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SPRC NEWSLETTER

Social Policy Research Centre

A NEW POVERTY LINE?

BY PETER
SAUNDERS

Writing in the *SPRC Newsletter* in September 1991, Anthony King reviewed the concerns that many have with the Henderson Poverty Line and argued the case for developing alternative - or complementary - measures of income (or primary) poverty.

The article concluded with the following remarks; 'the continuing debate surrounding use of the Henderson Poverty Line has now reached the stage where there is an urgent need to reformulate the way in which poverty is measured in Australia ... Such a reformulation, however, is unlikely to just happen. What is required is a concerted effort by those with an interest in resolving the debate' (King, 1991).

Since that time the SPRC has been playing its part in this exercise through its involvement in a number of activities. Research on the meaning of poverty - reported in the May 1997 issue of the *SPRC Newsletter* - is attempting to forge a better link between the statistical measurement of poverty and what it means to those who actually experience it (Saunders, 1997). More significant, however, has been the major project on developing a set of indicative budget standards for Australia that

the Centre has been undertaking on commission for the Department of Social Security.

With the release of the Final Report from the budget standards project in April of this year (Saunders et al., 1998 - see announcement on the back page of this newsletter), we are now in a position to ask whether that research provides the basis for a new - or supplementary - poverty line.

The aim of the budget standards project has been to develop a set of indicative budget standards relevant to Australian households in the 1990s. A budget standard represents a basket of goods and services that is needed, by a household of a particular type, to achieve and maintain a given standard of living in a given place at a given time. The SPRC research costed household budgets at two distinct standards: a modest but adequate standard and a low cost standard.

It is the latter of these which, potentially at least, has most direct relevance to the measurement of primary poverty (although it should be acknowledged that this was not one of the goals of the budget standards project itself). The low cost standard is intended

to represent a standard of living which may require frugal and careful management of resources but still allow social and economic participation consistent with community standards and enable the individual to fulfil community expectations in the workplace, at home and in the community. It is a level below which there is an increased risk of deprivation and disadvantage. In round terms, the low cost standard was seen as lying at about one-half of the median standard of living in the community as a whole (although in practice the estimates were somewhat higher than this).

Before proceeding, it is worth observing that although the recent SPRC project is the most comprehensive attempt to develop an Australian budget standard, several aspects of the budget standards methodology are in fact embodied in the Henderson Poverty Line, as Michael Bittman has pointed out (Bittman, 1997: 7).

The Henderson Line for the 'standard family' of husband, wife and two children was originally tied to the level of the basic wage. This was itself based upon a rudimentary analysis of household

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FEATURE

SPRC Director, Peter Saunders
discusses the relative merits of Budget Standards and the Henderson Poverty Line.

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SPRC NEWSLETTER ♦ 1

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STAFF AND VISITORS UPDATE

SHARON BURKE joined the SPRC as a part-time Research Officer. She will be working with Michael Fine and Cathy Thomson on the Demonstration Projects in Integrated Community Care. She is also completing her honours degree in Social Science and Policy at the University of New South Wales.

AMANDA ELLIOT is continuing her PhD candidature with the Centre on a part-time basis and is now working at UTS in the School of Computing Science on a women in computing project.

TRISH HILL has recently joined the SPRC as a PhD scholar. In 1993 she completed her Honours degree in Women's Studies at Murdoch University, Western Australia and then spent two years studying voice and movement training in Australia and Europe. Since then she has worked as the National Coordinator of CAPOW! - a network of sixty diverse national women's organisations. Her PhD thesis will examine conceptions of 'poverty' in social and economic theories and policies and compare this to the experience of poverty as described in a case study of low income urban Australian women.

DR DAVID MICELI, from the University of Geneva, is visiting the Centre from May to October. He is undertaking research on multidimensional approaches for measuring poverty and the statistical properties of these various measures.

CATHY THOMSON will be on maternity leave from May to October 1998.

THE SOCIAL POLICY RESEARCH CENTRE

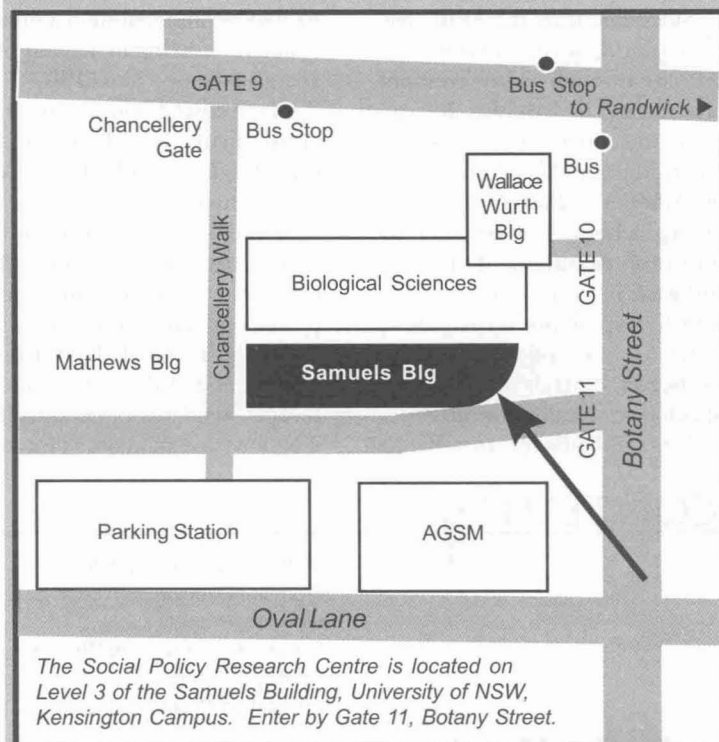
was established in January 1980 (originally as the Social Welfare Research Centre) under an agreement between the University of New South Wales and the Commonwealth Government.

