ARE FUNDED

1985/86

\$

Home Nursing	2 347 502.00
Home Care	2 217 086.00
Delivered Meals	274 511.00
Paramedical	52 677.00
Senior Citizens Clubs	195 000.00
Commonwealth Unmatched	270 667.00
New Projects - 3:1 Matched Monies (Commonwealth:State)	<u>94 000.00</u>
	<u>5 451 443.00</u>

1986/87

\$

Home Nursing	2 750 394.00
Home Care	2 298 670.00
Delivered Meals	275 712.00
Paramedical	60 893.00
New Projects - 3:1 and 2:1 Matched Money	354 685.00
Batch 2 - Senior Citizens' Clubs	<u>220 000.00</u>
	<u>5 963 179.00</u>

1987/88

\$

Funds Available:

Expenditure 1986/87 (excluding batch 2 monies)	5 743 180.00
20% Indexation	1 148 636.00
2:1 Matched Money Roll-Over	<u>363 267.00</u>
	<u>7 255 083.00</u>

TAS NEW PROJECTS 1986/87

SERVICE	REGION	CAPITAL/ RECURRENT	UPPER LIMIT OF APPROVAL	86/87 ESTIMATED EXPENDITURE
Multiple Sclerosis Society : Home Handyman	SOUTHERN	RECURRENT	28,350	28,350
Mersey Leven Welfare Planning Assoc: Salary Bus Driver	NORTH WEST	"	18,117	18,117
Advisory Committee : Expenses	-	"	7,240	4,000
Department for Community Welfare : Home Based Respite	SOUTHERN	"	42,000	42,000
Mental Health Commission : Day Centre Dementia Sufferers	CLARENCE	CAPITAL	100,000	100,000
Mental Health Commission : Day Centre Dementia Sufferers	"	RECURRENT	47,000	23,250
Polish Association : Co-ordination, Welfare Worker	SOUTHERN	"	7,000	4,470
Ravenswood Community Health Centre : Transport Service	LAUNCESTON	CAPITAL	10,695	10,695
Ravenswood Community Health Centre : Transport Service	"	RECURRENT	3,000	3,000
Municipality of George Town : Community Car	GEORGE TOWN	"	1,500	1,500
Department of Health Services : Home Help	STATEWIDE	"	80,000	53,333
Department of Health Services : Home Maintenance	"	"	80,000	53,333
Brighton Home Nursing Auxiliary : Day Care	BRIGHTON	"	2,600	1,760
Mersey Leven Welfare Planning Assoc : Co-ordination	NORTH WEST	"	6,500	3,675
Department for Community Welfare: Expansion for Home Based Respite Service	STATEWIDE	CAPITAL	33,000	33,000
Department for Community Welfare: Expansion for Home Based Respite Service	STATEWIDE	RECURRENT	346,350	60,450
Tas Ambulance Service: Transport Survey	NORTHERN	ONCE OFF	12,000	12,000
Tas Ambulance Service: Transport Survey	SOUTHERN	"	24,000	12,000
Red Cross: Caring for People Manual	STATSWIDE	"	3,200	3,200
Eastern Shore Health Centre: Training Program	CLARENCE	RECURRENT	12,500	12,500
Red Cross: Delivered Meals	GEORGETOWN	"	6,000	3,800
			871,052	484,433

REDEFINING ROLES - THE DILEMMA FOR LOCAL GOVERNMENT

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One of the best conferences I have attended in recent years was the National Conference of the Royal Australian Institute of Public Administration (RAIPA) in November 1987 in Brisbane. Its strength lay in the ability of the various speakers to come to terms with the conference theme 'Determining the proper role of government'. This issue of role of government in general and of the three spheres of government in particular is a fascinating one when discussing community services policy. I would like to begin with an overview of the role of government as defined by Professor Peter Self at that RAIPA Conference.

Self argues that technological, economic and social changes are creating increasing demands on government at the very time when advocates of smaller government are gaining a greater voice. Why is this so? Governments are faced with increasing mobility and volatility of the labour market, the reduction and dismantling of traditional family and community structures, demands for intervention to restructure industries and control the international money markets, the need to consider the implications for safety, health and the future environment of new technology in the fields of high-tech medicine, transportation and agriculture. These and other changes, Self suggests, produce contradictory pressures on modern governments - to adapt to rapidly changing demand patterns but to maintain some degree of social stability, to become 'entrepreneurial' in their view of the world but ensure the status quo prevails in those areas of activity considered sacrosanct by the general public, to regulate and be interventionist but only when to do so is perceived to be in the interests of large private corporations and monopolies.

