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## BEWARE THE MEAN!

BY PETER SAUNDERS AND TIM SMEEDING

The title of this paper is taken from an article by the American economist Joseph Quinn (1987) on measuring the economic well-being of the elderly. The message he sent in this paper that mean incomes are not always the best measure of well being for two reasons: first because the 'mean' income is not the income of the average person—in fact no one may have that income at all.

And second because means are misleading measures of well-being when the dispersion around the mean is very wide. This message bears repeating here in light of the recent criticism by the Centre for Independent Studies (CIS) of the poverty estimates produced for The Smith Family by the National Centre for Social and Economic Modelling (NATSEM). The ensuing controversy has re-ignited the debate over measuring poverty – a debate that is important, because good measurement of the scale of poverty and how it has changed is an essential ingredient into designing policies that address the forgotten problem that poverty has become (Davidson, 2002).

Our aim here is to clarify some of the underlying conceptual issues in poverty measurement and bring some new data to bear on the problem. We do not think that debating such issues should be a substitute for action, but rather that definitions are an important part of the process of deciding when action is needed and what form it should take.

The basic point made in the CIS report is that, by using a poverty line set equal to one-half of mean income rather than the more common measure based on one-half of median income, the NATSEM estimates exaggerate both the poverty rate in 2000 and the increase experienced over the 1990s. The figures published by The Smith Family confirm that this is indeed the case. The former result is virtually guaranteed by the fact that the distribution of income is skewed to the right, with many people on low-to-modest incomes and far fewer on high incomes. This implies that median income (which is the income of the middle



**Tim Smeeding, Visiting Professor to SPRC, at the 'Ageing Societies' Seminar**

person or middle household, and separates the distribution into two equal halves) is lower than mean (or average) income, so that a poverty line linked to mean income will always be higher and more people will fall below it.

The second observation – that use of a poverty line linked to mean income produces a higher increase in poverty – is generally only true when mean income *increases* by more

*Continued on page 4*

## CONTENTS

Staff and Visitors Update .....	2
From the Director .....	3
Costs of Foster Care .....	6
Child Protection in China .....	7
From the Projects.....	8

## FEATURE

Peter Saunders and Tim Smeeding discuss the question of measuring poverty

EDITORS ♦ KAREN FISHER, CATHY THOMSON & DUNCAN ALDRIDGE

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# STAFF AND VISITOR UPDATE

## NEW ARRIVALS:

MARILYN MCHUGH has moved from Staff to Research Scholar to take up an ARC/APAI PhD scholarship to study The Costs of Foster Care in Australia.

CHRISTIE ROBERTSON has taken up an ARC/APAI PhD scholarship to commence a study into The Smith Family VIEW clubs of Australia: From Philanthropy towards Social Enterprise.

CATHY THOMSON has returned from leave.

## VISITORS:

YUKI EBARA from Beppu University (Japan) visited the Centre from January to March 2002.

TIM SMEEDING (Maxwell Professor of Public Policy, Syracuse University, USA, Director of the Luxembourg Income Study) is visiting the Centre from January to June 2002.

## DEPARTURES:

KIM JAMIESON has taken maternity leave.

YOUNGHEE NA has returned to Korea.

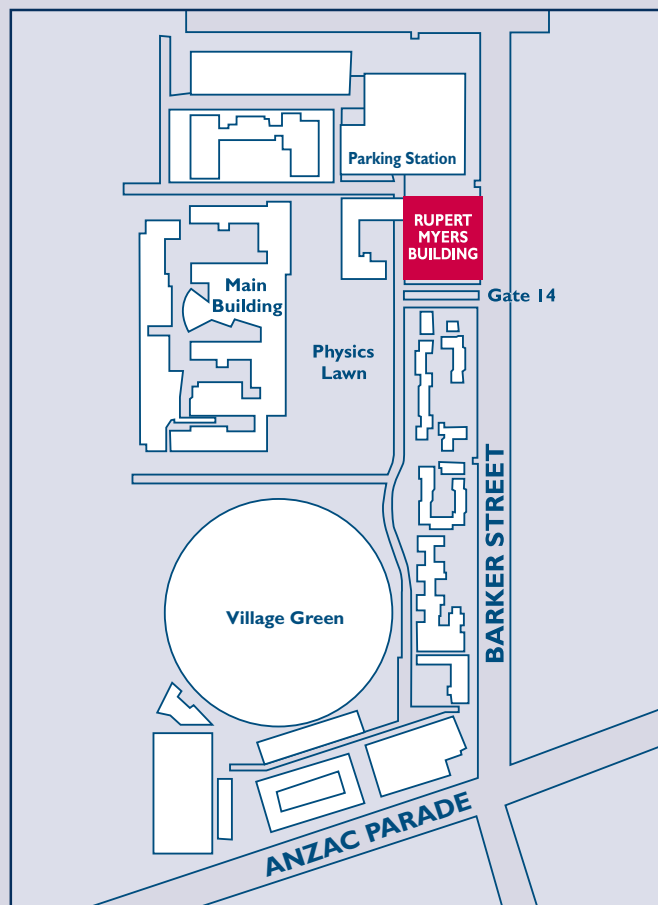
GERRY REDMOND will be on leave for a further year as he continues in his post at Innocenti Research Centre UNICEF, Florence.