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

The SPRC undertakes and sponsors research on important aspects of social policy and social welfare; it arranges seminars and conferences, publishes the results of its research in reports, journal articles and books, and provides opportunities for postgraduate studies in social policy.

The Centre's current research agenda covers social policy issues associated with changes in employment; levels of social and economic inequality including poverty and the measurement of income and living standards; the changing structure of the mixed economy of welfare and the roles of state, market, household and non-government sectors in meeting social needs; policies and programs in social security, taxation and the labour market, and community services.

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 Samuels Building, University of NSW, Kensington Campus. Enter by Gate 11, Botany Street.

FROM THE DIRECTOR

BY PETER
SAUNDERS

Earlier this year, I had the good fortune to attend a conference held at the University of York in England to mark the centenary of Seebohm Rowntree's first study of poverty in York. It provided me with a first hand opportunity to reflect on where poverty research is heading in the UK and to draw some comparisons with Australia. In the course of preparing my own paper for the Conference, I was also prompted to read Asa Briggs' authoritative and very interesting social biography of Rowntree, *Social Thought and Social Action. A Study of the Work of Seebohm Rowntree, 1871-1954* (Longmans, 1961).

The Conference itself illustrated the strength, depth and diversity of British poverty research, now 'coming in from the cold' after more than a decade during which the word 'poverty' was effectively erased from the official discourse of social policy issues and problems - as was any acknowledgment of the existence of the condition amongst the population.

Over the two days of the Conference some 60 papers were presented, followed by a final session devoted to an open discussion of the future of poverty research. In addition to a paper from Asa (now Lord) Briggs himself, other notable contributors included Peter Townsend, Martin Rein, Fiona Williams, John Veit-Wilson, Jan Pahl and the Secretary of State for Social Security, Harriet Harman (who, I was greatly encouraged to hear, spoke of the valuable role that research was playing in policy formulation within the new government).

Topics covered at the Conference included the measurement of poverty, budget standards, the poor laws, the geography of poverty, research on the outcomes of poverty, social exclusion, the experience of

poverty and the development and potential roles of new data of relevance to poverty. In regard to the latter, two features stood out in my recollections: the first was the new insights being provided by analysis of longitudinal data being generated and analysed by the Centre for Micro Social Change (CMSC) at the University of Essex; the second was the increasing use of administrative data in both static and dynamic analyses of household incomes.

These two developments, along with the program of research on social exclusion being developed by the new Centre for the Analysis of Social Exclusion (CASE) at the LSE, offer the exciting prospect of a new generation of poverty studies that will shed new light on the problem and inform a new set of policies to address it. I came away from the Conference with an optimistic assessment of where poverty research in the UK is heading - one hundred years after Rowntree's own research first attempted to establish the 'statistical facts' surrounding the extent and nature of poverty in late-Victorian York.

Australia has its own proud history of poverty research and is still regarded as a leading nation in the field. Like Britain, we are developing new ways of using administrative data to shed light on the issue and, in small ways, also starting to analyse the rather limited longitudinal data that is available (most of it a by-product of administrative statistics). However, we are a long way from having the resources (or, for that matter, the pressure from within the research community) required to establish anything like the CMSC at Essex.

Yet the more we analyse static cross-sectional data, the clearer it becomes that the phenomena we are studying are essentially dynamic and also need to be

studied using longitudinal data. We need to push for funding of a longitudinal study focusing on changing household structures and incomes if we are to make significant progress in understanding these trends, the factors underlying them and what kinds of policies are needed to influence them in positive ways.

This will require the kind of single-minded devotion to the research task and commitment to a better society for which Rowntree himself was renowned. As Asa Briggs said at the end of his book; 'Rowntree's unrelenting zeal to uncover the facts expressed a driving force which can be explained only in terms of his personality and the faith and values which inspired him. He thought of himself modestly as a "two talent man", but whatever his own view of his limitations, he harnessed all his exceptional energies to a single purpose, that of understanding society in order that it might be changed constructively.'

