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SOCIAL POLICY IN AUSTRALIA: WHAT FUTURE FOR THE WELFARE STATE?

Proceedings of National Social Policy Conference
Sydney, 5-7 July 1989

Volume 2: Concurrent Sessions
Contributions from the Social Policy Research Centre

edited by

Peter Saunders



Social Policy Research Centre

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As with all issues in the Reports and Proceedings series, the views expressed in this publication do not represent any official position on the part of the Centre. The Reports and Proceedings are produced to make available the research findings of the individual authors, and to promote the development of ideas and discussions about major areas of concern in the field of Social Welfare.

FOREWORD

This report is one of six published by the Social Policy Research Centre and based on papers presented to the National Social Policy Conference held at the University of New South Wales on 5-7 July 1989. The overall theme of the Conference was **Social Policy in Australia: What Future for the Welfare State?** The six reports are published in the Social Policy Research Centre **Reports and Proceedings** series with the following numbers and titles:

- No. 79 **Volume 1: Plenary Sessions**, edited by Peter Saunders and Adam Jamrozik.
- No. 80 **Volume 2: Concurrent Sessions. Contributions from the Social Policy Research Centre**, edited by Peter Saunders.
- No. 81 **Volume 3: Concurrent Sessions. The Ideology, Philosophy and Political Environment of Social Policy**, edited by Adam Jamrozik.
- No. 82 **Volume 4: Concurrent Sessions. Social Policies in Australia and New Zealand**, edited by Russell Ross.
- No. 83 **Volume 5: Concurrent Sessions. Income Maintenance and Income Security**, edited by Peter Whiteford.
- No. 84 **Volume 6: Concurrent Sessions. Community Services: Policy and Practice**, edited by Sara Graham.

This particular report contains a selection of papers presented at the Conference by staff of the Social Policy Research Centre. The variety of topics addressed in these papers illustrate the breadth of the Centre's current research agenda. The papers in this report address broad social policy issues relating to poverty, inequality, the role of community services, public opinion and the history of the welfare state, as well as more specific issues in child care, disability, health services and the labour market.

The Conference on which this report is based was designed to bring together a range of individuals, researchers and practitioners working throughout Australia on contemporary social policy issues, and to provide a national forum for the exchange of ideas, information, analysis and results. The Conference was always seen by the Centre as a way of raising the profile of debates on social policy research and analysis, rather than as a platform for the expression of definitive conclusions or particular points of view. If the social policy debate in Australia is to be taken as seriously as the economic policy debate is currently, there is not only a need for more research, but also for more critical debate and assessment of the issues raised by that research.

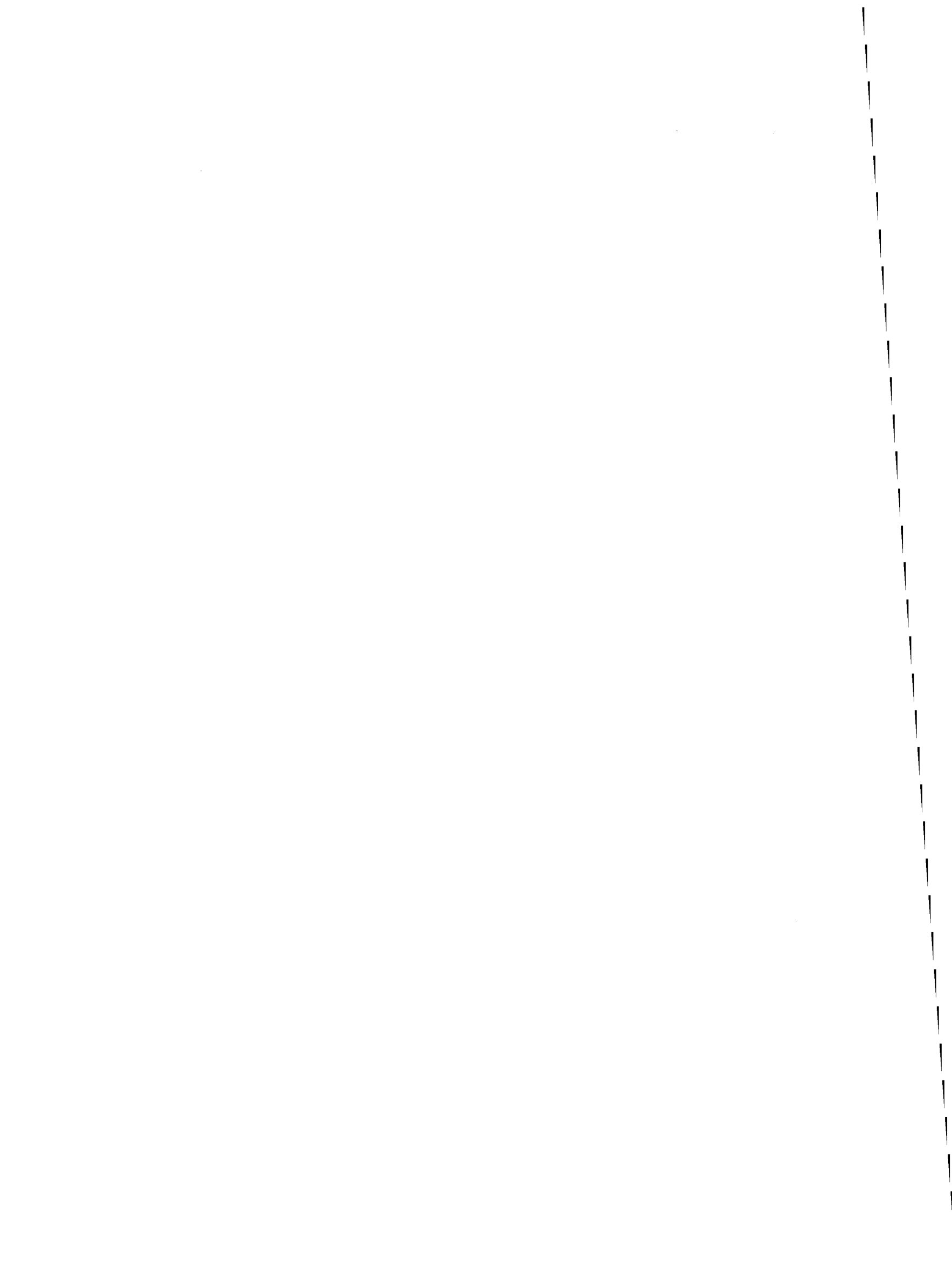
It was extremely encouraging to see from the total number of contributed papers presented at the Conference, as well as from the many stimulating discussions generated during the Conference, that social policy research in Australia is already attracting a good deal of attention from individuals from a broad range of disciplinary perspectives. In publishing the papers in this and the other reports from the Conference, the Social Policy Research Centre aims to make available to a wide audience a body of work on social policy that reflects the state of the discipline in Australia at the end of the 1980s. The Centre itself does not assume responsibility for the views expressed in the papers in this and its companion reports. It does, however, hold firmly to the view that a healthy research environment is crucially dependent upon publication and critical review of research papers and results.

The Centre is already planning a second National Social Policy Conference to take place in July 1991. These plans, along with the release of this report, are part of a broader strategy designed to enhance the nature of the Australian social policy debate, thereby creating a more conducive climate for the development of social policies that address our social problems.

Peter Saunders
Director

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CONTEMPORARY PUBLIC OPINION AND WELFARE POLICIES IN AUSTRALIA, BRITAIN AND SWEDEN

Rodney Smith and Michael Wearing

1. INTRODUCTION

Discussion of public opinion and the welfare state has become increasingly popular amongst academics concerned with social welfare. It is certainly no longer true to write, as Coughlin (1979, p. 4) did a decade ago, that

Despite the increasing attention directed at the 'welfare state' as an important institution of modern society, and despite a continuing proliferation of opinion surveys and attitudinal studies across a broad front, these two lines of research have rarely intersected.

Regardless of this popularity, and the increasing methodological sophistication of studies in the area, the relationship between public opinion and government welfare policies remains under-theorised. Indeed, a number of researchers have assumed a simple correspondence between public opinion and government policy on welfare. In a recent comparative study of the political economy of welfare states, for example, Ringen (1987, p. 50) states:

... if we assume, as we should, that the welfare state would not have expanded without popular support, we must also assume that the population has invested a great deal of loyalty in it.

A little later, he claims that '... a [welfare] policy is not accepted unless popular opinion is for it' and '... that in welfare state nations there is, for the most part, a fairly good correspondence between opinion and policy' (Ringen, 1987, p. 50, 59). Because of this 'correspondence', if the welfare states have lost the support of their publics in recent years, their futures look bleak (Ringen, 1987, Chapter 3).

The correspondence thesis is not always as universally framed as in Ringen's book, but varieties of it are commonly used to explain the trajectories of particular welfare states. Thus, for example, it has been repeatedly claimed that the development of the Australian welfare state has been retarded due to a prevalence of public attitudes opposing welfare expansion (see Castles, 1985, for a recent example; and Smith and Wearing, 1987, for a critique). Sweden, on the other hand, has a strong welfare state at least partly because Swedes have a strong welfare culture (see, for example, Esping-Andersen, 1985, p. 88). In Britain, the pattern of welfare cuts instituted by the Thatcher Government matches the pattern of public opinion on various welfare services. Taylor-Gooby (1988b, p. 10) writes,

The extent of popular and politician's support for universal state provision in areas of high spending welfare services acts as a brake on government plans to cut back on state provision.

Elsewhere, he claims:

Over the period since 1979 the policy of constraint in welfare spending has been tailored to the pattern of public support. Benefits for unpopular poor minorities...have not risen and for many the real level of the benefits has fallen. ... Spending on publicly-valued health care and education, on the other hand, has been maintained. (Taylor-Gooby, 1988a, p. 13)

The aims of this paper are threefold. The first is to develop a typology for categorising relationships between public opinion and government welfare policy. The second is to review the evidence concerning public opinion and welfare in Australia, Britain and Sweden. The argument here is that none of these three cases supports the correspondence view of public opinion and welfare. The final aim is to explain why public attitudes to welfare and government welfare policies have been - and are likely to remain - incongruent within Australia, Sweden and Britain.

2. AUSTRALIA, BRITAIN AND SWEDEN: DIVERGENT WELFARE PATHS

Before the above arguments are developed, some rationale needs to be given for comparing these three countries. The most important is that although all three national welfare states under consideration emerged in the period immediately after World War Two, they have had markedly different patterns of development.

By the 1940s, the Australian welfare state had already fallen 'from leader to laggard' among capitalist countries. It has remained laggardly ever since (see Castles, 1985, pp. 29-43; 1987, p. 67). By 1988, Australia boasted '... the leanest - some would say the meanest - welfare system in the OECD' (Walsh, 1989). Sweden stands at the opposite end of the welfare table to Australia, and has done so since the 1940s. Hadenius (1986, p. 5) writes without exaggeration that 'Sweden has long been known as the welfare state'.

Britain's post-war welfare path is different again. One of the high spending welfare states in the 1940s (see Castles, 1987, p. 68), its growth continued until the mid-1970s. Under the Wilson-Callaghan Labour Government and Margaret Thatcher's Conservative Governments, this growth has been sharply curtailed. Between 1987 and 1990, projected real welfare state growth in Britain is expected to be 0.2 per cent per annum (Taylor-Gooby, 1988a, p. 2). As a consequence, Britain's welfare state has become one of the OECD laggards (see Castles, 1987, p. 68).