JAMES RICE has left the Centre to complete his PhD studies full-time.

## THE SOCIAL POLICY RESEARCH CENTRE

The Social Policy Research Centre is an independent research centre of the University of New South Wales. Under its original name, the Social Welfare Research Centre was established in January 1980, changing its name to the Social Policy Research Centre in 1990. The SPRC conducts research and fosters discussion on all aspects of social policy in Australia, as well as supporting PhD study in these areas. The Centre's research is funded by governments at both Commonwealth and State levels, by academic grant bodies and by non-governmental agencies. Our main topics of inquiry are: economic and social inequality; poverty, social exclusion and income support; employment, unemployment and labour market policies and programs; families, children and older people; community needs, problems and services; evaluation of health and community service policies and programs; and comparative social policy and welfare state studies.

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



**The Social Policy Research Centre is located on Level 3 of the Rupert Myers Building, South Wing, Kensington Campus. Enter by Gate 14, Barker Street.**

# FROM THE DIRECTOR

BY PETER SAUNDERS

Ageing has been presented as one of the most serious challenges facing all societies over the coming decades. The extent of the 'problem' has been extensively documented and the need for an effective and profound policy response has been a constant theme of the recent policy agenda. But many of the assumptions on which the predicted consequences of an ageing society are based can be shown to be questionable at best, at worst simply wrong.

A simple framework for thinking about ageing can be developed which is based on two important ratios. The first is the ratio of the number of people who have retired from the labour force ( $r$ ) to the number of workers still employed ( $e$ ). The second is the ratio of the cost of meeting the needs of each retiree ( $p$ ) to the average wage of workers ( $w$ ). The product of these two ratios,  $(r/e).(p/w)$  can then be taken to represent the overall support cost burden associated with a given population.

This can also be expressed as equal to the ratio of  $(r.p)$  to  $(w.e)$ , where the numerator is equal to the cost of meeting the needs of all retirees and the denominator is equal to the total wage bill from which those costs must ultimately come. In words, this latter ratio indicates what proportion of the resources generated by the current working generation must be put aside to meet the needs of the current retired generation.

While almost all discussions of ageing implicitly assume that such 'putting aside' only occurs through the public sector, this is by no means the case. Many of the needs of older people will be met by the aged themselves, or by their families, or by a range of non-government voluntary agencies. But there is still a resource transfer

involved (even if it takes the form of caring for a grandparent or delivering meals on wheels voluntarily) and this has flow-on consequences that cannot be ignored.

The above framework can be used to trace the development of the 'ageing debate'. The 'first generation' studies that appeared in the 1980s made the point that demographic change was leading to an ageing process, reflected in a significant increase in the  $(r/e)$  ratio resulting from the rise in birth rates in the immediate post-war period, reinforced by increased longevity. Focusing exclusively on the *cost to government* implied by these changes, these early studies suggested that the predicted rise in  $(r/e)$  would have to be offset by a fall in the  $(p/w)$  ratio if the overall support cost was to be stabilised. Responding to this simple message, governments around the world (particularly in the OECD region) have heeded this warning by cutting back on the generosity of pension schemes and seeking to control the growth of health and care costs for the aged.

The controversy induced by these reforms has given rise to a 'second generation' of studies examining the factors behind the ageing process and its implications for public policy. These newer studies have shed a more interesting light on the issues of ageing, opening up new avenues of inquiry and casting doubt on the need for some of the ameliorative steps already introduced. A key insight of these new studies is that the main factor behind the longer-run increase in the demographic ratio  $(r/e)$  is the fertility (or birth) rate, since it is this that ultimately



**Presenters at the 'Ageing Societies' Seminar: (from front left to right) Gary Burtless, Julia Perry, Michael Bittman; (back) Tim Smeeding, Peter Saunders.**

influences the age structure of the population in the long-run.

This in turn has focused attention on what has caused the birth rate to decline and what governments can do to try to reverse this trend. A central issue here is the degree to which the costs associated with child-rearing are shared between the parents, their broader families and the state (in the form of family benefits, access and affordability of child care, and so on). It seems that many of the public policies introduced to cut spending programs as a response to the 'ageing crisis' may have shifted these costs onto parents who have responded by having fewer children (in total) thus further reducing the birth rate and exacerbating the rate of ageing.

A second insight of the newer studies is equally simple but again has fundamental consequences. It relates to the role of the labour market in the ageing process. The age of retirement is not a universal given, but is the result of policies introduced and sustained over a long period. The point at which workers ( $e$  in the above framework) shift into retirees ( $r$ ) obviously has a

*Continued on page 10*



## BEWARE THE MEAN!

CONTINUED  
FROM PAGE 1

*"...the fact that one measure shows a larger increase over a specific period is hardly a sound basis for choosing it."*

than median income. This did in fact occur in Australia through the 1990s, but it is not inevitable. The reason for this is that increased income inequality reflected large increases in the incomes of those who were already at the top of the distribution (Saunders, 2001). This had the effect of increasing mean income relative to the median, so that mean-income poverty rose faster than median-income poverty. The CIS conclude from this that The Smith Family (and NATSEM) have confused poverty with inequality and are promoting a climate in which the 'politics of envy' (Hughes, 2001) is characterising the increased affluence of the rich (itself a good thing) as increased poverty of the poor (a bad thing).