The ideals underlying this characterisation may seem somewhat quaint in today's complex and rapidly changing world. Yet the truth and simplicity which lies behind these words and the forces that motivated Rowntree to study poverty throughout the first half of this century are as relevant and powerful today as they have ever been.

SPRC ANNUAL REPORT

The 1997 SPRC Annual Report is now available. Please note that the report (still free of charge) is no longer distributed automatically with the Newsletter. For copies please contact the Publications Office by:

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budgets conducted earlier this century by Justice Higgins in determining the basis for the famous 'Harvester Judgement' of 1907. Furthermore, the poverty line relativities, which convert the 'standard family' line into a set of lines for other family types at the same living standard, were derived from a set of budget standards developed from data on New York households in the 1950s.

However, it does not necessarily follow that the BSU low cost budget standard provides the basis for a reformulated and improved poverty line. This may be the case, but this does not follow as a matter of logic; the case has to be argued. In particular, it has to be demonstrated that the standard of living which corresponds to the low cost budget standard captures what is understood by poverty in Australia today.

The Poverty Commission, like the Melbourne University research group (led by Ronald Henderson) whose work provided the conceptual and statistical framework for the Commission, saw their poverty line as being 'so austere as to make it unchallengeable. No one can seriously argue that those we define as poor are not so' (Commission of Inquiry into Poverty, 1975: 13).

Unfortunately, what this means in practical terms - aside from it

being 'inadequate for the needs of the family' (Henderson, Harcourt and Harper, 1970) - is nowhere spelt out, although the Poverty Commission did note that: 'the task of determining a minimum acceptable standard of living ... is difficult given the variety of life styles and values in Australian society and the range of matters, such as food, shelter, clothing, health and education, that must be considered.' (Commission of Inquiry into Poverty, 1975: viii).

Here again, there is a clear indication that budget standards thinking - if not the practice itself - was influential in the minds of Henderson and the other Poverty Commissioners. The austerity of their poverty line was reflected in the use of a higher poverty threshold - 20 per cent higher - which was used to identify households who were 'rather poor' in addition to those below the line itself - the 'very poor'.

It is not immediately clear from this discussion whether what constituted primary poverty in Australia two to three decades ago corresponds to the low cost budget standard described above. The notion that the low cost standard represents a point at which an increased risk of deprivation and disadvantage begins to emerge is suggestive of something akin to a poverty threshold, although the budget standards project brief

makes it clear that it should *not* be seen as a minimum standard.

Certainly, the idea that the low cost standard should be sufficient to 'enable the individual to fulfil community expectations in the workplace, at home and in the community' seems somewhat at odds with the degree of austerity that the Henderson poverty line was originally intended to capture.

This was to a certain extent borne out by the research itself, in that it proved impossible (as noted earlier) for the low cost standards to reflect 'economic and social participation' and remain at around one-half of the median.

There are those who argue that whatever the intention of its originators, the Henderson Poverty Line no longer corresponds to an austere standard of living. This is mainly because the methods used to update the poverty line over time have tended to increase not only its *real*, but also its *relative* value - relative to disposable incomes in the community generally. To the extent that there is truth in this, the poverty line may no longer represent as austere a standard as it once did.

How do the low cost budget standards compare with the Henderson Poverty Line? Table 1 compares the two, both before and after housing costs, for a range of different households. These comparisons indicate that the low cost standards for single women (non-aged or aged) are about 20 per cent above the Henderson line. The fact that both budget standards exceed the poverty line to the same extent indicates that the allowance for how need varies with age are similar in the two measures. However, after deducting housing costs, the two measures for the non-aged female become very close, while for the aged female they now differ markedly. This difference in part reflects the differing housing tenures of the two women

TABLE 1: COMPARING THE LOW COST BUDGET STANDARDS (LC) AND THE HENDERSON POVERTY LINE (HPL): FEBRUARY 1997

HOUSEHOLD/FAMILY TYPE	BEFORE HOUSING			AFTER HOUSING		
	LC	HPL	LC/HPL	LC	HPL	LC/HPL
Single Female aged 35 (F35)	\$294.0	\$243.9	1.205	\$170.3	\$165.0	1.032
Single Female aged 70 (F70)*	\$215.0	\$181.6	1.184	\$168.9	\$102.7	1.645
Non-aged Couple (M40, F35)	\$381.6	\$390.6	0.977	\$257.9	\$305.2	0.845
Aged Couple (M70, F70)*	\$295.6	\$260.5	1.135	\$248.1	\$175.1	1.417
Couple (M40, F35) plus Boy 14 (B14) and Girl 6 (G6)	\$602.1	\$462.4	1.302	\$406.1	\$362.0	1.122
Sole Parent (F35) plus G6	\$371.8	\$267.3	1.391	\$215.9	\$181.8	1.187

Note: * These households are assumed to own their own home outright. All other households are assumed to be renting privately. The poverty line figures refer to the March Quarter 1997.

that underlie the estimates.