Thus, if the argument for the congruence of public opinion and government policy on welfare holds water, the Australian, Swedish and British publics should exhibit markedly divergent attitudes towards the welfare state. Australian public opinion should be opposed to increased welfare services and expenditure; Swedish public opinion should demonstrate overwhelming support for increases in welfare expenditure and services; and British public opinion - at least since the mid-1970s - should evidence majority support for reduced welfare services and growth. As will be shown later, these patterns do not emerge.

3. A TYPOLOGY OF PUBLIC OPINION AND WELFARE POLICY

Before the three case studies are investigated, the possible relationships between public attitudes to welfare and government welfare policy need some elaboration. The correspondence model clearly does not exhaust the various possible relationships between the two. The public may believe that the government should spend more on welfare, less on welfare, or that government welfare expenditure should remain static. The government itself may have a program of increased welfare spending, may reduce welfare expenditure, or may hold its welfare budget steady. This allows for nine possible relationships between public opinion and welfare policy (see Figure 1).

In only three of these relationships (cells A, E and I), is public opinion congruent with government welfare policy. In three others (cells B, C and F), the public believes that the government should be spending more than it is on welfare. These three relationships suggest the possibility of a legitimization crisis (Habermas, 1975). In the final three relationships (cells D, G and H), the public believes that government is spending too much on welfare, suggesting a possible fiscal crisis (see O'Connor, 1973).

While this typology allows a more systematic exploration of public opinion and welfare policy than many discussions to date, its limitations should be noted. One is that relationships other than those specified above may exist. Thus, for example, the government may increase welfare expenditure at a time when the public supports increased welfare spending, but may do so faster or slower than the public desires. The same may occur for welfare cutbacks. Incorporating these possibilities would produce a rather unwieldy 21 cell table! In any case, it is unlikely that these possibilities would represent a serious disjuncture between opinion and policy.

Second, the typology refers to changes in, rather than levels of, welfare expenditure. It would be possible to construct a model of low, medium and high government expenditure on welfare using OECD comparisons or some other measure. The problem with such an alternative typology lies in its public opinion axis. Most questions in public opinion surveys on welfare do not ask people what level of government welfare expenditure (either absolute, or relative to other countries) they desire, but ask them whether or not they think that their government should change its current expenditure. Presumably this is because the latter question makes greater sense to people than the former, since it draws on their assumed experience of their country's welfare system.

**FIGURE 1: POSSIBLE RELATIONSHIPS BETWEEN PUBLIC OPINION
AND WELFARE SPENDING**

		Welfare State Expenditure Government Program:		
Public Opinion Supports:		More Spending I	Same Spending II	Less Spending III
More Spending	I	A	B	C
Same Spending	II	D	E	F
Less Spending	III	G	H	I

Third, the typology specifies that it is government welfare spending which is important, rather than the government's publicly stated intentions about such spending. This presents problems for classifying particular welfare states. If the Thatcher Government between 1979 and 1987, for example, is classified according to annual changes in its welfare expenditure, then it belongs somewhere in column II (see Taylor-Gooby, 1988a, p. 2). The Fraser Government between 1976 and 1979 belongs in somewhere in column I, while the later Fraser administration belongs in column II (see Cass and Whiteford, 1989, p. 282). In terms of their rhetoric, however, the Thatcher and Fraser governments belong in column III throughout their whole terms.

While there is no reason to believe that government rhetoric is not as, or more important, than government expenditure in moulding citizens' perceptions of their welfare states, this question has not been addressed in research on public opinion and welfare. Survey questions used in such research invariably ask respondents about expenditure rather than rhetoric; therefore it is on expenditure that the typology must focus.

Finally, the typology is neutral as to any particular causal relationship between public opinion and government welfare policy. Establishment of such a causal relationship is a matter of theoretical preference and empirical investigation. It is to such investigation that this paper now turns.

4. SWEDEN: WELFARE CULTURE?

Sweden has had the fastest growing welfare state in the post-war period. The 'Swedish Model' is widely admired by outside observers looking for inspiration for their own countries' welfare programs. Interestingly enough, this admiration has not been universally shared among Swedish citizens. While Swedish public opinion appears to give strong support to some aspects of the Swedish welfare state, other facets of the 'Swedish welfare model' are rejected by most Swedes.

Studies by Marklund (1986) and Hadenius (1986) suggest that Swedes' disquiet about the growth of the Swedish welfare state predated the critiques of welfare which emerged worldwide in the 1970s. As Table 1 shows, very solid majorities of Swedes polled from 1970 onwards agreed with the proposition that government welfare had gone too far and should be decreased. This opinion became more widespread in the late 1970s, and although this growth appears to have been reversed by the mid-1980s, around two-thirds of Swedes polled in 1985 agreed with the same proposition.

During this time, with these sentiments widespread among the Swedish public, Swedish governments showed few signs of reduced welfare programs, even during the non-socialist period of government between 1976 and 1982.

Uneven patterns of opinion emerge when Swedish attitudes to particular welfare policies are examined. Strong levels of support exist for current levels of expenditure on general and/or universal welfare policies such as medical and health care (50 per cent in 1981-82; 44 per cent in 1986), aged support (67 per cent in 1981-82; 54 per cent in 1986) and family support (55 per cent in 1981-82; 42 per cent in 1986). In fact, between 30 per cent and 46 per cent of all respondents in 1981-82 and 1985 wanted spending on these services increased, while less than 10 per cent wanted any of them decreased (Hadenius, 1986, p. 85; Marklund 1986b, p. 4).

On the other hand, very little support exists for increasing directed, selective forms of welfare, such as housing allowances and social assistance (*socialbidrag*). While around half those polled wanted to maintain level spending on housing allowances (46 per cent in 1981-82; 40 per cent in 1986) and social assistance (58 per cent in 1981-82; 50 per cent in 1986), between 21 per cent and 36 per cent wanted expenditure on these items reduced (Hadenius, 1986, p. 85-88, Marklund, 1986b, p. 4).

These findings suggest that the strongest public support for welfare in Sweden attaches itself to welfare benefits to which all citizens have, or can expect to have, access. Where these benefits apply to specific groups within the community, public support for them drops markedly. Moreover, these groups appear to carry a strong and long-standing stigma in Swedish public opinion (see Korpi, 1974, p. 121; Coughlin, 1979, p. 24). Fully 80 per cent of those surveyed in 1985 agreed that 'many of those who receive unemployment benefits could find work if they wanted it'. Fifty-seven per cent agreed that 'many of those who receive rent subsidies should move to smaller and cheaper

TABLE 1: SUPPORT FOR THE STATEMENT THAT 'SOCIAL WELFARE HAS GONE SO FAR IN THIS COUNTRY THAT THE GOVERNMENT SHOULD DECREASE RATHER THAN INCREASE BENEFITS AND SUPPORT TO CITIZENS'

Year:	Agree	Disagree	Don't Know
1970	58	36	7
1973	60	33	8
1976	61	33	7
1979	67	27	6
1981-82	73	22	5
1986	64	27	10

Source: Marklund, 1986a, p. 3; and 1986b, p. 2.
(Some rows do not total 100 per cent due to rounding.)

houses' (Marklund, 1986b, p. 5). While a majority agreed that other benefits and services such as medical care and sick leave were abused (Marklund, 1986b, p. 5), support for them may remain high because, unlike selective welfare provisions, everyone has the opportunity to abuse the system.

Public opinion on taxes and welfare in Sweden reveals the same absence of uncritical public support for the Swedish welfare model as found above. Swedish taxes are very high, so it is perhaps not surprising that in 1981-82, 83 per cent of Swedes considered those taxes to be too high (Hadenius, 1986, p. 7). This dissatisfaction with tax levels may reduce support for further welfare expansion in Sweden. In Marklund's 1986 survey, 46 per cent disagreed with the statement that 'it is better to raise taxes than to cut social reforms', while only 29 per cent agreed (Marklund, 1986b, p. 2). Nonetheless, both surveys suggest that if Swedes can be made to focus on the benefits which flow from taxes to themselves and other citizens, then their view of taxation is somewhat more positive (Hadenius, 1986, Chapters 1 and 2; Marklund, 1986b, p. 2, 3).

These findings indicate that Swedish public opinion on taxes and welfare is quite complex, dynamic and contradictory; in parts very negative, in parts positive. The one thing this opinion does not do is simply mirror the Swedish government's taxation policies.

It is often assumed that the 'Swedish Model' of welfare includes strong public support for the Swedish welfare state and its growth, such that Sweden fits in cell A of Figure 1. The evidence presented above suggests that Swedish public opinion and government welfare policy are not congruent, and that Sweden belongs in either cell D or cell G of Figure 1.

5. AUSTRALIA: A LEAN AND MEAN WELFARE CULTURE?

Australia's laggardly post-war welfare progress has often been at least partly blamed on the Australian public's opposition to expanded government expenditure on generous, universal welfare policies (Smith and Wearing, 1987). This would place Australia in cell I of Figure 1. An examination of the public opinion poll evidence demonstrates that this is a mistaken characterisation of the welfare attitudes of Australians. In many respects, Australian attitudes to welfare expenditure are not dissimilar to those of Swedes.

The Australian evidence points to consistent public support for welfare expenditure substantially more generous than that provided by successive Australian governments since World War II. Although the general level of welfare expenditure has not yet been the focus of research in Australia, series of public opinion poll questions about expenditure on pensions and child endowment (family allowance) clearly show majorities of Australians supportive of higher government expenditure in these two areas (Coughlin, 1979, p. 17, 21; Smith and Wearing, 1987, pp. 58-60).

Australians, like Swedes, favour general and-or universal government welfare measures to targeted, selective measures. The widely approved child endowment-family allowance scheme was universally provided until the mid-1980s. Australian pensions are means tested, but between 58 per cent and 79 per cent of those Australians polled between 1949 and 1974 supported universally provided government pensions through the abolition of the means test (Smith and Wearing, 1987, p. 57, 58, 64). Public opinion in Australia regarding universal health care is more complex, but increasing majorities supported this measure following its introduction by both the Whitlam and Hawke Labor governments (Smith and Wearing, 1987, pp. 60-62). The 1984-85 National Social Science Survey found solid majorities in support of a free government health service (63 per cent) and increased Australian government spending on hospitals and medical care (57 per cent) (NSSS, 1987, p. 16, 19).

While public support for universal measures is very solid, public opinion regarding targeted and-or means tested welfare measures is more negative. Thus, in the mid-1970s, Australians polled showed strong opposition to what were perceived to be generous benefits for the unemployed. Stigmatising of unemployed people in public attitudes apparently continued into the mid-1980s (Smith and Wearing, 1987, p. 62).

Nevertheless, this negative public opinion should not be overplayed. During the mid-1970s, public support for toughened unemployment benefit work tests introduced in turn by the Whitlam and Fraser governments was only lukewarm, and about half those polled in 1977 thought that the level of the unemployment benefit was 'about right' and should not be reduced further (Smith and Wearing, 1987, p. 62). In 1984-85, public support for increased

expenditure on targeted and-or means tested measures such as pensions, unemployment benefits and improvement of conditions for aborigines was somewhat lower than that for universal programs such as health and education, but only 14 per cent to 32 per cent of those polled wanted spending on targeted and/or selective measures reduced (see Table 2). These figures reveal responses to spending on targeted groups which are not overwhelmingly negative. Australians certainly respond no more negatively than Swedes to means tested welfare measures or stigmatised welfare recipients. Indeed, the pattern of public attitudes towards different forms of welfare is remarkably similar in both countries.