The figures published in Table 1 of The Smith Family report (on which the authors of the CIS study rely) bear out these statistical

observations. Thus, mean family income in 1990 (updated to year 2000 dollars) was \$766, while median income (when similarly updated) was \$686. The ratio of mean to median (a very rough measure of income inequality) in 1990 was thus 1.117. By the year 2000, mean income had risen to \$832, median income to \$723 and the ratio of the two to 1.151, or 3.0 percent above the figure for 1990.

Of course, none of these statistics tell us whether it is better to base a relative poverty line on mean or median income. The fact that one measure shows a larger increase over a specific period is a hardly a sound basis for choosing it. We need to make a *judgment* about the relative merits of alternative poverty measures that is independent of what they imply for the poverty rate. One specific problem with measuring poverty using mean income is this;

if the incomes of the poor rise (everyone else's income unchanged) this will cause mean income to rise and thus may result in measured poverty *rising* – a curious result that will not occur if poverty is measured relative to median income.

It is at this point in the argument that we part company with the CIS authors, who argue that only an 'absolute' poverty line measures 'real' poverty and avoids the need to make a judgment about the nature and definition of poverty. In fact, there is no single absolute poverty line that is acceptable in all times and places. The World Bank uses an 'absolute' poverty line of US\$ 1 per person per day in Africa, US\$ 2 per person per day in Latin America, and US\$ 3 per person per day in Central Asia and the former Soviet bloc. The United States has an absolute poverty line that is between \$10 and \$15 per person per day depending on the size of the family for which poverty is being measured! (Smeeding, Rainwater and Burtless, 2002). The point here is a simple one: *Any poverty measure must reflect some kind of judgement and the onus is on those who propose it to make these judgements transparent and thus open to debate.* Our challenge to the CIS on this point is; show us an absolute poverty measure that is totally free of judgment so that we can judge its merits for ourselves (pun intended!).

When it comes to choosing between mean or median income as the basis for an explicitly relative poverty line, the vast majority of poverty researchers prefer the median. One reason is that when the median is used, the reference point is the person, family or household who is at the middle of the distribution, with half above and half below them. When the mean is used, there may be no one involved at all, as there may be no person, family or household or who has this exact income. And as mentioned earlier, the income of the person who is closest to the mean income is considerably above the income of the middle person.

A second reason for preferring the median to the mean is because the median is less sensitive to

Table 1: Poverty Rates using Mean and Median Income Poverty Lines\*

Country	Year	Overall		Children		Aged		Ratio of Mean to Median Income
		Mean	Median	Mean	Median	Mean	Median	
Australia	1981	15.4	11.3	17.0	13.8	41.4	24.0	1.10
	1994	19.2	14.3	21.0	15.8	42.4	29.4	1.12
	Change	3.8	3.0	4.0	2.0	1.0	5.4	0.02
Canada	1981	15.3	12.4	17.6	14.8	30.6	22.0	1.09
	1997	15.0	11.9	19.1	15.7	16.9	5.3	1.11
	Change	-0.3	-0.5	1.5	0.9	-13.7	-16.7	0.02
France	1984	13.9	11.5	12.2	9.8	23.7	19.3	1.10
	1994	12.7	8.0	12.7	7.9	17.3	9.8	1.16
	Change	-1.2	-3.5	0.5	-1.9	-6.4	-9.5	0.06
Germany	1984	8.8	6.5	8.7	6.4	14.4	10.3	1.10
	1994	10.1	7.5	13.0	10.6	11.2	7.0	1.11
	Change	1.3	1.0	4.3	4.2	-3.2	-3.3	0.01
Sweden	1981	5.8	5.3	5.1	4.8	3.8	2.9	1.04
	1995	7.2	6.6	3.0	2.6	3.9	2.7	1.05
	Change	1.4	1.3	-2.1	-2.2	0.1	-0.2	0.01
UK	1979	13.4	9.2	11.9	9.0	35.9	21.6	1.10
	1995	21.8	13.4	29.9	19.8	28.6	13.7	1.19
	Change	8.4	4.2	18.0	10.8	-7.3	-7.9	0.09
USA	1979	18.2	15.8	23.4	20.4	31.7	27.3	1.09
	1997	24.4	16.9	31.7	22.3	30.8	20.7	1.21
	Change	6.2	1.1	8.3	1.9	-0.9	-6.6	0.12
Simple Average of Changes		2.8	0.9	4.9	2.2	-4.3	-5.5	0.05

Note: \* Poverty rates show the percentage of persons of each type below each poverty line.  
Source: LIS data base.

extremely high (and low) incomes and is thus a more robust measure of the central tendency of the income distribution. Given that the surveys that produce the income data used to measure poverty often find it difficult to measure very high and very low incomes accurately, measurement errors have the potential to distort the mean to a far greater extent than the median (which depends only on the ranking of incomes, not on the level of any income except the median itself). Even the Department of Social Security in the United Kingdom - one of the few organisations that uses a mean-based measure to examine the circumstances of low-income households - has acknowledged that within quintiles at the extremes of the income distribution, 'medians are considerably less vulnerable to sampling error and other data deficiencies' (Department of Social Security, 1996: 25).