Table 1 also shows that the low cost budget standard for a couple without children (renting privately) is virtually identical to the Henderson Poverty Line - at least before housing costs. After deducting housing costs, the budget standard is around 15 per cent *below* the poverty line. In contrast, the low cost standards (before housing) for a couple with two children and a sole parent with one child are around 30 per cent and 40 per cent, respectively, above the poverty line. After housing costs, these differences decline to about 12 per cent and 19 per cent, respectively.

These comparisons imply that, relative to the Henderson Poverty Line, the low cost budget standards produce higher estimates of the costs of children and that the economies of scale achievable by two adults living together (relative to a single adult living alone) are much greater. The fact that both effects are present explains why the low cost budget standard for an adult couple is very similar to that for a sole parent and one child.

Comparisons like those in Table 1 cannot, by themselves, determine which is the better measure. This partly depends upon the relative strengths of the research methods and the validity of the value judgements on which each is based. It also depends upon how much use is made of each measure - not just by policy makers but also by welfare agencies and others with an interest in household budgets and living standards.

This will in turn depend upon how much legitimacy each measure has amongst those wishing to use them, and amongst the community at large. A strong constituency of support for the Henderson Poverty Line has built up over the past 30 years, even though, as noted earlier, it is not free of criticism. Those familiar with the poverty line will need time to assess whether the value, credibility and usefulness of the low cost budget standard are sufficient to justify replacing the poverty line with it.

Assessing the differences between the two indicators will take

time. This will involve ensuring that potential users are made familiar with the methods used to develop the budget standards, including their strengths and weaknesses. It will also involve scrutinising the methods and assumptions used to develop the budget standards and comparing these with how the Henderson Poverty Line is constructed, including how it is updated over time.

The main advantage of the new budget standard estimates is that they have been developed to suit contemporary Australian circumstances and conditions. This is a clear advantage to contrast with the familiarity and known strengths of the poverty line. Against this, the budget standards methodology is very complex and calculations involve hundreds of separate statistics and many judgements. coming to grips with these is no easy task.

There is, of course, no need to choose one measure over the other. Both can make an important contribution to assessing the adequacy of Australian incomes and how living standards are changing.

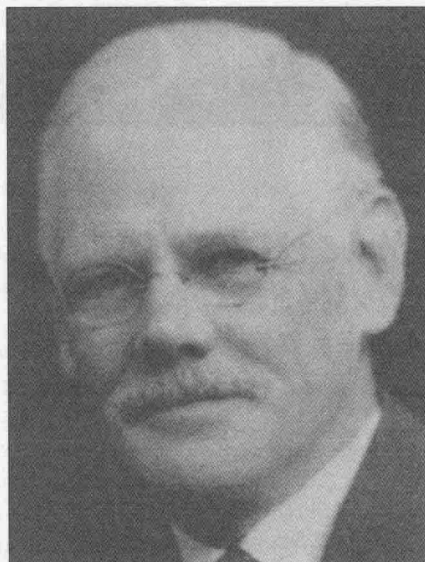
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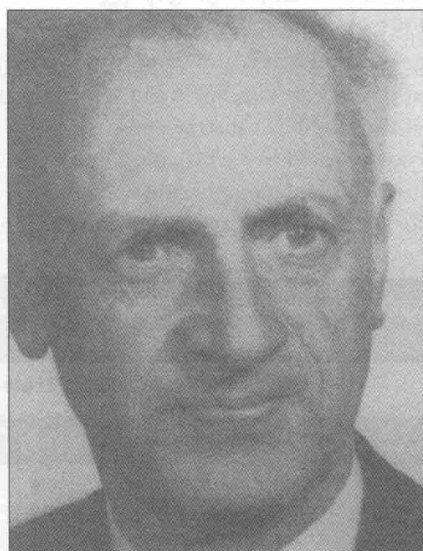
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Seebohm Rowntree, the pioneer of Budget Standards



Ronald Henderson, the founder of the Henderson Poverty Line

No. 42, September, Social Policy Research Centre, University of New South Wales, Sydney.

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FROM THE PROJECTS

THE CALCULATION OF INEQUALITY AND POVERTY MEASURES FOR THE OECD

The SPRC is currently carrying out an exercise that involves the calculation of poverty and inequality statistics for the OECD. These data will be used by the OECD to produce comparative analyses of levels and composition of poverty and inequality in some of the world's industrialised economies. The Centre has been involved in data-gathering exercises for the OECD for some time, and

this latest work represents an expansion of previous work, using more complex data analysis techniques.

The work involves producing poverty and inequality statistics from a survey of household incomes that is both reasonably consistent over time and comparable with surveys of household incomes in other countries. The time factor is important, since OECD reports tend to place considerable emphasis on trends. In the Australian context, the most suitable data come from the Household Expenditure Survey (HES), because of the level of detail of the household income information, and because reasonably consistent HES data from the 1970s, 1980s and 1990s have been released by the

Australian Bureau of Statistics for public use and analysis (other surveys, such as the Income Distribution Survey, were not carried out during the 1970s).