Further similarities between Australia and Sweden emerge with regard to taxation. Australian public opinion has gone through cycles of discontent with tax levels since the 1940s. In the 1970s and 1980s, majorities of those polled have supported tax cuts (Smith and Wearing, 1987, p. 64; Zagorski, 1988, p. 301). As in Sweden, public dissatisfaction with taxation levels appears to have eroded some support for government welfare expenditure. Apart from two polls, taken in 1967 and 1976, every Australian poll since 1944 asking people to choose between tax cuts and increased welfare spending has shown support for tax cuts rather than increased welfare. In 1984-85, 64 per cent of Australians polled favoured tax cuts over increased welfare spending, 30 per cent favouring this option 'very strongly' (Smith and Wearing, 1987, p. 63; NSSS, 1988, p. 17).

Australian public opinion on taxation appears to be every bit as complex as its Swedish counterpart. Although 70 per cent of Australians polled in 1984-85 agreed with tax reductions 'for everybody', 43 per cent agreed that 'rich people' should 'be taxed more heavily than they are now'. Fully 15 per cent held both these contradictory positions, while 46 per cent agreed that 'income and wealth should be redistributed in favour of ordinary working people' (Zagorski, 1988, p. 301, 302). These figures suggest that public opposition to welfare expansion as against tax cuts might be reduced if the Australian taxation structure was made more progressive.

The contours of Australian public opinion toward government welfare expenditure sketched above suggest that Australia does not have a lean, mean welfare culture. Australia does not fit into cells H or I of the typology introduced earlier, but appears to fit into cell B or cell C. Australians generally have not agreed with the laggardly pace of Australian government welfare expansion. The overall pattern of public opinion toward government welfare found in Australia bears clear similarities to that of Sweden.

Objections may be raised against this comparison between Australian and Swedish public opinion on the basis that the welfare state structures about which Australians and Swedes have opinions are so different as to make comparison impossible. A Swede calling for tax cuts and an Australian calling for tax cuts are responding to two quite different taxation structures. They are not calling for the same thing. A tax-cutting Swede, moving to Australia, may be so appalled at the low levels of Australian government welfare and taxation that she might become a diehard advocate of Australian tax increases.

This objection has merit, and the argument here is certainly not that a Swedish-style welfare state would, if somehow introduced in Australia, gain instantaneous public support here. What is being argued is twofold. First, the Australian public has been far more accepting of a more generous, universal welfare state than successive Australian governments, which have in all probability missed the opportunity to build a popular Swedish-style welfare state in Australia. Second, the elements of government welfare which gain least public support in Australia (means testing, stigmatised welfare recipients, taxation) are no different to those which gain least public approval in Sweden. This has not held back the development of the Swedish welfare state; there is no reason why - given the political will - it should have held back Australian welfare expansion.

6. BRITAIN: A DISILLUSIONED WELFARE CULTURE?

Little evidence has been found so far in this review of the literature on welfare policy and public opinion to support the congruence thesis. It is worth examining a third case - one in which a relatively extensive welfare state has been run down - to see whether this process was a response to, or at least matched by, public opinion.

The fate of the British welfare state in the 1970s and 1980s is sometimes perceived in this way. Wicks (1987, p. 43-49), for example, claims to provide evidence that public support for increased welfare expenditure declined from

**TABLE 2: SUPPORT IN 1984-85 FOR INCREASED GOVERNMENT WELFARE EXPENDITURE;
SELECTED ITEMS**

Programs:	The Government Spends (%):					
	Far Too Much	Too Much	About Right	Too Little	Far Too Little	Don't Know
Education System	2	4	26	43	23	2
Hospitals and Medical Care	1	5	37	36	20	1
Pensions and Social Services	4	11	38	30	15	2
Aboriginal Conditions	14	18	31	23	11	3
Unemployed Assistance	6	14	37	30	12	2

Source: NSSS (1987), pp. 14-16

around 1960, and was dealt a knockout blow by the welfare 'scrounging cases' of the 1970s. In '... 1979 the Conservatives seized the initiative on social policy and were able to present a package of proposals, policies and prejudices that **seemed to be in tune with the public mood**' (Wicks, 1987, p. 92, emphasis added).

This account is initially persuasive, except that the evidence to support it appears to be very limited. Public support for increased welfare expenditure certainly does appear to have fallen in the 1960s and early 1970s, but it fell from extraordinarily high levels (77 per cent in 1964) and Wicks gives no evidence to suggest that cuts to welfare gained majority public support. Evidence from elsewhere suggests they did not. In a 1975 poll, only 20 per cent thought the government was doing too much for the poor, while 74 per cent thought it was doing about what it should or too little (ICPSR, 1978, p. 77; see also Taylor-Gooby, 1988a, p. 11).

Wicks also presents no evidence to support the view that the scrounging cases affected public attitudes to welfare expenditure. Other research on the 'scrounging cases' and British public opinion certainly suggests that these cases had a negative impact on people's already poor perceptions of **the unemployed** (see Coughlin, 1979, p. 23, 25). As has already been seen in the Swedish and Australian cases, however, public approbation towards stigmatised groups such as the unemployed does not translate into broader dissatisfaction with welfare expenditure (see also Taylor-Gooby, 1988a, p. 12).

If the evidence that the Conservative Party came to power in a climate where public opinion opposed further welfare state growth is slim, the evidence that the public likes the welfare measures it has received under successive Thatcher governments is non-existent. As growth in British welfare expenditure continues to decline, greater proportions of the polled public believe it should be expanded. Importantly, support for expansion even if it means increased taxation has risen. Taylor-Gooby (1987, p. 3, 4; 1988b, p. 17), for example, reports surveys in 1983 and 1986 in which the percentage supporting increased welfare and taxes rose by 14 per cent from 32 per cent to 46 per cent among all adults, by 13 per cent to 55 per cent among Labour identifiers, by 19 per cent to 55 per cent among Alliance identifiers, and even by 12 per cent to 36 per cent among Conservative Party identifiers. A 1985 Gallup Poll found 59 per cent of the public polled supported increased taxes if this meant increased expenditure on welfare (Wicks, 1987, p. 92). The British case thus appears to be another where public opinion and government welfare expenditure are incongruent. Rather than falling into cell I of Figure 1, Britain under the Thatcher Government appears to fall into cell C.

One final argument about British welfare programs and public opinion needs to be tackled. Taylor-Gooby argues that by maintaining expenditure for most 'mass' public welfare programs and primarily cutting targeted social security benefits such as unemployment benefits and single parent benefits, the Thatcher Government's '... policy of constraint in welfare spending has been tailored to the pattern of public support' (1988a, p. 13).

On the surface, this assessment appears to be correct, with agreement across all party identifiers that health should be the highest priority state service for extra spending (between 43 per cent and 53 per cent chose this option in 1986), followed by education (between 22 per cent and 31 per cent). When asked which targeted social security benefits should be given highest priority, retirement pensions (between 37 per cent and 46 per cent) and benefits for the disabled (between 20 per cent and 29 per cent) received more support than benefits to stigmatised groups like the unemployed (between 11 per cent and 22 per cent) and single parents (between 6 and 8 per cent) (Taylor-Gooby, 1988a, p. 11; cf 1987, p. 3, 4).

The problem with accepting this analysis lies in Taylor-Gooby's use of the poll question asked. Asking people about their '**highest priority**' for increased welfare expenditure is useful for finding out precisely that; it cannot properly be used to make arguments about the types of increased welfare expenditure people do not support, or where they would like to see welfare services cut. Someone who gives highest priority for increased expenditure to education, for example, may also support increases to health, housing, the unemployed and even single parents. On the other hand, they may not. Taylor-Gooby appears to have committed the fallacy here of assuming that the distribution of priorities in the British public equals the ranking of welfare priorities of individual British citizens. Until adequate poll data on the patterns of support for various types of welfare is available, it is not possible to claim that the pattern of expenditure instituted by the Thatcher Government accords with public sentiments.

7. WHY SO LITTLE CONNECTION?

This survey of evidence on public opinion and government welfare expenditure suggests little congruence between the two in Sweden, Australia or Britain. Rather than public opinion and welfare expenditure corresponding in the three countries, it is incongruent in each (see Figure 2).

This finding seems puzzling, given the growth of attention given to public opinion in welfare research. It is less puzzling when it is realised that very little of this research explores the question of what possible links exist between public opinion and government welfare policy.

The link may, of course, be very general, described as a type of welfare culture. From this perspective, governments would pick up the general pro- or anti-welfare mood of the public and not step outside it. Little evidence exists in the above findings for this view, although it persists in academic writing.

A second possible link is electoral constraints on governments. The problem here is that elections give the public very little chance to express opinions on particular issues. For issues to have any impact on elections, they must satisfy three criteria. First, public opinion must be sufficiently skewed in one direction on the issue, so that voters with opposing views do not cancel each other out. Second, voters must perceive clear differences between the parties on the issue. Third, voters must care about the issue above other considerations (other issues, party loyalty, assessment of candidates, etc.) when casting their vote.

Clearly, all three criteria are very hard to fulfil at the same time. Research on electoral behaviour shows that the third condition, in particular, is extremely rarely met in the case of welfare issues. The vast majority of voters in all Western democracies see economic issues and not welfare issues as most important in most elections.

An alternative approach which may explain a link between public opinion and welfare is party identification. Most electors vote according to enduring party loyalties associated with party images. If the image of some parties included the image of support for welfare, then this may form a link between citizens' attitudes to welfare, their party identification, their votes and party performance in government. Some evidence exists to suggest that welfare forms a component of party identification in Britain (Taylor-Gooby, 1986) and Sweden (Hadenius, 1986, p. 106; Sarlvik, 1974, p. 420, 421) - although not in Australia (Kelley, 1988) - but this evidence also suggests that the relationship between welfare attitudes and party identification is complicated by other factors and does not produce a simple 'left-welfare-expansionist' versus 'right-welfare-contractionist' divide. There thus appears to be room for parties in government to stay within their supporters' images of them without expanding welfare (left parties) or contracting it (right parties).

A third approach, developed by Papadakis and Taylor-Gooby (1987), develops Hirschman's influential concepts of exit, voice and loyalty to categorise sections of British public opinion about welfare. Their argument is that people's expectations of state welfare regarding choice, control, participation and so on, help to determine their support for them. Where these expectations are not met, support for government welfare will fall and those who can afford it will exit state welfare for private welfare schemes (Papadakis and Taylor-Gooby, 1987, p. 480; Taylor-Gooby, 1988a, p. 15).

This argument is interesting, because in itself it helps to explain why public opinion and government welfare expenditure do not correspond. The exit, voice and loyalty argument is not primarily about public opinion. It is about the *actions*, or likely actions, of some or all of the public. The public opinion approach to government welfare policy necessarily assumes that each individual's opinion counts equally. In the exit, voice and loyalty approach, some opinions count for more than others, because only some people have the resources to act on their opinions. Certain economic resources are required to exit public welfare and enter private welfare arrangements. Certain educational and status resources are required to exercise the option of 'voice' within institutions (Papadakis and Taylor-Gooby, 1987, p. 477, 478).