### Some International Evidence

It is useful to provide a new perspective on this debate by considering what the international evidence has to say on these issues. To do this, we draw on data from the Luxembourg Income Study (LIS), a comparative study of economic inequality in different countries using data that conform to a standard conceptual and definitional framework. When the LIS data are used, we can be reasonably confident that any differences that emerge are real, and not the result of the peculiarities of specific national definitions or data characteristics. Both of the authors have been closely associated with the LIS project for two decades, with one of us (Smeeding) its instigator and current Director and the other (Saunders) the Australian coordinator and, for many years a member of the LIS Executive Board.

The LIS project publishes on its website [www.lisproject.org](http://www.lisproject.org) a range of indicators of income inequality and poverty in all participating LIS countries (of which there are now 27). The poverty rates are based on

a poverty line for each country that is set at one-half of that country's median income, derived after allowing for differences in household size using an equivalence scale set equal to the square root of household size. For a sub-sample of seven of these countries, we have used the LIS data to also estimate poverty in each country using a poverty line set at one-half of mean income in each country. The results, shown in Table 1, report the overall (national) poverty rate, and separate poverty rates for children (aged under 18) and the aged (aged 65 and over) using the mean and median income poverty lines in each country. The two alternative poverty rates around 1980 and in the mid-1990s are shown, along with the change in the ratio of mean to median income over the period.

The countries included in the Table cover the range of experience captured in the LIS database. This is quite diverse, as can be seen by comparing the results for Sweden with those for the United States. Australia lies around the middle, with more poverty than in continental Europe but less than in the United Kingdom and the United States, similar overall to Canada (aside from poverty among the aged which shows up as very high on both measures).

In choosing between the two poverty lines, the results reveal several patterns:

- As predicted, poverty is always higher using the mean income rather than the median, all else equal;
- The ratio of mean to median income increased in every country, indicating that income inequality rose in every country over this period;
- Upward changes in mean-income poverty rates are generally higher than upward changes in median-income poverty, although the opposite is true when poverty is falling, when median-income based poverty rates fall by more than mean-income based poverty;
- Except in France, the shift from a median income poverty line to a mean income poverty line has a

larger impact on estimated poverty among the aged than on child poverty;

- Poverty rates in the most unequal countries (and the countries with the greatest trend to inequality) – the UK and the US – are very high and vary widely when the mean is used compared to the median. In contrast, poverty rates in the most equal nation – Sweden – do not vary nearly as much over time or across different groups.

The international data thus illustrate that where the poverty line is set influences not only the overall level of poverty, but also how poverty affects different groups and how it has changed over time. Put bluntly, the use of a poverty line linked to mean income produces excessively high poverty rates, that also tend to increase by more when poverty is rising but to fall by less when poverty is falling. The results reported in The Smith Family report confirm that Australian experience in the 1990s conforms to this more general international pattern.

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*Continued on page 12*

*"...any poverty measure must reflect some kind of judgement and the onus is on those who propose it to make these judgements transparent and thus open to debate."*

# COSTS OF FOSTER CARE – A NATIONAL STUDY

BY MARILYN MCHUGH

*“The rationale underlying this objective was to provide better information on the direct costs to carers associated with fostering.”*

Since the mid-eighties there has been concern among major foster care organisations in Australia in relation to the low level of allowance (ie standard subsidy) paid to foster carers to reimburse them for the direct costs of care. Agencies were aware that unless the level of standard subsidy was increased there would be great difficulty in recruiting and maintaining carers and also in expanding the pool of appropriate carers.

All Australian States and Territories administer similar foster care programs for children, with placements managed either by the statutory authority or by non-government agencies. The number of children in out-of-home care in Australia is considerable with 16 923 children and young people in care for the year 2000. The majority (15 169) of children in out of home care are predominantly in home-based or foster care. Indigenous children are significantly over-represented in the child welfare system and more specifically in out-of-home care. The rate of Indigenous children (aged 0-17 years), in out-of-home care at 18.3 per 1000, is significantly higher than for non-Indigenous children at 3.6 per 1000 (AIHW, 2001).

The Child and Family Welfare Association of Australia (CAFWAA) and the Association of Children's Welfare Agencies (ACWA) commissioned the SPRC to examine the adequacy and effectiveness of foster care allowances in Australia. The aim of the study was to contribute to an assessment of current subsidy payments in meeting the costs of children in care. The broad research objective was to establish a set of budgets to cover the costs for children of specific ages and sex in foster care. The rationale underlining this objective was to provide better information on the direct costs to carers associated with fostering.

The project was conducted in two stages. Stage I involved a field-based study with 120 directors of child welfare agencies (government/non-government and Indigenous/non-Indigenous) and six Foster Care Associations around Australia. One of the strongest findings from the survey data was that standard subsidy payments in most States were perceived as inadequate to meet the costs of children in care.

In Stage II, a set of budgets estimating the costs of children of various ages for housing, energy, food, clothing and footwear, household goods and services (HGS), health, transport, leisure and personal care were developed. Use was made of the estimates of the costs of children, at the modest but adequate standard, originally developed by the Budget Standards Unit (BSU) at the SPRC (Saunders et. al., 1998). These preliminary estimates of costs of children (not in care) were shown to 26 groups of carers (Indigenous and non-Indigenous) covering all States and Territories. In total 159 carers commented on the composition of the preliminary budgets and suggested areas of improvement to better reflect costs specific to fostering. The emphatic response from the majority of carers to these preliminary estimates was that they were not adequate to meet the needs of children in care. Carers highlighted numerous areas where costs specific to fostering were not reflected. In summary they were as follows.