Research, to which earlier SPRC work contributed, has recently been published by the OECD (OECD, 1997). This research focused on the impact of taxes and transfers on poverty and inequality in nine countries in the 1970s and the 1990s. Some results from this international comparison are reproduced in the table. One of the most striking features of this table is the extent to which international comparisons are

problematic. Only Sweden has data relating to the same years as Australia, although data from the Netherlands and the United States come reasonably close. The work currently being carried out by SPRC for the OECD is likely to partly address this problem of comparability, as it includes statistics on poverty and inequality in the mid-1980s.

On the inequality data themselves, the OECD makes three points: first, in all countries except Germany and perhaps France, inequality in market incomes rose over time; second, the difference between market income and disposable (post-tax and transfer) income inequality suggests that tax and transfer systems play a strong redistributive role in all countries; third, in all countries except possibly Denmark and France, inequality in disposable incomes increased (Germany also shows a drop in inequality if some measures other than the Gini are used). In Australia, inequality levels in disposable incomes in 1993/4 were third highest of the nine countries, after Italy and the United States.

The addition of data from the mid-1980s may reveal a more complex picture of inequality emerging, particularly in the case of Australia. Other studies (e.g., Harding, 1997) suggest that during the late 1980s and early 1990s, the growth in inequality in Australia stabilised, and perhaps even began to reverse. Future analyses by organisations such as the OECD will help place these trends in an international context.

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AGGREGATE GINI COEFFICIENTS BEFORE AND AFTER TAXES AND TRANSFERS

LEVELS AND PERCENTAGE CHANGES

	MARKET INCOME	DISPOSABLE INCOME
Australia, 1993-94	46.3	30.6
% Change, 1975-94	36.6	5.2
Denmark, 1994	42.0	21.7
% Change, 1983-94	11.2	-4.9
Finland, 1995	39.2	23.0
% Change, 1986-94	11.4	9.7
France, 1990	-	29.1
% Change, 1979-90	-	-1.7
Germany, 1994	43.6	28.2
% Change, 1984-94	1.2	6.4
Italy, 1993	51.0	34.5
% Change, 1984-93	20.8	12.7
Netherlands, 1994	42.1	25.3
% Change, 1977-94	14.2	11.8
Sweden, 1994	48.8	23.4
% Change, 1975-94	17.3	0.9
United States, 1995	45.5	34.4
% Change, 1974-95	13.1	10.0

Source: OECD (1997), Table 19

Canberra.
OECD (1997), 'Income distribution and poverty in selected OECD countries', *OECD Economic Outlook*, No. 62, December, pp 49-59.

*George Matheson and
Gerry Redmond*

THE EFFECTS OF WELFARE BENEFITS ON LABOUR MARKET BEHAVIOUR

The SPRC recently completed an international literature review on the effect of welfare benefits on labour market behaviour for the Department of Social Security. The interest in this research topic is reflected in the vast economic and sociological literature. The aim of the review was to summarise and compare the results of a variety of studies based mainly on data from Australia, the United Kingdom, the United States and Canada from 1970 onwards. As the features of the welfare system differ from country to country, one should be cautious with generalisations. For example, a tight administration of activity and job search requirements may mitigate the effects of a more generous benefit system on labour market behaviour.

The main question examined in the review is whether there is any firm evidence that labour supply is affected by financial incentives resulting from the presence of welfare programs. The report looks at the effects for three separate groups: unemployed people, sole parents and disabled people.

For unemployed people a variety of results has been found in the different studies. The majority of estimated effects are, even where

significant, rather small.

- The effect of benefit levels on unemployment duration has not been unambiguously determined. In a majority of the cases a small positive effect is found, but often this effect is statistically insignificant. One study found that total abolition of unemployment benefits might increase labour supply to some extent, but it would also leave many people previously on welfare at a much lower level of income and labour supply than other people.

- The maximum potential benefit duration seems to have a positive effect on unemployment duration. One week extra eligibility tends to show an increase in unemployment duration varying from 0.1 to 0.5 weeks. These results come from overseas studies only, since Australia's unemployment assistance is of unlimited duration.

- The effects of benefit levels on total unemployment levels are ambiguous.

- The effect of benefit levels on labour supply varies considerably between studies and the impact of simulating changes in both benefit levels and withdrawal rates seem generally only small.

- Welfare participation increases when benefit levels increase or withdrawal rates decrease. This seems to be mainly caused by an increase in the proportion of households who, as a result of the change, become eligible while continuing to work.

Sole parents (mainly mothers) differ from unemployed people in that they do not normally have to look for work to be eligible for welfare payments, at least, as long as their youngest child is below a certain age (this age differs by country). There are some exceptions to this. Findings are as below.

- Benefit withdrawal rates hardly affect labour supply at all.

- Benefit levels seem to have a somewhat larger influence.