When some of the public take either of these options, welfare policy-making moves away from the assumptions of the public opinion model. The exit option creates strong private welfare organisations who lobby the government for particular welfare policies and concessions (see, for example, Kuhnle, 1981, pp. 141-144). The voice option amplifies the views of the well-educated middle class, views which are likely to diverge from those of other members of the

FIGURE 2: RELATIONSHIPS BETWEEN PUBLIC OPINION AND WELFARE SPENDING IN AUSTRALIA, SWEDEN AND BRITAIN

		Welfare State Expenditure Government Program:		
Public Opinion Supports:		More Spending I	Same Spending II	Less Spending III
More Spending	I		Australia	Britain, Australia
Same Spending	II	Sweden		
Less Spending	III	Sweden		

public (see, for example, Hadenius, 1986, pp. 115-120). In both of these scenarios, the opinions of each member of the public no longer counts equally, and it seems naive to expect government welfare expenditure and public opinion to correspond.

8. CONCLUSIONS

The analysis above suggests that the relationship between public opinion and government welfare spending - at least in Australia, Sweden and Britain - is much more complicated than the simple pattern of correspondence argued by Ringen and others. There is substantial public support in Sweden for reduction or stabilisation of expanding government welfare programs. In Australia, public opinion has supported expansion of welfare schemes kept restricted by successive governments. In Britain, public support for expanded welfare expenditure has increased during the period of the Thatcher government's reduction of welfare expansion. In none of these cases is correspondence evident.

At the same time, there are similarities between public attitudes to welfare in the three countries examined. The public in each country looks more favourably upon universal welfare programs than upon selective programs. Similar groups of welfare recipients (the unemployed and single parents) are stigmatised in each country. Finally, in each country the perceived cost of welfare spending to taxpayers appears to have a critical impact on public support for government welfare expansion.

What are the implications of this for future welfare policy in Australia? First, the relationship between public opinion and public policy is not given. Rather, a set of political debates and campaigns helps to form both opinion and policy on welfare. Australian governments wishing to cut back welfare expenditure should stress taxation gains and attack stigmatised welfare recipients. Those wishing to expand expenditure should stress universal, generous measures. Second, there is long-term evidence that a program of welfare expansion, supported by appropriate rhetoric, would win public support in Australia. Australia does not have a lean, mean welfare culture. Australians' welfare opinions are quite similar to those in the model welfare state - Sweden. Finally, dangers to government welfare programs do not lie in public opinion in general or as expressed through the ballot box. They lie much more in those sections of the public whose economic and political resources allow them to exercise predominant roles in the welfare debate.

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ECONOMIC THOUGHT AND THE IDEA OF THE WELFARE STATE

Paul Smyth

1. INTRODUCTION

The idea of the welfare state in Australian economic thought and social policy was a child of the Cold War. By 1945 that social policy which had defined the welfare of society in terms of the free market had been overshadowed by the principle that social security required government planning. Which principle would dominate was an open question to economists in the early post-war years. After the Liberal and Country Parties' election victory in 1949, a synthesis of the two apparently conflicting principles became a priority for economic thought. The economics which emerged from the cold war gave first place to the principle of the market over the government plan, a synthesis to which the new liberals were more successful in adapting their social and political philosophy than the Fabians. In the result, out of what one contemporary termed 'a first class ideological muddle', a lowest common denominator of agreement concerning the social framework of the economy became the implicit foundation of economic thought and social policy whereby social planning was confined to the margins of economic policy. The principle of planned social security gave way to the idea of the welfare state.

2. THE NEW LIBERALISM: A STRANGE EQUIPOISE

The post-war social framework of economic life had been decided electorally and judicially by 1950, but it remained a skeleton awaiting the flesh and blood of a supporting philosophy of the mixed economy. In the creation of such a philosophy, the new liberals had begun their task in the late 1940s under a major handicap. The eclipse of liberal market economics in the period of depression and war had been the master theme of economic thought throughout that decade. The Cold War so changed the ideological constellation that the evil of totalitarianism replaced the chaos of the market as the dominant motif of political and economic thought. The new liberals were transformed from a 'party of resistance' in Australian economics to a 'party of initiative' in the defence of freedom.

This transformation has not been a subject of historical writing. However, substantial studies of the ideas and policies of the Liberal Party of Australia have been written which indicate that there were two emphases in Liberal politics: the first, a defensive Liberalism associated especially with the 'de-socialisation campaign' of the late 1940s and early 1950s; the second a constructive Liberalism expressed in policies of 'national development' and to a lesser extent, welfare programs (Simms, 1982; Tiver, 1978). This co-existence of defensive and constructive themes was noted also by D. M. White in his study *The Philosophy of the Australian Liberal Party*. White's conclusion is offered in the words of the British philosopher M. Cranston: 'One might divide liberals into those who see freedom as something which belongs to the individual, to be developed against the encroachment of the State, and those who see freedom as something which belongs to society and which the State, as the central instrument of social betterment, can be made to enlarge and improve'. Cranston's judgement that the history of liberal thought was 'strangely poised between these two positions' is taken by White as an apt summary of post-war liberal philosophy in Australia (see White, 1978, p. 132). This strange equipoise proved the distinctive theme of the Liberal political economy of the welfare state in this period.

The strategic reasoning of the de-socialisation phase in academic economic thought is best represented in the writings of D. B. Copland. His collection of essays entitled *Inflation and Expansion* diagnosed the political and economic causes of the nation's inflationary crisis, while his presidential address to the ANZAAS Conference of 1952 suggested the liberal social and political philosophy in which a cure could be found (Copland, 1951; 1952). *Inflation and Expansion* builds on the foundation of Copland's critique of Keynesian policies set out in *Back to Earth in Economics Australia 1948*. Faced with an economy in expansion rather than contraction, and with the malady of inflation not unemployment, Copland observed that the Keynesians had been taken by surprise (Copland, 1951, p. 21, 4, 5.)

He believed that the 'more extreme devotees' of planning were 'much too confident of their ability to control the powerful forces arraigned against them'. The problems created by high rural export incomes, by the need for some control over materials and investment issues, by the necessity to maintain high levels of investment, and by the imperative of raising productivity, all indicated to Copland that the solution to the malady of inflation was obviously 'less an economic' issue than a 'deep-seated problem in political science and public administration'. In this respect, he thought the great mistake of the planners had been to project a war-time conception of the economy onto the period of peace. In the latter, he argued, there was no longer an agreed societal objective compelling cooperation with government plans (Copland, 1951, pp. 4-5). For Australia's post-war mixed economy Copland believed the social philosophy of Liberalism would provide the basis for a successful political economy. This philosophy was the subject of his ANZAAS address, 'Authority and Control in a Free Society'.

Here Copland said that the planners had not realised that their policies involved a 'degree of authority and control that did not spring indigenously from the collective social consciousness, as did so much of the great humanitarian legislation of the past century'. Not only was their planning 'in advance of the social milieu' but their philosophy had been falsely grounded. Quoting Sir Hector Hetherington's address in 1951 to the British Association for the Advancement of Science, Copland claimed that the inspiration of that legislation had 'not been Socialist theory, ... but the apparent efficacy of specific modes of collective action in solving practical problems which emerged in the attempt ... to apply the principle of liberality' (Copland, 1952, p. 2, 3). With Australia experiencing a loss of economic confidence because of the malaise of inflation Copland proposed to 'Revise the Objective'.

Copland's explanation of why the planners' 'path to glory' had become 'blurred' was twofold. The more immediate, practical reasons included taxpayer resistance to increasing government expenditure and popular fear of a large government work force; the handicap on collective enterprises of parliamentary controls; and the British experience of nationalised industries which had done little to enhance industrial relations or the status of the worker (Copland, 1952, p. 7-13). Overriding these more practical reasons however, had been what he termed the 'challenge of totalitarianism'. While he agreed that certain controls were necessary in a free society, Copland thought that the emphasis on planned social security had become counter-productive. Here he produced an array of texts from Shakespeare, Toynbee, Rossita Forbes and Shelley to suggest that in the words of Macbeth 'security ... is mortal's chief enemy'. Security, Copland argued, was the enemy of 'the great manifestations of the human spirit'. (Copland, 1952, pp. 16-18). Copland's re-consideration of 'the objective' ended with this critique of the planners. It would be up to this generation of social scientists he said, to resolve the issue of authority and freedom in accordance with the principle of liberality. Their solution, he believed, would see 'the measure of authority and control...less, not more than it is today and the free society will be the stronger and the more independent' (Copland, 1952, p. 23).

Copland's address belongs to the de-socialisation phase of the liberal counter-revolution in economic thought, a phase in which the stress was on that more defensive strand of liberal philosophy which emphasises the rights of the individual over against the State. To interpret post-war Australian society in terms of that strand of liberal philosophy which 'sees freedom as something which belongs to society and which the State ... can be made to enlarge and protect' was the self-appointed task of Frederick Eggleston in his book *Reflections of an Australian Liberal* (Eggleston, 1953). Addressed to a wider readership than Eggleston's more scholarly writings on social philosophy and politics, this work was intended to reconstitute the Deakinite tradition in abeyance amid the politics of the cold war. Thus the author began with an expression of 'faith' that if the 'troubles of the world' were due to the 'decline of Liberalism', the restoration of 'sanity' required that 'constructive Liberalism' - not laissez-faire - regain its 'proper place' (Eggleston, 1953, p. 1). The main points of Eggleston's assessment of the inflationary impact of Keynesian policies on the post-war economy are similar to Copland's analysis and need not be reiterated.

The focus of Eggleston's book was what he called the 'human urges and influences' which he believed were driving up inflation and placing 'democracy under pressure'. Like Copland, he believed the crisis resulted from the behaviour of what he termed 'pressure groups' and was as much political as economic in nature. The pressure created on democracy by these 'vested interests ... pressing on the economic fabric of the community' raised for Eggleston the philosophical issue formulated by Copland in terms of the relation between authority and control in a free society (Eggleston, 1953 p. 173, 175, 183, 252).

Eggleston's historical perspective on the development of liberalism stressed that to the nineteenth century emphasis on individual freedom had been added the twentieth century notion that 'man is a social being' whose personality finds its fulfilment 'within the organised community' (Eggleston, 1953, p. 6). He concluded that 'the conditions necessary for enjoying the fruits of freedom' ought be 'universal'. From a similar perspective, Australian socialists in the 1940s had

seen the Keynesian revolution as a major step in the completion of the political and social freedoms achieved within liberalism by economic emancipation. In principle Eggleston accepted the socialist logic. He emphasised that 'a community is not a collection of independent individuals, it is an association of free persons, who recognise their interdependence. Men are not islands, connected with their fellows by bridges and ferries'. He also believed that 'certain forces' had developed in Australia which in 'the long run' made socialism 'inevitable'. Indeed Eggleston thought that his recognition of the 'dominance of the social, the truly social value' made him 'really a Fabian socialist' (Eggleston, 1953, p. 52, 57, 205).