- Significant costs were incurred in the housing budget for general 'wear and tear' and damage to household goods including furniture, furnishings, carpets, fittings, electrical equipment and white goods. Water usage was higher than usual due to additional laundering and showering (higher incidence of bed-wetting children of all ages and those not toilet trained).

- In the energy budget there were additional costs for laundry purposes (heating water and running washing machines/dryers). Higher than usual use of electrical appliances, lights, air-conditioning/heating by children and young people in care was also noted.

- Estimates in the food budgets were closer to some carers' actual costs. However common patterns of over-eating and/or stealing, hoarding or hiding food led to higher consumption of some foods and significant wastage. To correct dietary deficiencies, under-weight or 'failure to thrive', babies and children were encouraged to consume more appropriate foods.

- Clothing for children was costly. Children often had no clothing or footwear or had minimal wardrobes of poor quality and cleanliness when coming into care.

- Additional costs in the HGS budget were due to wear and tear and damage to furniture, fittings, appliances, linen/towels, and soft furnishings including excessive wear on beds/bedding and mattresses. Repairs and maintenance of electrical appliances and costs for phone and postage usage were also higher than usual.

- In the health area carers noted substantial costs for over-the-counter medications and other prescription drugs for foster children.

- Carers incurred high transport costs. These costs were specific to the geographical location with higher costs for rural and regional carers. Substantial costs were incurred when regular 'access and contact' visits to children's birth families occurred. The purchase and running costs of larger vehicles to accommodate sibling or larger groups of foster children plus a carer's family were significant costs for some carers.

- Carers noted the lack of an allowance in the BSU leisure

*Continued on page 12*

# REFORMING THE CHILD PROTECTION SYSTEM IN CHINA

BY XIAOYUAN SHANG

About 50,000 orphaned or abandoned children, most of them also disabled, are in the care of the state in China (Shang, 2001). The system of child protection in China was established in the early 1950s when the communist government came to office. Before economic reforms, under the combined influence of Confucianism and communist ideology, the system of child protection in China was characterized by two contrasting institutional features. The state monopolized welfare provision to orphaned and abandoned children found in urban areas, which overwhelmingly relied on institutional care. However, the government played only a minimal role in welfare provision for children in families, leaving the family to bear the main responsibilities of caring for children. Neither social security nor public health provision covered children, who were seen as the sole responsibility of the family. This system left orphaned or abandoned children in rural areas and millions of children with disabilities outside the protection of the state. Because of this, the number of children in the care of the state has been extremely small, between 4000 and 5000 nationwide during the 1970s and 1980s (Shang, 2001).

Child abandonment is a serious social problem in China. Skinner and Yuan (1998) found that the number of female infanticides or abandonment in a single region (lower Yangtze region), was as high as 800 000 from 1970 to 1980, and the disappearance of girls has continued at an increasing rate in the 1980s and 1990s. Under the combined influence of government's 'one-child' policy and new socio-economic circumstances appearing in the reform era, the number of abandoned children found in urban areas has increased since the early 1990s (Johnson, Huang, and Wang, 1998). It was estimated that millions of girls are

missing from official population registration in the past three decades (Skinner and Yuan 1998). At the same time, the first adoption law applied in 1992 strictly controlled domestic adoption. Because of this, large numbers of abandoned children could not be adopted by families who wanted them, and had to be cared for by state children's welfare institutions. This challenged the existing system of child protection. However, owing to the political voicelessness of conventional welfare beneficiaries and the lack of independent forces in Chinese society could who voice their demand, the responsible government department, the Ministry of Civil Affairs (MCA), has failed to persuade the central government to make additional appropriations to meet this increased need (Shang, 2001). State investment has fallen behind what is needed to maintain welfare provision to orphaned or abandoned children at an acceptable level. The situation of orphaned or abandoned children in China has raised serious human rights concern in international communities since 1995 (Human Rights Watch/Asia, 1996).

The situation has changed recently. The government increased investment in state children's welfare institutions, gave up its state monopoly position, and accepted new policy directions that allowed individual citizens and non-government organizations to play a greater role in welfare provision to children. During the process, the idea that foster care is a better way to care for children, as well as being more cost-efficient was introduced into China by international NGOs and accepted by some state children's welfare institutions at a local level as well as policy makers at the central level. The adoption law has been revised twice since 1992.

What is the current situation of child protection in China? The

first large-scale investigation of children in alternative care in eight Chinese provinces in 2001 found that the policy change since 1995 has achieved major success. In the eight research sites, the dominant form of alternative care has changed from institutional care to family based care, such as adoption, foster care or residential group care. Adoption is regarded as the best choice for arrangements for orphaned or abandoned children. During 2000, about 11 per cent of children in the care of the state were adopted, 90 per cent of them were healthy and about 10 per cent had slight or medium handicaps. Considering over 80 per cent of custodial children in these welfare institutions were handicapped, this result means almost all newly taken-in healthy abandoned children were permanently placed with families. In addition, a total of 63.8 per cent of all custodial children were cared for in families or family-like environments. Institutional care is no longer the main form of alternative care in China. The final changes is that the living conditions of children in care have been improved greatly as all the institutions in the research sites have experienced substantial renovation or rebuilding since 1995. Not only has physical care improved, but also staff of state children's welfare institutions have become aware of children's psychological needs.