Hence the role and scope of governments are likely to remain broad and extensive, pushed as they are by demands from such quarters as 'big' and 'small' business, political groups, community needs and social change.

This, then, is our first dilemma. How can this role be effectively carried out in the current economic climate?

I am not posing a simple business management problem of 'doing more with less', a matter of trimming resources here and there. Rather I am suggesting that the resource trimming days are over and it is time for a radical reorganisation of how governments define and achieve their goals.

Local government is a relative newcomer to the role of policy maker in the field of community services. This has given this sphere of government the luxury of being able to ask the obvious questions long since forgotten by the more sophisticated players in the game - State and Commonwealth. It is this refreshingly naive approach which is our salvation and downfall. Another dilemma. Should we in local government begin to demand explanations and be branded as upstarts or continue to be reliable junior partners in the process of policy making? If there is to be any real progress, I believe three fundamental issues need to be addressed:

1. The nature of local government
2. The financial arrangements
3. Recognition of the ALGA policies with respect to community services.

The Nature of Local Government

Councils are established by central governments to be responsible for the provision and finance of certain goods and services which are mainly of benefit to local property owners and residents. These goods and services generally relate to the operation and maintenance of basic community facilities such as water, sewerage, roads, street lighting, recreational facilities and so on. These responsibilities focus on the creation and maintenance of public sector assets. Local government also has a major responsibility for control over the use of land and the structure of buildings placed upon it. The powers, duties and responsibilities allocated to local government by State parliaments are considerably broader than those which are contained in specific local government legislation. The Advisory Council for Inter-government Relations (ACIR) identified six main characteristics of local government.

- . it is locally orientated
- . it is a subordinate, not sovereign, sphere of government
- . it is an elected body
- . it has both legislative and administrative functions
- . it possesses the power to levy taxes
- . it is a multi-functional organisation.

Councils vary enormously in size, population, range of functions and administrative and professional capacities. This is often cited as a major stumbling block when discussing policy development across the three spheres of government. Local government is blamed for its diversity. Yet there is an absence of defined roles and responsibilities for all spheres. Political decisions result in the creation of new portfolios, the amalgamation of functions by the creation of Commonwealth mega-departments, programmes hailed as brilliant one year are axed the next. In other words local government is not the only sphere of government it is difficult to deal with.

If there is to be a serious reconsideration of what governments do and how they do it (and I have already suggested there must be), then there is a need to come to terms with the nature of local government. I would like to highlight just two examples:

Involvement of elected representatives. Councillors or aldermen will often attend meetings or become involved with matters confined to officers within the other spheres of government.

The committee system of decision making. Partly due to the multifunctional nature of councils, committee systems have emerged. Councillors or aldermen therefore develop an expertise related specifically to the responsibilities of their particular committee.

Community services policy making within government must take account of these facts as well as the specified role of each State's municipal association and other bodies with which councils have a close relationship. This is no different to the need for State bureaucrats to familiarise themselves with the workings of their Minister's office or its relationship with Treasury or the role of various inter-departmental committees. The dilemma for State and Commonwealth governments is not that certain structures and practices exist within local government but whether they are prepared to come to terms with them in order to more effectively develop community services policies.

The Financial Arrangements

Local government has at its disposal four main sources of income - taxes which it levies, revenue sharing, block and specific purpose grants and borrowings.

It is in the arena of financial arrangements within these four sources that local government faces its greatest dilemma in becoming involved in community services (as a planner or co-ordinator or as a service deliverer).

The more councils are dependent on other spheres of government for funds the greater the opportunity for conflict, both because of changes to funding levels and because local government has less decision-making discretion with regard to its responsibilities.

As property rating is the only major tax under council control, the opportunities to raise revenue from this source are severely limited and of course inextricably linked to the community's decreasing capacity to pay (as living standards fall).

Revenue sharing arrangements have recently been overhauled. The results have been disastrous from the point of view of my employer, Glenorchy City Council. Consider these figures. State Grants Commission funds allocated to Glenorchy in 1986/87 were \$1 337 299, in 1987/88 were \$1 288 538 which is a reduction of \$48 761, and that will be reduced each year by \$88 000 until 1991/92 when the allocation will be \$937 509, a total reduction of \$399 790 amounting to a 29.9 per cent reduction. These figures are based on a Commonwealth allocation to the State of \$19 161 106 for 1987/88 but it now appears this pool of funds could be further reduced following the Premiers' conference. Loan borrowings are pegged at \$1.8 million.