How can his ambiguous relationship to socialism expressed in **Reflections** be explained? For Eggleston, Deakinite liberalism was not 'in eclipse' because there was nothing in Australian society which suggested to him the imminence of a freely chosen evolution to socialism. He chastised those intellectuals 'who call themselves socialists' for having 'not the foggiest idea of how the approach (to socialism) should be made' (Eggleston, 1953, p. 33). Whereas he believed socialism required an 'evolutionary process' producing the appropriate 'norms of conduct', the socialists put vain hopes in State action. State action, without the requisite social conditions, he thought, would result in 'the free creative activity of the individual (being) smothered in a closely organised regime'. The approach to socialism therefore, Eggleston wrote, had to be made by 'a process which Karl Popper calls 'piecemeal social engineering' in which we just do what is necessary to solve the pressing problems and wait for the experience of one step before we proceed to the next' (Eggleston, 1953, p. 52, 232, 234). This understanding of the 'liberal way of political life' Eggleston proposed as the framework for economic life, at least in normal times.

The significance of Eggleston's **Reflections** lies in the theoretical justification which went beyond a defence of the individual against the state to the argument that the 'idea of the community', then associated with 'socialistic planning', accorded better with the 'principle of liberality' than the 'statism' then in recession even among democratic socialists. If Eggleston said little about how the libertarian 'community' arising from the spontaneous activities of individuals would be organised and related to the state, at least he could claim that Marxists were equally silent on the forms of societal organisation which would occur as the State 'withered away' (Eggleston, 1953, p. 238).

Reflections of an Australian Liberal was published in 1953 but had been largely composed in 1951 at the height of the uncertainty concerning government's ability to control inflation then running at 20 per cent. The combination of the first 'horror budget' and a sharp fall in rural export income helped ease the crisis. When export income rose again there was, as Whitwell notes, a growing confidence in the efficacy of 'indirect' Keynesian controls (Whitwell, 1986, p. 104, 109). Towards the middle of the decade, a new optimism was manifest in the liberal economic writings. The world was at last settling down. The great debate over planning and freedom which had carried on from the mid 1930s into the Cold War quietly ended and the successful counter revolutionaries set about defining the limits of government social and economic planning.

By the middle of the decade the often awkward coexistence of defensive and constructive themes in liberal economic thought had been brought into a new balance by Copland. The post-war developments in Australian economic policy leading to his synthesis were explained in his paper read before the American Philosophical Society, the gist of which appeared in an article for the **IPA Review**. Copland was confident that the right balance between the free market and planning had been struck. The 'devotee of the minutely controlled economy' he said, was 'in the discard' along with 'the diehard exponent of private enterprise'. Out of half a century of conflict and change, he suggested, had emerged a 'new and improved' economic framework which would provide the basis for renewed 'social progress'. Although varying slightly in different countries, he thought the Western pattern a 'judicious blend' of public and private enterprise with the latter predominant (Copland, 1955, pp. 3-4).

In this blend, he wrote, the role of government was to provide a framework for private investment, through development programs, the provision of utilities and the control of marketing of primary commodities and some metals. Government would also promote 'a larger measure of social justice' through an 'equitable' income redistribution and positive action in areas such as working conditions, housing, health, old-age pensions, 'family strain' and the maintenance of economic stability. While a number of problems remained e.g. in 'bringing labour into partnership with management', Copland was satisfied that with government playing a supporting role to private enterprise, western economies would progress materially, without sacrifice of 'all the freedoms' lost in the societies of the totalitarian alternative. With the pattern of the West now settled Copland sought new 'worlds to conquer' in the less favoured countries which he believed to be the future site of 'the great contest between totalitarianism and the free economy' (Copland, 1955, pp. 4-6).

3. DEMOCRATIC SOCIALISM

Inspired by a sense of historical destiny the Fabian economists of the 1940s believed that the Keynesian Revolution had opened up Australia's road to socialism. Events after 1949 so changed the social context of economic thought that the apparent policy path of nationalisation and central economic planning receded into the mists of the Cold War. These economists had chosen not to develop a socialist economic theory but rather to criticise orthodox economics from within. In their critique, Keynesian theory had furnished the armoury. This relationship with Keynes was to prove profoundly ambiguous. On the road to socialism Keynes was to have been but a passing acquaintance. As the Cold War eased and Keynesian theory was successfully employed in the stabilisation of capitalism, the Fabians found themselves theoretically disarmed in the face of a new synthesis of Keynes within the neoclassical tradition. The Keynesian-Fabians became wedded to the new orthodoxy by default. In the early 1950s, some socialists sought new foundations for economics in the insights of the political economy movement.

The difficulty facing those in the Keynesian-Fabian tradition was that their economics had been premised on the expectation of a major transition in the social framework away from the free enterprise system of neoclassical theory towards a socialist planned economy. When this transition failed to materialise, the old Fabian analysis became increasingly irrelevant. The Fabians were then faced with two alternatives: either to adapt the orthodox tradition, or to fashion an alternative socialist political economy. The major published contribution to Fabian economics in response to the new orthodoxy came with Arndt's essay in *Policies for Progress* which argued the former path (Arndt, 1954).

Recognition that Keynesian-Fabianism was in a cul de sac led Arndt to make it his 'job to help to bring democratic socialist thinking on economic policy down to earth' (Arndt, 1954, p. 58). The logic of his adaptation to the new orthodoxy will be introduced by a summary of his views in the late 1940s. The Fabian economists in the early post-war years did not develop a socialist economic theory. For ethical reasons, and because of their expectations regarding Australia's political future, they believed that economists ought to take socialism as - in Arndt's phrase - the 'political datum' of economic analysis. In the meantime, according to Arndt, Keynesian theory furnished weapons to discredit neoclassical economics. It was thought however that Keynesian theory alone could not provide a remedy for the fundamental weaknesses of capitalism. By 1954, Arndt was compelled to urge a very different 'political datum' upon his colleagues. Now he said that 'complete socialism ... is not a practical objective. For the foreseeable future, democratic socialists must envisage a mixed economy in which substantial sectors at least will remain in the hands of private enterprise' (Arndt, 1954, p. 52). Not only had his political hopes been dashed, but Arndt also believed that the Fabian social philosophy had been shown to be flawed. Although he still felt a 'moral revulsion against the acquisitive spirit and class domination of capitalism', Arndt accepted that the Fabians had not satisfactorily resolved the problem of reconciling planning and freedom (Arndt, 1954, p. 59). 'We advocated', he wrote, 'and fought for economic reform with little thought for its long run political implications'. Now, he believed, it was merely 'word-play' to talk about political freedom being 'useless without economic freedom' when it was a 'fact' that economic planning often conflicted with political freedoms (Arndt, 1954, pp. 38-39). With the political datum of the 1940s thus eroded, Arndt set out what he believed were now the 'insuperable barriers across the path to utopia'.

Arndt's economic analysis illustrates the dilemma of those socialists willing to adapt the neoclassical tradition. Because that tradition was premised on a market economy, once the framework was accepted it proved difficult to retain a specifically socialist perspective. That Arndt accepted this framework is apparent from his claim that the obstacles to socialism were 'rooted in the very nature of economic facts (regardless of particular economic institutions)' (Arndt, 1954, p. 41). As G. D. H. Cole pointed out in this period in relation to the 'new orthodoxy', this positivist reliance on the 'unanalysed facts' separated those socialists willing to adapt the neoclassical tradition to their ethical norms from those who believed socialist economics must derive from essentially different postulates (see Durbin, 1985, p. 273, 277). Arndt's assertion of the compelling nature of the 'facts' points to a subtle theoretical shift whereby the Fabians of the 1940s became encapsulated within a theoretical tradition they had originally intended to criticise from within.

This process of encapsulation shows itself in Arndt's exposition of the 'insuperable barriers'. He began with the observation that the simultaneous achievement of all our economic objectives, such as stability, equality, security and progress, is impossible because 'economic resources are limited'. How limited he demonstrated in terms of the gross national product per head of population and its likely rate of growth. Having established these dimensions, Arndt pointed to the limited potential of policies for redistribution. He argued, for example, that a complete equalisation of personal property would deliver a smaller increase in per capita real income than had occurred through 'the effect of

normal progress' since 1939. Further, he thought moves to greater equality of incomes could be at the expense of lower average living standards (Arndt, 1954, pp. 35, 37-38). Presumably Arndt had in mind here possible adverse effects on work and other economic incentives.

Precisely why he thought these 'facts' insuperable barriers to socialism is not immediately clear. One would think that the limits to productivity applied to all economic systems, in which case the critique of 'socialism' would rest on his analysis of the limited potential of policies for redistribution. Of course, mere redistribution implies that the structure of production remains unaltered. Such an implication also underlies Arndt's reference to the neoclassical notion that too much equality might undermine incentives. Significantly he had rejected this idea in 1947 in a critique of A. G. B. Fisher's **Economic Progress and Social Security**. Then Arndt had argued that a different 'social inspiration' would accompany a socialised system of production (see Smyth, 1989, p.10). The first 'barrier' thus indicates the dissolution of a critical Fabian perspective on central neoclassical assumptions.

Arndt's second barrier, which he thought was by far the most important block to socialism derived from the failure to reconcile freedom with state planning. Arndt's chapter mounts less an argument in political philosophy than a collection of illustrations of his view that people should not be 'shoved around' based on what he says are his 'liberal democratic' principles (Arndt, 1954, p. 39). Thus by 1954 Arndt had come to accept much of the new liberal critique of policies of redistribution as well as their desired political framework of economic life. Only from this perspective, he wrote, was it 'sensible to discuss concrete policies and programs' (Arndt, 1954, p. 41). In a later reflection, Arndt acknowledged as the theoretical source of what he called his 'retreat' from socialism, the new orthodoxy worked out immediately after the war by J. Meade and W. Arthur Lewis (Arndt, 1960, p. 31).

Not surprisingly, Arndt's 'back to earth' socialism was welcomed by those new liberals who commended his realism and willingness 'to jettison most of Labour's sacred shibboleths' (*The IPA Review*, 1955, Vol. 9, No. 1, p. 30). However, his call for 'realism', couched in terms provocative to the old Fabians should be seen less as a 'swift embrace' of the new liberal counter-revolution than an outcome of the old Fabians adopting a theoretical position which was grounded in categories derived from neoclassical market economics (cf McFarlane, 1968, p. 185). Certainly the policy convergence was remarkable. In a memoir, Arndt recalls how one by one the planks of the democratic socialist platform had been removed so that by the mid 1950s, 'almost all that was left' of their 'philosophy' was the struggle for 'greater equality in the arena of public finance' (Arndt, 1960, p. 32). The new liberals, however, approached this convergence with conviction, the Fabians found themselves there by default. The Keynesian-Fabians had differed from the new liberal economists only in their 'political datum'. When the expected transition from the market economy failed to materialise, both sides were left sharing a common orthodoxy. Arndt's writing thus embodies the double failure of the old Fabian tradition: first the failure to develop an alternative economic theory, and second the failure to develop a new paradigm of the relationship between the citizen and the state. Without such tools of analysis the Keynesian-Fabians were unable to respond creatively to the policy crisis created by the post-war political settlement and produced what Cole has fairly described as 'a diluted socialist doctrine which (was) little more than Keynesian Liberalism with frills' (see Durbin, 1985, p.277).