Although the reform has achieved impressive progress, there is still a long way to go if all vulnerable children are protected from abandonment and neglects. First, child abandonment is still a serious social problem in China and the number of abandoned children found in urban areas has not decreased dramatically. Preventive methods have not been widely used. Second, the child protection system in China only covers orphaned or abandoned children.

*"...the idea that foster care is a better way to care for children, as well as being more cost-efficient was introduced into China."*

*Continued on page 12*



# FROM THE PROJECTS

## LONG-TERM UNEMPLOYMENT IN NSW

The Australian labour market at the end of 2001 was in a relatively healthy position. There had been eight years of job growth, with around 1.5 million extra jobs created since 1992-93. The unemployment rate had reached its lowest since 1989 in September 2000, falling from 11.0 per cent to around 6.2 per cent. However, it then rose again, reaching 6.8 per cent in December 2001 and 7.4 per cent in January 2002. It appears that since then Australia has defied the world economic downturn following the events of September 11 and that unemployment has fallen again somewhat.

In spite of this economic success and the consequent job growth, long-term unemployment, defined as being out of work for one year or more, has remained relatively high, currently standing at just over one-fifth of all official unemployment. The level of very long-term unemployment (unemployed for two years or more) also remains stubbornly high and nearly two-thirds of all those receiving unemployment allowances have been receiving them for more than a year. The tendency for long-term unemployment to rise substantially during recessions and then to fall more slowly than overall unemployment is a well-known contemporary feature of industrialised economies. Also, more than three-quarters of new jobs created since the mid-1990s have been either part-time, casual or of non-employee status.

This research project is being undertaken in partnership with the Commonwealth Department of Family and Community Services under the Social Policy Research Services Agreement. The aim is to increase our understanding of the

factors contributing to high levels of long-term unemployment, particularly in a period of employment growth. It is hoped that a better understanding of the dynamics of long-term unemployment in a relatively buoyant labour market might assist the development of more effective and integrated policy responses. The project was initiated by the FaCS New South Wales State Office and the focus is on NSW, which in recent years has experienced a high level of employment growth on average and a more substantial reduction in overall unemployment than most other parts of Australia.

The study involves four elements: a review of the literature on long-term unemployment and its contributing factors; secondary analysis of a range of data sets, including the FaCS administrative Longitudinal Data Set (LDS) and ABS industry and labour force data; interviews with providers of employment assistance; and in-depth qualitative interviews with 27 long-term unemployed people.

The empirical research has focused specifically on Western Sydney, with agencies and long-term unemployed people drawn from South Western, Outer Western and Central Western Sydney. This part of Sydney includes areas of high and low unemployment as well as areas of employment growth and decline. A focus on sites allows examination of the dynamics of the interactions between long-term unemployed people and their communities, service providers and local labour markets.

The nine participating agencies are mainly providers of Intensive Assistance within the Job Network, the Community Support Program and Work for the Dole. Managers or senior caseworkers in each agency have been interviewed about their perceptions and experiences of long-term unemployed people's

characteristics, material conditions and the barriers they face in local labour markets. The agencies have also recruited long-term unemployed clients for the in-depth interviews, according to a set of specifications. The interviewees were selected to be broadly typical of the long-term unemployed population in terms of sex, age and ethnicity, and to include people receiving different types of employment assistance, as well as those with circumstances known from the literature to be a factor in long-term unemployment.

Interview topics have included participants' own perceptions of the causes of their long-term unemployment, with exploration of the issues raised. Typically, these conversations have ranged across life trajectories; personal, family and community contexts and relationships; culture and migration; health and disability issues; locational and housing issues; experiences with education and training; employment histories and experiences; job search experiences and attitudes to work.

Analysis of both the statistical and interview data is nearing completion and a draft report is expected to be submitted in late April. The SPRC staff involved are Tony Eardley, Jenny Chalmers and David Abelló.

## EVALUATION OF THE NEW SOUTH WALES MENTAL HEALTH INTEGRATION PROJECTS

In May last year, the SPRC was invited to submit an expression of interest in the evaluation of the NSW Mental Health Integration Projects (MHIPs). These demonstration projects aim to facilitate closer working relationships between public and private providers of mental services, integration of services at different levels of the system (from individual case to intersectoral working) and better outcomes for mental health consumers. They

involve fund pooling and use of the national standardised mental health outcome measures.

The SPRC was chosen to develop an evaluation plan in consultation with the two local projects in Illawarra and the Far West (based in Broken Hill) and their stakeholders. The Evaluation plan was presented in outline to the MHIP National Evaluation Steering Group at the end of November and submitted in detail to the Commonwealth Department of Health and Ageing, Mental Health and Special Programs Branch in early January 2002.

In February 2002, the SPRC was contracted to conduct the evaluation of the Illawarra project until its conclusion in June 2003. The Illawarra MHIP is an umbrella for 13 smaller projects involving developments in the work of clinical psychologists, public and private sector psychiatrists, GPs, NGOs and consumers in the provision of mental health services and support. Share-care and consultation-liaison arrangements between GPs and psychiatrists are in place; the Specialist Psychological Service provides anxiety disorder and borderline personality disorder clinics; Lifeline (Southcoast) telephone counsellors are provided with supervision by a psychiatrist and an interagency agreement has been developed for the coordinated care of frequent callers who have other mental health care providers; consumers are being employed as rehabilitation consultants and there is a volunteer support program.