It is estimated that 20 per cent of Glenorchy's capital works comprises the labour component so every \$100 000 cut off the Glenorchy Council's capital works programme would reduce the workforce by one. Therefore the existing work force of 50 could be reduced by 50 per cent (25 people) by 1991/92. I have described this situation in detail to highlight how vulnerable local government is to the fiscal policies of other spheres of government and how decisions taken in areas **apparently** unrelated to community services will colour the thinking of local government when asked to consider its attitude to community issues such as unemployment.

Block and specific purpose grants are of course the main sources of funding for the delivery of community services. Again the area is fraught with danger. Not only are sources and levels of funding subject to change but there is the less obvious disincentive of the methodology used by the States Grants Commission. The Self Report into local government finances held that it was important that the impact of specific purpose grants received by councils be recognised in any system of distribution of untied grants. The Report explored three basic approaches to dealing with these grants: by ignoring specific purpose payments entirely, following a 'modifying out' approach or by using a version of the 'inclusion' approach. The Tasmanian State Grants Commission uses an extreme form of the inclusion approach whereby 100 per cent of the value of grants is taken into account, thus disadvantaging those councils which obtain considerable funds through these specific purpose grants.

Such an outcome is particularly unjust when the grants concerned have been urged upon a council by other spheres of government and when they have been awarded to develop and provide regional services. The State Grants Commission has been extremely reluctant to consider or pursue variations to the methodology, even though there have been precedents set for this in other States. When State and Commonwealth governments are developing policies based on the principle of devolution of responsibility for service delivery I suggest councils' lukewarm or negative responses may be just as much to do with the way the Grants Commission conducts its business as any philosophical or political reservation about a particular service type.

Recognition of the policies of the Australian Local Government Association (ALGA) with respect to community services

The ALGA Human Services and Community Development Working Party was formed in 1985. This is local government's most important body in the field of policy development for community services. The ALGA is local government's equivalent to ACOSS. Its headquarters is in Canberra and it is able to act as lobbyist, negotiator and policy unit. A working party is constantly reviewing policy documents emanating from State and Commonwealth sources and assists in the development of a national perspective. Another very important body is the Task Force of the Local Government Ministers' Conference. Its 1987 publication 'Community Development, Human Services and Local Government' provided a policy framework and enabled ALGA to develop a response - its 'Submission on Future Interaction between Commonwealth and Local Governments of Human Services and Community Development at the Local Level' (December 1987). This submission concentrates on three issues

- . co-operative needs based planning
- . co-ordination arrangements
- . negotiated contractual agreements

These and other papers clarify the parameters of the debate. Now this has been done, local government is faced with yet another dilemma - central governments are backing away from proceeding further, they don't want to be pinned down. This situation reminds me of the IYSH cartoon of the couple running towards the house. Just when they are about to reach their dream home, the house grows legs and runs away. It is very difficult to negotiate when the rules keep changing. How much more information does local government need to provide, how many more investigations and consultations?

Summary

I have suggested that the demands on governments are becoming greater and more complex at a time when it is economically and politically impossible to provide governments with a much greater share of Australia's wealth. In this context it will be necessary to devise a new way of planning, co-ordinating and delivering community services.

If this is to involve local government I believe the process must take account of

- . the nature of local government
- . the financial arrangements
- . ALGA policies with respect to community services.

Contradictions abound. Local government practices and structures are sometimes dismissed as quaint by perplexed senior bureaucrats. Legislative barriers exist. Local government has heeded the warning that it may become a bystander if it does not set and pursue its own agenda. It now has the framework for decision making in place but have the other players abandoned the game? We are faced with the irony of the State Grants Commission which punishes those councils which become involved in community services through its methodology for allocating untied grants. Local government, being a creature of the State, is hamstrung by the States' ambivalence regarding localism and regionalism.

Nevertheless, local government remains uniquely placed to integrate social, physical and economic planning, unlike the essentially competitive State and Commonwealth government departments.

It remains to be seen whether this advantage can be exploited for community benefit, despite the enormous impediments to doing so.

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