Of the Australian economists seeking to maintain a distinctively socialist perspective the clearest example in the literature was J. F. Cairns (1953). His approach can be illustrated by his brief comment for the *Fabian Bulletin* on 'The Idea of the Welfare State'. The term welfare state he suggested had come into use in the previous five years, having originated in United States newspapers as a derogatory label for the form of government then emerging in Great Britain. The term, he suggested embraced a new paradigm in economic thought and social policy to which there were four key elements: first, the provision of a basic minimum for each person; second, a redistribution of income either to compensate for the adverse effects of some national policy, or to achieve a greater degree of equality; third, the maintenance of full employment; and fourth increased productivity in order to raise living standards. These features of the welfare state Cairns attributed to two historical developments. The first was the acceptance of a greater role of government in economic and social life; the second, the emergence of what he called 'a new type of citizenship'. Presumably following T. H. Marshall. Cairns believed that this idea of citizenship was the culmination of the successive achievement of civil, political and social rights (Marshall, 1950). These rights Cairns described as 'the foundation of the welfare state' and an achievement of the 'socialist tradition' (Cairns, 1953, pp. 1-3).

To what extent, Cairns asked, did this new paradigm represent a departure from capitalism? Insofar as government had not accepted any significant degree of responsibility for economic production, he thought the difference was minor. But he believed that the acceptance of the concept of citizenship and its implied social rights represented an important change of principle. Now, Cairns continued, Australia possessed 'capitalist concepts or ideology on the side

of production' but socialist concepts or ideology on the side of income distribution and benefits. Consequently while he accepted that the welfare state had brought a 'vast' improvement in 'moral standards and behaviour' there was 'still a contradiction in the situation'. Cairns did not think that a government without responsibility for production could continue to maintain 'the structure of incomes and security' which the people had come to expect. This was especially so because Australia was a dependent economy, a situation which accentuated inflationary and deflationary pressures. The unwillingness of the Menzies Government to intervene in the inflationary crisis of the early 1950s suggested to Cairns that if there was a marked reversal in the balance of payments there was little likelihood of such a government acting to maintain full employment and ensuring 'a really equitable sharing of income losses'. Given this contradiction he concluded that the 'next stages in the development of the welfare state' would involve the extension of government action 'concerned with efficiency in industry, the level of accumulation of capital and its distribution to meet socially desirable needs' (Cairns, 1953, pp. 2-4).

In contrast to the analysis of the new orthodox socialists who had come to rely on an appeal to the economic facts, Cairns' understanding was rooted in his conception of the historical development of the Australian economy. From his political economy perspective he rejected the static equilibrium economics of the neoclassical tradition and found in the writings of Marx especially, a theory which encompassed economic change over time (see Cairns 1950). An indication of Cairns' historical perspective was given in a short article published in 1955 (Cairns, 1955). Here he argued that the labour movement had emerged as a political force at a time when 'the ruling sections of the population had secured already most of their direct privileges'. The key to the evolving socialist objective -the milestones of which had been factory legislation, the basic wage, social and welfare services, progressive taxation and the abolition of unemployment - had been the further and further interferences with the 'capitalist market and property system...and its social and political superstructure'. An ethical commitment had empowered the labour movement's struggle which Cairns believed had been well expressed in the words of Justice Higgins as a 'conviction that human life is too valuable to be the shuttlecock in the game of money making and competition'. Opposing the labour movement which Cairns believed had been the 'party of initiative' in Australian political life, had been the non-labour 'parties of resistance' who fought any socialist interference until forced to accept what could not be avoided - a most extreme example of which he thought was the Liberal Party's recent maintenance of Labor's welfare state (Cairns, 1955, pp. 53-55).

Cairns' concern with economic development over time, with the interaction of social, political and economic factors and with the ethical dimension set his socialist economics on a different track to those practising the positivism of the new economic orthodoxy. It must be said, however, that his persuasive claim for the welfare state as a product of labour initiative and his penetrating analysis of the contradictions in **The Idea of the Welfare State** stopped short at the major theoretical problem facing the labour movement in the Cold War: how was further state interference in the economy to be reconciled with individual freedom? Here the initiative had clearly passed to the new liberals.

4. CONCLUSION

Never a central concern in economic thought in the 1940s, the idea of the welfare state came to fruition in the Cold War as Fabian and Liberal economists came to terms with Australia's post-war mixed economy. In the ensuing truce, limited state intervention sat well with the new liberals' 'judicious blend' of its individualist and Deakinite traditions. The Fabians, on the other hand, were constrained by what they perceived as the barriers to the utopia of a socially planned economy. A lowest common denominator of shared assumptions became the basis of a new framework for social policy: the idea of the welfare state. The truce settled the major social policy issue of the 1940s, the social control of the economy. The primary objectives of rising living standards under full employment and without inflation were to be achieved by indirect Keynesian controls. With limited prospects of redistribution through the wages system, the remaining arena of social policy contest in the welfare state was public finance i.e., the tax and social service systems. Thus the years 1950-1955 witnessed a major permutation in economic thought and social policy. The discourse of economics which had been so enriched by the great social and political debates of the previous two decades began to shrink to the dimensions of welfare. The language of economics would increasingly acquire the terminology of technical, scientific management.

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INCOME DISTRIBUTION IN AUSTRALIA AND NEW ZEALAND: CONCEPTS AND RESULTS

Peter Saunders

1. INTRODUCTION

A major - some would say **the** major - focus of social policy is on distributive questions and how government policies affect the distribution of resources among the population. The issue of inequality may be approached in many different ways as Le Grand (1982) has emphasised, according to whether the focus is on equality of outcome, of opportunity, of access, or of use of a particular commodity or service. Analysis of the redistributive impact of government actions also raises many complex issues, largely because assumptions are required about how things might have been if different actions or policies had been undertaken. Despite these conceptual problems, the issue of inequality remains central to the study of social policy and interest in measuring inequality and estimating the degree of redistribution has grown greatly in the last two decades. In part this reflects significant advances in the availability of data for these purposes, and in the development of statistical techniques for analysing such data. But, more fundamentally, it reflects concern that the end of the long economic boom of the 1950s and 1960s, the 'crisis' of the welfare state that this produced, and the resulting attempts by governments throughout the industrialised world to rationalise social expenditure have all contributed to increased inequality.

This paper addresses one aspect of inequality, that relating to the inequality in money income. Although income inequality is not the only aspect of inequality of concern to social policy, few would deny that in the modern world access to adequate levels of income for all and moderation of the extremes of the income distribution are important social policy objectives. More specifically, the paper focuses on how the distribution of income has changed in Australia and New Zealand in the 1980s, and investigates some of the possible causes of those changes.

A study of the experience of Australia and New Zealand over this period is of interest because both countries have faced similar economic difficulties and, in general terms at least, have responded to them in broadly similar ways. Both countries also have a history of social policies that make them unique among other OECD countries. Both have traditionally relied upon a selective, means-tested approach to income support policy financed from general revenue, rather than the earnings-related contributory social insurance schemes common in Europe. It has also been argued that both countries have pursued equalitarian objectives through wages policy to a greater extent than elsewhere (Castles, 1985). As a consequence of these policies, there has been a widespread perception that both Australia and New Zealand have income distributions that are relatively equal when compared with other OECD countries. While previous studies (Lydall, 1968; Sawyer, 1976; Easton, 1980; 1983) appeared to confirm this view, doubts have been raised more recently about the comparability and quality of the data used in this work.

Clearly, if comparative work on income distribution is to be undertaken, every effort must be made to ensure that the data used in such work are truly comparable. It was with this in mind that the Luxembourg Income Study (LIS) was established in 1983. The aim of the LIS project is to reorganise income distribution and other socio-economic data for a broad range of countries so that common concepts and definitions are employed. Previous work utilising the LIS income distribution framework indicates that the distribution of income in both Australia and New Zealand is **not** in fact markedly more equal than in other countries (Saunders and Hobbes, 1988; Saunders, Hobbes and Stott, 1989a). Indeed, this work suggests that the degree of income inequality in both countries in the early 1980s was greater than in a number of European countries including the United Kingdom, a country with which both Australia and New Zealand are often compared favourably.

This paper does not explore these broader issues, but focuses on how income inequality in Australia and New Zealand has changed during the first half of the eighties. The analysis does, however, draw on the framework adopted in other work undertaken as part of the LIS project. This framework is briefly described in the following section. This is followed in Section 3 by the main results and in Section 4 by a summary and the main conclusions. Readers who wish to explore the issues raised in this paper in more detail are referred to a fuller report (Saunders, Hobbes and Stott, 1989b) which provides more detail on the methods used and the limitations of the data for comparative purposes.

2. FRAMEWORK AND METHODOLOGY

Before the income distribution itself can be analysed, it is necessary to define precisely what is meant by income, and also to establish whose income one is discussing. As previously explained, the answer to both questions has been taken from the framework developed as part of the LIS project, but some explanation of the key concepts to be used is required. In relation to the definition of income, it is normal to distinguish between a number of different income concepts. First, **factor income** is defined as total income in the form of wages and salaries, self-employment income and property income such as interest on bonds and other interest earning assets. **Market income** is then obtained by adding income from occupational superannuation to factor income. **Gross income** is equal to market income plus income in the form of transfers, be they private transfers (eg. gifts or maintenance payments) or government transfers (e.g. pensions, benefits or family allowances). Finally, **net or disposable income** is equal to gross income minus income tax payments. Clearly, since net income corresponds to cash in hand, available for spending, it represents the best income measure for estimating the standard of living of people. The other income concepts allow the precise sources of net income to be identified and compared, and thus provide insights into the relative importance of alternative income sources in contributing to the overall distribution of net income. In particular, since government spending on transfer payments as well as income tax deductions are separately identified, the framework allows the redistributive effects of the tax-transfer system to be analysed and compared across different countries.

Next, it is necessary to establish the appropriate unit for which the income distribution is to be calculated. There are a number of choices available here, but it is instructive to restrict attention to just two, the **individual** or the **income unit**. While the definition of an individual is clear, the income unit concept requires a little more explanation. The income unit is defined to include married couples (including de facto relationships) with dependent children (if any), sole parents with dependent children, or single individuals. Children are included in the income unit of their parent(s) only if they are regarded as dependent, i.e. if they are either under 15 years of age, or aged 15 to 20 years and a full-time student without children or a spouse of their own. Children who do not satisfy this definition of dependent are regarded as forming a separate income unit. This definition of the income unit is thus close to the familiar definition of a family, except in that it only includes family members who participate in a relationship of dependency as described above.

An important assumption underlying the choice of the income unit for income distribution analysis is that the total income of all members of the income unit is pooled and shared for the well-being of all members of the income unit. Although relatively little is known about how income is distributed **within** families (or income units), there is evidence that the assumption of complete income sharing is often violated (Edwards, 1981). However, because complete income sharing does not always take place is not to say that income is not shared at all among family members. If it is assumed that no income sharing whatever took place within the income unit, the individual would become the appropriate unit for income distribution analysis. However, this seems to be an even more unrealistic assumption than that of complete income sharing and, while use of the income unit will lead to problems where income sharing is not complete, this seems a far more reasonable basis for analysis than the alternative. The limitations of this assumption do, however, need to be kept firmly in mind when interpreting the results.