The challenge for the Illawarra MHIP is to keep all these developments (and there are others), working together in the same direction; and if they are effective, to find ways to sustain them at the end of the project. The challenge for the evaluation in assessing the effects of the MHIP is, first to take account of the other significant developments in the Mental Health Service (MHS) in Illawarra which include a strategic planning process being guided by the new Director of Mental Health

Services, an ARC project on the development and validation of outcomes measures by consumers, and a MHS accreditation process; and second, to draw together quantitative and qualitative data relating to different levels in the mental health system and beyond, to demonstrate effects on integration and outcomes for consumers and providers.

Dr Natasha Posner, the project coordinator, Justin McNab and Jan Webster who was employed by the Centre as a consultant in relation to the Far West MHS began work on the project September 2001. David Abelló has joined the team to assist in the evaluation of the Illawarra MHIPS.

The project in the Far West had a delayed start when the initiating project officer left, but has recently appointed a new project officer. If the evaluation goes ahead, it will be conducted in association with Professor David Lyle, University of Sydney, in Broken Hill.

## **THE ROLE AND IMPACT OF THE SOCIAL SUPPORT SYSTEM ON THE WELL-BEING OF THE ELDERLY IN CHINA**

This project, funded by a three-year Australian Research Council Discovery Grant is still in its early stages, setting up the process whereby data from two recent surveys of older people in China can be analysed. The SPRC's role in the research will involve detailed examination of data from two national surveys undertaken in 1992 and 2000 that collected a massive amount of information on the living conditions, lifestyles and attitudes of older people in rural and urban areas of China. Four specific issues will be investigated:

- The extent of poverty and income inequality among the older population;
- The coverage, accessibility and affordability of health care facilities and services;


- The nature and impact of informal support for older people; and

- Changing attitudes to social support for older people.

These four issues will be examined using for the first time outside of China, data from the 2000 national survey that examined the implications of population ageing on the support systems for older people in rural and urban areas. Much of the data gathered during this survey replicated that collected eight years earlier in 1992 and a major focus of interest is on how the circumstances and conditions of older people have changed in a period of rapid economic reform and welfare system development.

Both surveys were conducted by the China Research Centre on Ageing (CRCA), which is located in Beijing's Chaoyang District. The CRCA has agreed to participate in this research, providing the basis for bringing together the SPRC's expertise in analytical techniques and knowledge of policy issues with the on-the-ground practical knowledge of researchers at CRCA. It is currently envisaged that the bulk of the data analysis will be undertaken by CRCA researchers located at SPRC, thus providing the maximum scope for intellectual interaction whilst at the same time providing a vehicle for CRCA researchers to upgrade their analytical skills.

Although the main focus of the research will be on how things have changed in China during its recent rapid transition to a more open and integrated economy, attention will also be paid to a series of comparisons between older people in China and in Australia. The two countries differ enormously in size – the older population in China in 2000 was over 120 million, more than six times the size of the total Australian population – as well as in their stage of development, but there are nonetheless many areas where each can learn from the research and experience of the other. We in Australia are gradually realizing that the formal welfare



system rests on a huge sub-structure of informal social support, without which it could not survive. China has a far less developed formal system but its informal system remains strong and provides many lessons from which we can learn. Progress with the research will be reported in later issues of the SPRC Newsletter, as the results of what promises to be an exciting piece of research begin to emerge. SPRC researchers in the project are Peter Saunders and Xiaoyuan Shang.

## **BEST PRACTICE IN MATURE AGE EMPLOYMENT SERVICES**

The special problems faced by older workers in the labour market have attracted increasing attention in a number of countries in the last 10-15 years. Reports on the disproportionately high rates of unemployment among mature-age workers (generally defined as aged 45 years and over), and their

difficulties in finding jobs have been produced by international bodies including the World Bank, OECD, ILO, the UN, and the European Union. In Australia alone, there have been at least six official reports since 1999, as well as a steady flow of academic studies and reports by NGOs. The topic has also been dealt with in several SPRC studies.

The bulk of this literature concerns the problems and obstacles faced by mature-age workers, but there has been very little inquiry into factors related to success, rather than failure, in the labour market. In 2001, Sol Encel and Helen Studencki received a grant from the Regional Assistance program (then administered by the Department of Employment, Workplace relations and Small Business, and now with the new Department of Transport and Regional Services). The grant was to identify 'Best Practice in Mature Age Employment Services', and its objectives set out as follows.

- To identify and track the progress of mature age workers who

have overcome barriers associated with their age

- To identify and develop pathways and factors contributing to successful employment outcomes for older workers

- To provide information to assist service providers in facilitating access to the labour market for older workers

- To improve the success rate of the Job Network and Mature Age Workers Programs in assisting unemployed mature-age workers.

Three Job Network providers – Mission Employment, Salvation Army Employment Plus, and Work Ventures Inc – assisted by providing addresses of clients aged 45 and over, to be reached through a mail questionnaire. A small number of follow-up interviews were conducted with respondents who had indicated their willingness to be interviewed.