- The presence of children under the age of five has a larger influence on labour supply than any policy change would have. In this, sole mothers resemble married mothers with young children.

For disabled people and those off work through sickness there seems to be some disincentive to work as a result of higher welfare payments, but the effects are smaller than for unemployed people. In most studies, it is emphasised that although the level of benefits might have some effect, this does not mean that people receiving disability payments are not truly disabled (most schemes involve thorough screening for eligibility from disability allowances). Lowering disability pensions might bring hardship to these people, as they might not be able to earn incomes sufficient to support themselves, because of their disability.

Besides looking at financial incentives the review looks briefly at some other issues, including the impact of labour market programs and the question of working costs. Estimating the effect of labour market programs is very difficult, as the separate components of programs are often hard to disentangle. Problems of self-selection or selection by the service providers to assign appropriate programs to each individual also make evaluation of such programs complicated. Most articles seem to conclude that these programs are useful, although there is little hard evidence to support this view.

The issue of working costs is mentioned in several studies and found to be of considerable importance as a barrier to work, especially in the case of low-paid part-time work. This issue is particularly important for sole parents, where child care costs are a major problem.

Guyonne Kalb

FAMILY, HOUSEHOLD AND WELFARE

BY MICHAEL
BITTMAN

Most specialists agree welfare is the outcome of the operation of three major social institutions: the market, the state and the family (household). However, after theoretically acknowledging the importance of (family) households, most social policy research concentrates on the markets (income) and the state (transfers). By contrast, very little systematic work has been done on the contribution of family households. Often this is because much of the welfare that is created at home is produced by unpaid work. Since this work leaves no cash trail, it is invisible to conventional economic statistics (Gross Domestic Product, Consumer Price Index, Balance of Payments, Average Weekly Earnings, employment statistics etc.).

These unpaid activities do leave a trace in terms of time spent. These traces are captured in time use surveys. Recently the United Nations has sponsored a serious attempt to measure the value of this unpaid household economy, based on measurement of time inputs. Duncan Ironmonger, Director of the Household Research Unit, has developed techniques for capturing the value of unpaid work, which are increasingly being adopted worldwide. He estimates that the dollar value of goods and services produced in this unpaid economy is equivalent to the whole cash economy, that is, is equal to 100 per cent of GDP.

Much of the value produced in this economy takes the form of activities performed on behalf of others, or what is typically called 'care'. Under these circumstances it is likely that the total dollar value of transfers, in cash and kind (care) within households is greater than the total value of state transfers. In other words the household sector of the economy is

possibly the most important element in any welfare system.

Welfare, including care, can be provided by three mechanisms: the market, the state and (family) households. It is clear that the balance between these modes of provision is shifting. More women have become independent providers of income. The dual income family is now the norm for couples of working age. Since women bore, and continue to bear, a disproportionately large share of unpaid household production this change has powerful implications for the household economy.

The mass entry of women into the paid labour market is happening at the very time when a combination of falling fertility and increasing longevity are producing an age structure which is likely to make unparalleled demands on welfare systems. This is especially true were individuals unable to perform self-care, such as feed themselves, wash themselves and go to the toilet unaided. The costs in terms of time and money in caring for such individuals are both massive and largely understudied.

One of the most important questions for welfare research at the end of this century is the effects of this shifting balance, and the costs to individuals and the community of new forms of provision. For many goods and services previously produced at home (for consumption at home) substitutes can often also be acquired through the market. For example, you can purchase substitutes for home meal preparation, employ the services of cleaner to keep your house tidy and hygienic, have your child minded in a child care centre, use the dry cleaners and not your own laundry and have someone mow your lawns. Substituting market services for home production has been called domestic outsourcing.

It can be studied by examining flows in both time and money (expenditure).

Outsourcing takes a number of forms. There are goods or services available on the market which substitute for domestic activity or replace it entirely. Then there are goods and services which are partial substitutes, such as pre-filled pasta or bottled pasta sauces. Finally, there are domestic appliances and aids available on the market which raise productivity and increase convenience. These appliances can be used to substitute home production for goods and services available on the market, leading to a pattern of self-service, (a process that could be called 'insourcing').

Many claims have been made about growth and significance of domestic outsourcing, ranging from the prediction that this will be the engine of growth and employment in the coming decades, to claims that it represents a return to rigid pre-modern forms of employment and social stratification.

Outsourcing has particular significance for women, since there is powerful association between their unpaid domestic and family responsibilities and their labour force participation and lifetime earnings. A study of the relation between household incomes and the process of substitution (outsourcing) is an important piece of information for understanding how policy can assist in increasing income security for women and in increasing the welfare of Australian children. The study of trends in outsourcing shows how the boundary between home and market is changing in response to new patterns of employment.