Use of the income unit does, however, raise a further set of issues. Since income units are of varying size and composition, the needs of different income units will vary. What may appear to be an adequate income level for a single individual may be woefully inadequate for a married couple with four children, for example. If conclusions about the well-being of individuals are to be drawn from analysis of income distribution among income units, some account must be taken of differences in needs between income units. This is conventionally done by adjusting gross (or net) income unit income by a set of equivalence scales. These scales reflect the estimated relationship between needs and income unit size and composition. They measure the income levels required by different types of income unit in order to attain the same level of well-being or standard of living. Thus, for example, if the first adult in an income unit is assigned a scale of 1.0, and if the equivalence scale for the second adult is 0.6, this implies that the combined scale for the couple is 1.6, or that a couple requires an income 60 per cent higher than a single adult in order to attain the same standard of living. For further details on how equivalence scales are derived and are to be interpreted, see Whiteford (1985). The equivalence scales used in the following analysis are those developed as part of the LIS project. They assign a value of 0.5 to the first member in each income unit and a value of 0.25 to each subsequent member.

Once income is adjusted by the equivalence scales, the result is referred to as **equivalent income**. This can be calculated before tax is deducted (**gross equivalent income**) or after deducting tax (**net equivalent income**). This

latter concept, since it now approximates cash in hand after adjusting for the needs of the income unit, is the best indicator of the actual living standards of individual members of income units in the population. The distribution of net equivalent income among income units is thus of particular significance as a social welfare indicator. In presenting this information, the procedures followed in the LIS project have again been replicated. Thus, the distribution of net equivalent income among **individuals** is presented, even though each individual's net equivalent income is derived from the income unit to which he or she belongs. This procedure brings the focus clearly back on to the individual, which is most appropriate and relevant in the context of the level and distribution of economic welfare in society.

Having described the income and income unit definitions, it is necessary before presenting the results to make some comments about how the distribution of income is itself to be presented. The most common way to summarise the income distribution is in terms of the share of total income received by groups defined in increasing order of actual income levels. This involves ranking the entire population in terms of their income, from the income unit with the lowest income to that with the highest, dividing the population thus ranked into equally sized groups, and then calculating the share of total income received by each such group. The actual size of the groups can, of course, vary, but the following results again follow normal practice by defining each group to contain exactly one fifth of the relevant population. These groups are referred to as **quintiles**, and their shares of total income as **quintile shares**.

Clearly, if income was perfectly equally distributed among the population, the quintile share of each group in total income would be equal to 20 per cent (since each group contains precisely one fifth of the population). If, however, there was the most extreme form of income inequality, in which all income was received by only one income unit, then the income share of the bottom four quintiles would be equal to zero, and that of the top quintile equal to 100 per cent. These two cases of perfect equality and extreme inequality provide useful benchmarks against which the actual quintile income shares can be judged. The closer each quintile's share is to 20 per cent, the more equal the distribution.

A second summary measure of the degree of inequality used in the paper is the **gini coefficient**. Essentially, this measures the extent to which the actual distribution of income diverges from the perfectly equal distribution described earlier. The gini coefficient lies between zero and one, being equal to zero when the income distribution is perfectly equal and equal to one when the extreme inequality situation described earlier prevails. Thus, as a general rule the smaller the gini coefficient, the more equal the income distribution. However, care must be taken when drawing conclusions about the degree of income inequality based on comparisons of the gini coefficient for different distributions, either at different points in time or for different countries at a point in time. This is because the gini coefficient, despite being a statistical measure of inequality, also embodies within it implicit value judgements about the weight to be attached to inequality at different levels of income. This issue is not explored further here, although it has significance for the interpretation of some of the results in the following section, to which attention will be drawn at the relevant time. Readers wishing to pursue this matter in more detail are referred in the first instance to Atkinson (1975; Chapter 3).

3. CHANGES IN INCOME INEQUALITY, 1981-82 TO 1985-86

The latest year for which comparative income distribution data are currently available for both Australia and New Zealand is 1985-86. The following analysis thus focuses on how the income distribution in both countries changed between 1981-82 (the earliest year in the decade for which information is available) and 1985-86. Before discussing these results, it is useful to review briefly the broad economic and policy context of both countries during the first half of the 1980s.

3.1 The Economic and Policy Context in Australia and New Zealand, 1981-86

There are a number of broad similarities in the political and economic experience of Australia and New Zealand during the 1981-86 period. Indeed, a formal agreement to Closer Economic Relations between Australia and New Zealand was signed in December 1982. In both countries, the period saw Labo(u)r Governments returned to office after lengthy periods in opposition. In Australia, the Hawke ALP Government was elected in March 1983 after almost

eight years in opposition and was returned to office in 1984. Prime Minister Lange's Labour Government won office in New Zealand in mid-1984, having been in opposition to the Muldoon National Party Government for nine years. The economic policy of both governments over the period was driven by the need to improve international competitiveness. Both had relied heavily on primary exports throughout the post-war period and were suffering a loss of traditional export markets, as well as from adverse terms of trade movements due to falling commodity and agricultural prices. Economic policies thus emphasised de-regulation (particularly of the financial sector), reductions in the size and scope of government intervention, and tax reforms designed to improve efficiency, each of which was intended to promote a healthier climate for business and thereby raise competitiveness.

But while there are similarities in the broad policy environment within which the two countries found themselves, as well as in broad policy directions, their detailed policies were markedly different in several respects. In Australia, the economic strategy of the Liberal-National Party Coalition Government that had been in office since late 1975 showed signs of collapse from the middle of 1981. The anticipated resources boom did not materialise, and domestic investment was not as high as hoped, leading to fears of imminent recession. Within several months of the announcement of the Federal Budget of August 1982, it was clear that a blow-out in the budget deficit was occurring due to serious underestimation of government expenditure. The actual deficit for 1982-83 was almost \$4.5 billion, compared with an estimate of less than \$1.7 billion. Wage inflation pressures mounted throughout 1981-82 and a wage pause was introduced in December 1982. It was thus in a situation of economic recession, industrial unrest and budgetary collapse that the Hawke Labor Government was elected to office in March 1983.

A cornerstone of the Hawke Government's economic strategy was the Accord, an incomes policy agreed to with the Australian Council of Trade Unions (ACTU) in 1983 and re-negotiated several times subsequently. Under the Accord, wage restraint was guaranteed by the ACTU in exchange for increases in the social wage, a commitment to tax reforms to achieve greater vertical and horizontal equity and, subsequently, enhanced occupational superannuation coverage, personal tax cuts and improved income support for low income families (although some of these latter policies were implemented after 1986). Fiscal restraint was pursued by the Hawke Government by controlling the growth of government spending, although the main effects of this strategy were realised after 1985-86. After the sharp rise in Commonwealth budget outlays in 1982-83 (from 26.6 per cent of GDP in the previous year to 28.7 per cent of GDP) the government restrained its spending growth to the growth of GDP between then and 1985-86. Commonwealth revenue grew slightly faster than GDP with the result that the budget deficit fell slightly from 2.6 per cent of GDP in 1982-83 to 2.4 per cent of GDP by 1985-86. Privatisation of public enterprises did not achieve prominence at the policy level in Australia prior to 1986 and to date has still not had much of an actual impact. In short, the Hawke Government has attempted to implement a fiscally responsible, corporatist approach to economic management through its close relations with the ACTU, a relationship that has attempted to embrace certain sections of the business community, with some success.

In New Zealand, economic pressures had been mounting from the late sixties as world prices for agricultural exports declined. Balance of payments deficits persisted since the mid-seventies, and the Muldoon Government attempted to cushion the impact of this by borrowing to finance a range of subsidies and tax incentives for industry but this led to accelerating inflation. A wage-price freeze was introduced in mid-1982 and for the following two years was accompanied by rising unemployment. After this freeze was lifted in February 1984, the resulting economic instability and the election of the Lange Government in July 1984 saw the re-introduction of a price freeze until November of that year. The new government encouraged a more market orientated approach to wage determination, with additional income support measures targeted on low income families. Tax reform in New Zealand proceeded more quickly than in Australia, where a number of the Hawke Government's key tax reform proposals were rejected at the Tax Summit held in 1985. Despite this, the major tax reform of the Lange Government was not implemented until October 1986, when a 10 per cent comprehensive goods and services tax (GST) was introduced and accompanied by considerable reductions and simplifications to the personal tax system. Unfortunately, therefore, the impact of this change is not reflected in the analysis that follows. Privatisation (or corporatisation) received more prominence in policy in New Zealand than Australia, but most of the more significant changes also took place after 1986.

This brief description of the development of policy during the 1981-86 period provides the background to the analysis of changes in income inequality in both countries between 1981-82 and 1985-86. It is somewhat unfortunate that this period does not include many of the more significant changes to income tax and income support arrangements in both countries that took place after 1986. These included substantial cuts in marginal tax rates, particularly at higher income levels, and increased selectivity through greater targeting of income support for families. The impact of these

post-1986 measures and of the full range of wage, tax, income support and deregulatory reforms of both governments will need to await further investigation at a later date.

Table 1 provides details of the actual economic performance of the two countries over the 1981-86 period, and compares them with developments for the OECD region as a whole. Economic growth was above average in both countries for the period as a whole and the 1982-83 recession was less severe than elsewhere. Against this, both countries took longer to recover from the recession, and by 1986 were growing more slowly than the OECD region as a whole. Inflation was a continuing problem in both countries over the period and its decline since 1982 was far less marked than elsewhere. By 1986, the Australian inflation rate was three and half times the OECD average, while New Zealand's inflation was over five times the average. However, it is in the area of the labour market that Australia and, to a lesser extent, New Zealand have performed best. Most noticeably, employment in Australia grew at twice the OECD average between 1981 and 1986, and its employment record during 1984-86 is even more impressive. New Zealand's unemployment rate was about half the average, while Australia's was around average overall, although it rose very sharply between 1981 and 1983. Since income from employment is a major source of income for many people, the labour market performance of both countries has potentially significant effects on income composition and income inequality. The extent of these effects is considered in the following section.

3.2 Changes in Inequality, 1981-82 to 1985-86

In understanding and explaining how and why income inequality has changed over time, it is clearly very important that every effort be used to ensure that the raw data with which one is dealing are comparable. Otherwise, one runs the risk of attributing observed changes in inequality to economic or policy developments when they actually arise from changes in the definitions of the variables under investigation. Unfortunately, due to several changes in data collection and presentation, complete comparability for the two years is not possible, particularly for Australia. In deriving the following results, however, every effort has been made to ensure that the data and definitions are as close as is feasible. This is not the place to discuss these issues in depth, but interested readers can refer to a longer report (Saunders, Hobbes and Stott, 1989b) that explains them in more detail. Where such definitional changes affect interpretation of the results, specific attention will be drawn to their significance at the appropriate time.

Changes in the overall composition of income in both countries between 1981-82 and 1985-86 are shown in Table 2. The main apparent change indicated here is the declining importance of self-employment income in Australia, although this is largely due to a definitional change affecting the distinction between wages and salaries and self employment income whose precise impact is difficult to assess. When these two income sources are combined, there is a decline in total labour income of 3.8 percentage points in Australia and 4.0 percentage points in New Zealand. In contrast, property income rose sharply in both countries, reflecting the strong performance of the stock market and the rise in the level of interest rates. It is of interest to note that despite the broad policy emphasis in both countries over the period towards greater reliance on market forces, the importance of market incomes in gross income actually **declined**, albeit only slightly in Australia. The relative importance of both government transfers and taxes rose, the rise in income taxation being particularly marked in Australia, where income tax revenue continued to grow as a proportion of the overall tax burden.