A draft report was presented to a forum of interested parties on March 12, and feedback from this forum will be incorporated in the final report.

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## **FROM THE DIRECTOR**

*from page 3*

crucial impact on the size of the e/r ratio and if demographic pressures are causing the ratio to rise, then an obvious response is to try to offset this through policies that cause it to fall.

Policies that keep workers in the employed labour force for longer, or allow those who have retired to maintain a part-time attachment to the world of (paid) work thus have a key role to play in the response to ageing. Again, however, some of the policies introduced in response to the alarmist 'first generation' studies (e.g. increasing the pension income-test or encouraging older workers to 'exit gracefully' from the labour force to make way for

younger workers) have had precisely the opposite effect.

These second generation studies of ageing have also opened up new issues for research, including why it is that older workers have been retiring from the labour force and what role the attitudes of employers play in this process. More generally, they have focused attention on the role of the labour market and what needs to be done to maintain people's involvement in it for as long as possible, given their own capabilities and aspirations.

These issues were explored at a seminar sponsored by the SPRC at the beginning of April, at which we were fortunate to hear the views of

two eminent American experts in the field – Professors Gary Burtless from the Brookings Institution and Timothy Smeeding from Syracuse University. Their accounts of how the debate has evolved in the US was accompanied by two papers – from Julia Perry and Michael Bittman – reporting recent SPRC research on early retirement and employer attitudes to older workers. The papers (available from the SPRC website at [www.sprc.unsw.edu.au](http://www.sprc.unsw.edu.au)) point the way to an emerging perspective on ageing that promises a better understanding of the issues and offers the prospect of an effective policy response.

# 'AGEING SOCIETIES: RESPONDING TO THE POLICY CHALLENGES' SEMINAR PAPERS

In April the SPRC ran a seminar with leading researchers in the field of ageing from both the United States and Australia. Three papers presented at the seminar are now available for free download from the SPRC Website: <http://www.sprc.unsw.edu.au/>.

'Does Population Ageing Represent a Crisis for Rich Societies?'  
Professor Gary Burtless, Brookings Institution, Washington DC

'The Future Costs of Health Care in Ageing Societies: Is the Glass Half Full or Half Empty?'  
Tim Smeeding, Maxwell Professor of Public Policy, Syracuse University, USA, Director of the Luxembourg Income Study and Visiting Professor, SPRC

'Older Workers: A Survey of Recent Recruitment Decisions in a High Growth Industry'  
Michael Bittman, Senior Research Fellow, SPRC

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## BEWARE THE MEAN! CONTINUED FROM PAGE 5

Smeeding, T., Rainwater, L. and Burtless, G. (2002), 'United States Poverty in a Cross-National Context', in S.H. Danziger, and R.H. Haveman, eds., *Understanding*

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## COSTS OF FOSTER CARE – A NATIONAL STUDY CONTINUED FROM PAGE 6

estimates for pocket money and gifts (birthdays and Christmas). Extra film (and developing) for photos for birth families and life storybooks was also expensive.

- In the area of personal care the use of disposables to accommodate wetting and soiling beyond the age when children were usually toilet-trained resulted in significant costs to many carers. Carers also noted waste and overuse of toiletries by children of all ages.

Work by Oldfield, which examined the extra costs of fostering and the adequacy of foster care allowances in the UK, proved a useful tool in assisting the development of foster care costs in Australia. After modifying the BSU estimates the figures indicated that

the difference on average between the costs for foster children and the BSU estimates was around 52 percent. These findings are comparable with Oldfield's results where the extra costs of fostering in the UK represented an overall average of 56 per cent (Oldfield, 1997:130).

A comparison of the levels of standard subsidy payments made by the States (Bray, 2001) to the estimated levels of children in care in similar age groups was undertaken. The findings indicated that few States appeared to reimburse carers at rates that approximate the estimated cost of foster children. The findings from this research suggest that a significant increase in the levels of subsidy payments paid for children

in all age groups would be required if carers were to receive amounts closer to the 'real' costs of fostering. The report will be available in June from the following websites:  
<http://www.acwa@acwa.asn.au> and  
<http://www.sprc.unsw.edu.au/>.

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Australian Institute of Health and Welfare (AIHW) (2001), *Child Protection Australia, 1999-00*, Child Welfare Series, No 27, AIHW, Canberra.

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## REFORMING THE CHILD PROTECTION SYSTEM IN CHINA CONTINUED FROM PAGE 7

This system leaves millions of vulnerable children, including children with disabilities, children maltreated in families and children in poor or single parent families outside its protection. Third, although almost all healthy abandoned children are adopted before they reach three years old, it is very difficult to find adoptive families for children with disabilities. Children with disabilities account for 90 per cent of abandoned children. Consequently they have to be cared for by the state. Some are institutionalised for very long time. This situation is increasingly unacceptable. Both the Chinese government and Chinese society are looking for new methods to protect vulnerable children more

effectively. A part of this effort is to reform the existing state children's welfare institutions and to change them from old style orphanages, to new multi-functional child welfare centres, which will provide services to vulnerable children in Chinese society. The new policy development emphasises the function of family, community services and preventive intervention to families with vulnerable children. This policy change parallels policy trends in Australia, and many other Western countries (McGowan, and Walsh, 2000).

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