An analysis of the most recent expenditure data on outsourced substitutes shows that consumption increases as income increases in all cases. The most

dramatic changes are found in replacements for home cooking. Over the decade 1984-1994, there has been a distinct increase in the outsourcing of all forms of food preparation. Expenditure on outright replacement of home cooking (both sit-down meals out and take away) increased by 29 per cent for a dual income family with a child aged three years. Moreover, the tendency towards this form of outsourcing appears to be accelerating, since there was an eight per cent increase in the five years between 1984 and 1988-89, and an increase of more than double that (21 per cent) over the following five years. There is also evidence of a shift in the balance between take-away food and meals out.

To test the proposition that more partial substitutes are being employed in home cooking, the detailed food expenditure codes were grouped into three ordinal categories: raw, reduced preparation, and high convenience foods. The raw category is relatively self-explanatory. These are foods bought with minimal or no preparation, such as raw, unwashed potatoes. At the other extreme are high convenience foods which require only the removal of packaging, or at the most reheating, before they are ready for consumption. Anyone who has watched teenagers grazing through the kitchen cupboards will have a good idea of foods in this category. Typical examples of this group are potato crisps and frozen prepared meals. The intermediate category is residual, composed of foods that are neither raw nor high convenience, but which require less preparation than raw foods. Examples of this category are bottled sauces, pre-mixed salad dressings, pizza bases, and so on. As expected, the proportion of grocery purchases which are raw foods has declined significantly over the decade. This

is coupled with a significant increase in the proportions of grocery expenditure on both the semi-prepared, reduced preparation foods and the high convenience foods. As with preserves and jam, home production of many cooked items may be displaced by market production.

This pattern of outsourcing food preparation (through outright replacements and partial substitutes) is largely consistent with the analysis of changes in time spent in food preparation between 1974-1992. This analysis revealed a rapidly accelerating and astonishingly large reduction in women's time spent in food preparation (Bittman, 1995). Since food preparation, in aggregate, occupies more hours of non-market work than any other household industry, this represents the largest modification of the boundary between home provision and market provision.

The other great growth area in outsourcing is child care. For a dual income family with a child aged three years, expenditure on child care grew faster than home cooking replacement, rising more rapidly (24 per cent) in the period between the 1988/9 survey and the 1993/4 survey than in the five years before, when it rose by only nine per cent. This growth has taken the form of a growth of institutional child care. All these findings remain true even after holding constant age, household size and composition, spouse's earnings and even real income.

Between 1987 and 1992 both men and women's time devoted to primary face-to-face child care grew by a small but measurable increment. This continues what appears to be a century long trend of investing more time in children. This increase has been

maintained in the face of falling size of families. What the analysis of expenditures shows is that there has been an even more substantial increase in household spending on child care without diminishing the time spent by parents. The growth in both money and time resources devoted to child care show the increasing investment in our children.

The consumption of paid child care among those with children aged 0-12 years also increases with income. However, the proportion of households buying child care, even among those with incomes in the lowest 10 per cent of the range, was 24 per cent, while among the high income groups no more than 40 per cent consumed paid child care services. This is a very compressed distribution of consumption opportunities by income. The floor for outsourced child care is quite high and the ceiling is not all that much above it. The predominant form of child care service is institutional (expenditure on child care centre fees, crèche fees, kindergarten or pre-school fees), while a smaller proportion is spent on baby-sitters' and child minders' fees and expenditure on nannies. Generally the proportion of children cared for by nannies is very small indeed (less than 34 households out of the sample of over 8000 households spend enough money to employ a nanny).

Consumption of cleaning services is surprisingly low (four per cent of households in any given two week period). Real expenditure on house cleaning has remained constant over the decade. This is consistent with the finding that there has been no measurable change in the time devoted to cleaning between 1987 and 1992. So it seems that Australians are not adapting to dual-earner norms by

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POVERTY REDUCTION IN CHINA

SPRC's *Tony Eardley* was recently invited to take part in an International Symposium on Good Governance for Poverty Reduction During China's Transition, organised by the China Institute for Reform and Development (CIRD) in Hainan and sponsored by the United Nations Development Programme (UNDP). Here he describes China's efforts to reduce poverty and outlines the issues discussed in the symposium.

The Chinese Government has undertaken an ambitious task of 'eradicating basic poverty' by the year 2000. CIRD was commissioned to carry out a research project on the current situation in China and on the experiences of poverty reduction in other countries, and to produce recommendations for achieving this task. The symposium was held in Haikou, Hainan Province, one of the first of China's experimental Special Economic Zones, where the effects of economic liberalisation are visible, both in a thriving private retail sector and a massive program of building construction. The meeting brought together more than 60 members of poverty relief agencies, officials of state and local government and academic researchers from all over China. Also taking part was a small group of overseas resource-persons with experience of poverty reduction and economic development, from Australia, India, Malaysia, South Africa, the USA and the OECD. The symposium was organised around the theme of 'good governance', which both the OECD's development section and the UNDP have identified as crucial to effective poverty minimisation. One of the purposes of the event was to invite comment on CIRD's draft report to the Government.

Poverty reduction has been a priority for China in its transition to what is described as a 'socialist market economy'. Anti-poverty programs, economic development and agricultural reform, including abolition of the collective farming system, have seen the numbers of people in rural subsistence poverty (defined as a very basic level of food and clothing security) fall

from an estimated 250 million at the end of the 1970s to around 50 million currently. There was, however, some debate at the symposium both about how useful the poverty line measure itself was and about the accuracy of the estimates. To Australian ears this still sounds like an enormous challenge, but within the scale of China's population it is now a residual problem - representing some five per cent of all rural dwellers.

What has happened in the last few years is a slowing down of poverty reduction. This is because subsistence poverty is now concentrated mainly in the more intractable remote and mountainous regions. There agricultural land is poor and water shortages, inaccessibility to transport and low levels of education combine to limit the effectiveness of earlier programs of development. Thus much of the debate at the conference was about how to address the particular problems of these regions.

One of the strategies which is of great interest in China currently, and which was discussed at some length in the symposium, was that of micro-finance for rural enterprise. There was debate over the relative advantages and practicalities in the Chinese context of the 'bottom-up' Grameen Bank model from Bangladesh and the more 'top-down' versions applied in a number of other countries to varying effect. Delegates also reported on extensive experimentation with micro-credit in different parts of China, which appeared to have had some success, although the criteria for judging schemes effective were not always clear. One of the overseas

experts, Dr John Conroy, from the Foundation for Development Cooperation in Brisbane, presented a paper on micro-finance in nine Asian countries, emphasising that micro-credit was not always appropriate or effective in the most underdeveloped areas where the infrastructure would not support successful new enterprise. One controversial question concerned the interest rates micro-finance institutions need to charge to recoup their costs. These are often much higher than the going commercial rates in mainstream banks and most Chinese delegates felt this would be difficult to apply and inequitable in the Chinese context.

Another theme underlying discussion at the symposium was the recognition that economic growth and the freeing-up of markets do not in themselves solve problems of poverty. Indeed they bring problems of their own. Economic liberalisation, while resulting in substantially higher average incomes, has involved removal of many of the previous forms of commune-based social welfare. Allowing local agencies to find their own ways to finance services has led to a rapid increase in user-pays fees and a commercialisation of services which in some cases has reduced access by the poorest citizens. Introducing pluralism and decentralised decision making has also contributed to growing inequalities both between and within regions.

One of the serious obstacles to effective poverty reduction highlighted in the symposium was ineffectiveness and corruption in administrative structures in China. A key theme was the need both to strengthen governmental administration and to encourage and develop participation by the poor themselves in the identification of their needs and decision making about program delivery. There was discussion about the necessary development of civil society and different types

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POVERTY REDUCTION IN CHINA

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of non-governmental organisations, including both those speaking 'for the poor' and those 'of the poor' themselves. In this context, the role of women was emphasised by a number of speakers, not only because of the gendered nature of poverty itself, but also because all over the world it is women who make the most effective agents of change in grass-roots organisations.

There was some tension between the prioritisation of rural subsistence poverty versus that of urban poverty and unemployment. Various estimates of the scale of urban poverty were presented, based on different measures from those used for rural subsistence, but it

is clear that it is a coming problem. Reform of the state-owned enterprises is creating unprecedented levels of unemployment and the sprawling state bureaucracy is also expected to shed half its staff in the next few years.

Social security has previously been based on the enterprise or on positions in the public service. This is in the process of being reformed, to create a broader national insurance system, but unlike in many OECD countries it is not currently seen as a major component of an anti-poverty strategy, not least because the current skewed distribution of benefits towards those working in the bureaucracy or state-owned

enterprises probably exacerbates rather than alleviates the problem.

Overall, China is trying to tread a difficult line in its economic transition. The CIRD paper recommends maintaining the current line of 'placing efficiency in the first place and at the same time giving consideration to equity'. Recent information emerging on China's banking system suggests that it may not be immune to the economic turmoil in Asia. The country is thus facing huge challenges, but there is no doubting the energy and determination of government to achieve reform and development while also

FAMILY, HOUSEHOLD AND WELFARE

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allowing their houses to get dirtier. Also, the use of paid cleaning services is more strongly related to age than to income, with a sharp rise among those over 75 years of age. It appears that older people are purchasing services on the market to increase their independence and capacity to remain in their own homes.

The consumption of gardening services or laundry and dry cleaning by income follows a similar pattern,

but the proportion of households participating in outsourcing of laundry and gardening is more than double that for house cleaning services. The outsourcing of gardening and lawn mowing is growing, but more weakly than food preparation and child care.

Over the last decade more laundry is being done at home. The social historian Ruth Schwarz Cowan drew attention to the fact that more laundry was performed at

home after World War II than before it, and the results of this analysis suggest that this process of insourcing is continuing as we approach the new millennium.

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BSU Budget Standards Unit

The final report of the Budget Standards Unit, *Development of Indicative Budget Standards for Australia*, has been published by the Department of Social Security.



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