Table 3 presents the income distributions for Australia and New Zealand in the two years, using the summary measures described earlier. Panel A presents the distribution of gross income among income units, while Panel B presents the distribution of equivalent net income unit income among individuals. Income units are ranked by gross income unit income in Panel A of the table, and by equivalent net income unit income in constructing Panel B. The distribution of gross income among income units became somewhat more unequal in Australia between 1981-82 and 1985-86, reflecting a decline in the gross income shares of the lowest four quintiles and a significant rise in the share of the highest quintile. The Australian gini coefficient for the distribution of gross income unit income rose by 5.0 per cent, a significant increase over such a relatively short time span. In New Zealand, the distribution changed much less overall, although there was a movement in income shares away from the fourth quintile towards the second and top quintiles. It is therefore not possible to be unambiguous about whether gross income unit income inequality over the period increased or not, for the reasons outlined earlier. It is possible, however, to conclude that the distribution of gross income unit income, which was already more equal in New Zealand than Australia in 1981-82, had become even more so by 1985-86.

TABLE 1: ECONOMIC PERFORMANCE INDICATORS, AUSTRALIA AND NEW ZEALAND 1981-1986

	1981	1982	1983	1984	1985	1986	Average 1981-86
Real GDP^a							
Australia	3.1	0.0	0.2	6.9	5.1	2.2	2.9
New Zealand	3.3	1.5	2.1	4.3	6.3	-2.0	2.6
OECD	1.6	-0.4	2.7	4.9	3.4	2.7	2.5
Consumer Prices^a							
Australia	9.6	11.1	10.1	3.9	6.8	9.1	8.4
New Zealand	15.4	16.1	7.4	6.2	15.4	13.2	12.2
OECD	10.5	7.7	5.3	5.2	4.5	2.6	5.9
Employment Growth^a							
Australia	2.1	0.0	-1.8	3.0	2.7	4.0	1.6
New Zealand	-0.2	1.7	-1.1	1.1	3.7	-0.1	0.8
OECD	0.2	-0.5	0.5	1.7	1.2	1.5	0.8
Unemployment Rate^b							
Australia	5.7	7.1	9.9	8.9	8.2	8.0	8.0
New Zealand	3.5	3.7	5.4	4.6	3.6	4.0	4.1
OECD	7.0	8.4	8.9	8.4	8.3	8.2	8.2

Notes: a) Annual average percentage changes.
b) National definitions.

Source: OECD (1988b).

TABLE 2: CHANGES IN INCOME SOURCES AND TAXES, 1981-82 TO 1985-86
(Expressed as percentages of gross income)

Income Component	Australia		New Zealand	
	1981-82	1985-86	1981-82	1985-86
Wages and salaries	69.8	71.2	70.8	67.9
Self employment income	13.7	8.5	10.7	9.6
Property income	5.3	8.0	4.8	7.5
Factor Income	88.8	87.7	86.3	84.9
Occupational pensions	1.1	1.5	0.7	0.9
Market Income	89.9	89.3	87.0	85.8
Government cash benefits	9.1	9.8	12.1	13.2
Private transfers/other	0.9	1.1	0.9	1.0
Gross Income	100.0	100.0	100.0	100.0
Income tax	18.6	21.5	26.5	27.9
Net Income	81.4	78.5	73.5	72.1

TABLE 3: CHANGES IN INCOME INEQUALITY, 1981-82 TO 1985-86

	Australia		New Zealand	
	1981-82	1985-86	1981-82	1985-86
A. The Distribution of Gross Income Among Quintiles of Income Units				
Lowest quintile	4.6	4.4	5.7	5.7
Second quintile	9.8	9.4	11.4	11.9
Third quintile	16.6	15.9	17.6	17.6
Fourth quintile	24.8	24.7	24.7	24.1
Highest quintile	44.1	45.6	40.5	40.8
Gini coefficient	0.40	0.42	0.35	0.35
B. The Distribution of Equivalent Net Income Among Quintiles of Individuals				
Lowest quintile	7.7	7.6	8.2	7.6
Second quintile	13.0	12.5	13.5	13.6
Third quintile	17.5	17.2	17.6	17.6
Fourth quintile	23.6	23.6	23.7	23.6
Highest quintile	38.2	39.3	37.0	37.5
Gini coefficient	0.31	0.32	0.29	0.30

The results in Part B of Table 3 tell a broadly similar story. After taking account of income taxes, adjusting income for needs, focusing on individuals rather than income units and re-ranking the distributions accordingly, income inequality is now seen to have clearly increased in both countries. In Australia, the increase in inequality is primarily due to a decline in the share of the lowest three quintiles and a rise in the share of the top quintile. In New Zealand, the increase in inequality arises from a considerable decline in the income share of the lowest quintile and a corresponding increase in the share of income going to the top quintile, a classic 'reverse Robin Hood' redistributive change. On the basis of these results, the income distributions in Australia and New Zealand now appear much more similar than was implied by the distributions of gross family income. This is particularly the case for 1985-86, where the only differences were a slightly lower share for the second and third quintiles in Australia, and a correspondingly higher share for the highest quintile of Australians.

Changes in the composition of gross income in the lowest and highest quintiles of individuals, ranked according to the gross income of their income unit, are shown in Table 4. In the lowest quintile, government cash benefits are by far the most important income source in both countries, and their importance has increased markedly over the period in New Zealand. This highlights the key role that income support measures play in redistributing income towards those at the lower end of the distribution. It would appear that the emphasis given to increased targeting of income support payments has met with some, albeit limited, success in increasing the relative importance of government cash benefits at the lower end of the income distribution, at least in New Zealand. That the observed changes are not greater can in part be explained by the fact that increased income support payments were directed to families with children, who represent only a small proportion of those in the lowest quintile. Wages and salaries are the second largest income source in the lowest quintile, accounting for around 25 per cent of gross income. Despite the stronger overall employment growth in Australia (Table 1) the relative importance of wage and salary income in the lowest quintile declined, although it increased somewhat in New Zealand. This again reflects the fact that the lowest quintile contains many elderly people.

Wages and salaries are easily the most important income source in the highest quintile, although income from self-employment and property income are also much more significant. The overall growth in importance of property income (Table 2) is reflected in a greater contribution to gross income in the highest quintile but a constant contribution to gross income in the lowest quintile. This suggests that the growth in property income has been an important factor contributing to increased income inequality in both countries. The relative importance of wage and salary income in the top quintile also increased in both countries, but by far more in Australia.

It is tempting to conclude from this that Australia's incomes policy approach to wage determination under the Accord has had a less egalitarian impact than New Zealand's greater reliance on a market-orientated wages policy (albeit in a country with high trade union coverage and centralised wage negotiations). Certainly, there has been much concern in Australia that the Accord has exerted far less control over salaries than wages and this, combined with a tendency for employers to 'cash-out' fringe benefits in anticipation of the introduction of a tax on fringe benefits, may also have contributed to the growing importance of measured wages and salaries in the highest quintile. Unfortunately, however, because of the definitional changes referred to earlier, the data do not allow such firm conclusions to be drawn. When income from wages and salaries is aggregated with self-employment income, the relative importance of total labour income in both countries becomes much closer and changes over time virtually disappear.

4. SUMMARY AND CONCLUSIONS

This paper has focused on changes in income distribution in Australia and New Zealand between 1981-82 and 1985-86. The analysis utilised the framework and concepts developed as part of the LIS project, the key aspects of which were explained in Section 2. The period studied was one of broad similarity in the economic and political context of both countries. Both elected reformist Labo(u)r Governments in the early eighties who proceeded to implement a wide range of deregulatory initiatives and public sector reforms intended to improve international competitiveness. There were, however, significant differences in policy emphasis in each country, and in the speed with which reforms were introduced. It is particularly unfortunate that many of the major reforms to the income tax and income support systems of both countries took place after 1986 and are therefore not reflected in the data, nor in the results.

TABLE 4: CHANGES IN THE COMPOSITION OF GROSS INCOME IN THE LOWEST AND HIGHEST QUINTILES OF INDIVIDUALS, 1981-82 TO 1985-86^a

Income Source	Australia		New Zealand	
	1981-82	1985-86	1981-82	1985-86
A. Lowest Quintile				
Wages and salaries	2.2	1.8	2.4	2.7
Self employment income	0.4	0.2	0.2	-0.4
Property income	0.5	0.5	0.6	0.6
Occupational pensions	0.1	0.1	0.1	0.1
Government cash benefits	5.7	5.7	5.9	6.5
Gross Income^b	9.1	8.5	9.7	9.6
B. Highest Quintile				
Wages and salaries	23.9	27.2	24.5	24.9
Self employment income	7.2	3.7	6.2	6.1
Property income	2.3	4.2	2.0	3.6
Occupational pensions	0.2	0.3	0.2	0.2
Government cash benefits	0.4	0.3	0.8	0.9
Gross Income^b	34.3	36.0	34.3	36.3

- Notes:
- a) Quintiles are derived by ranking individuals according to the gross income of their income unit. The income shares are based on the income unit totals in each quintile.
 - b) Gross income also includes private transfers and other sources of income.

However, the results indicate that income inequality in both countries increased between 1981-82 and 1985-86, reflecting an increase in the income share of the top quintile, the increase in inequality being slightly greater in Australia. Although the data do not permit an accurate assessment of the relative importance of the factors contributing to the increase in inequality, it appears that the rise in property income has been a significant factor contributing to increased income inequality. Finally, it needs to be emphasised that the results cover a period prior to tax reforms in both countries which lowered marginal (and average) tax rates at higher income levels, suggesting that income inequality may have increased further in the period since 1986. A fuller account of the impact of these policies on income inequality must wait until data allow the analysis to be extended to include more recent years.

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TRENDS IN THE DISPOSABLE INCOMES OF AUSTRALIAN FAMILIES, 1982-83 TO 1989-90

Bruce Bradbury, Jennifer Doyle and Peter Whiteford

1. INTRODUCTION

In recent years there has been considerable debate about trends in living standards under the Hawke Government. This debate has occurred in both the political and the academic arenas, with claims that living standards for the average family have fallen substantially over the period since 1983 and that inequality has increased - that 'the rich are getting richer and the poor are getting poorer', or that poverty has increased since 1983 (Watts, 1989, p. 125). As evidence for these conclusions, reference is usually made to the real decline in the value of average weekly earnings and the increasing level of taxation at this level, together with the rise in the level of housing costs caused by high interest rates and increasing house prices. At the same time it is argued that income inequality has increased because the restraint in wages achieved under the Accord has not been matched by high income earners, who have also benefited from cuts in the top marginal tax rate.

In seeking to counter these claims, the Government has pointed to the very large increase in employment and the reduction in unemployment since 1983, and has also emphasised improvements in the 'social wage', particularly the introduction of Medicare and increases in social security payments directed towards low income families with children. It has also been noted that new taxes such as the Fringe Benefits Tax and Capital Gains Tax and the attack on tax avoidance and evasion have substantially contributed towards improving the real progressivity of the tax system as a whole. While aspects of these claims may be debated, it would still seem an open question whether income inequality has increased or decreased in the period of the Labor Government.

In addition, there are other indicators that suggest that real living standards for the average family have increased rather than fallen. For example, while real average weekly earnings (AWE) fell by around 2.9 per cent between 1982-83 and 1988-89, real household disposable income per capita (HDIPC) rose by around 8.4 per cent over the same period. These divergent trends are illustrated in Figure 1.

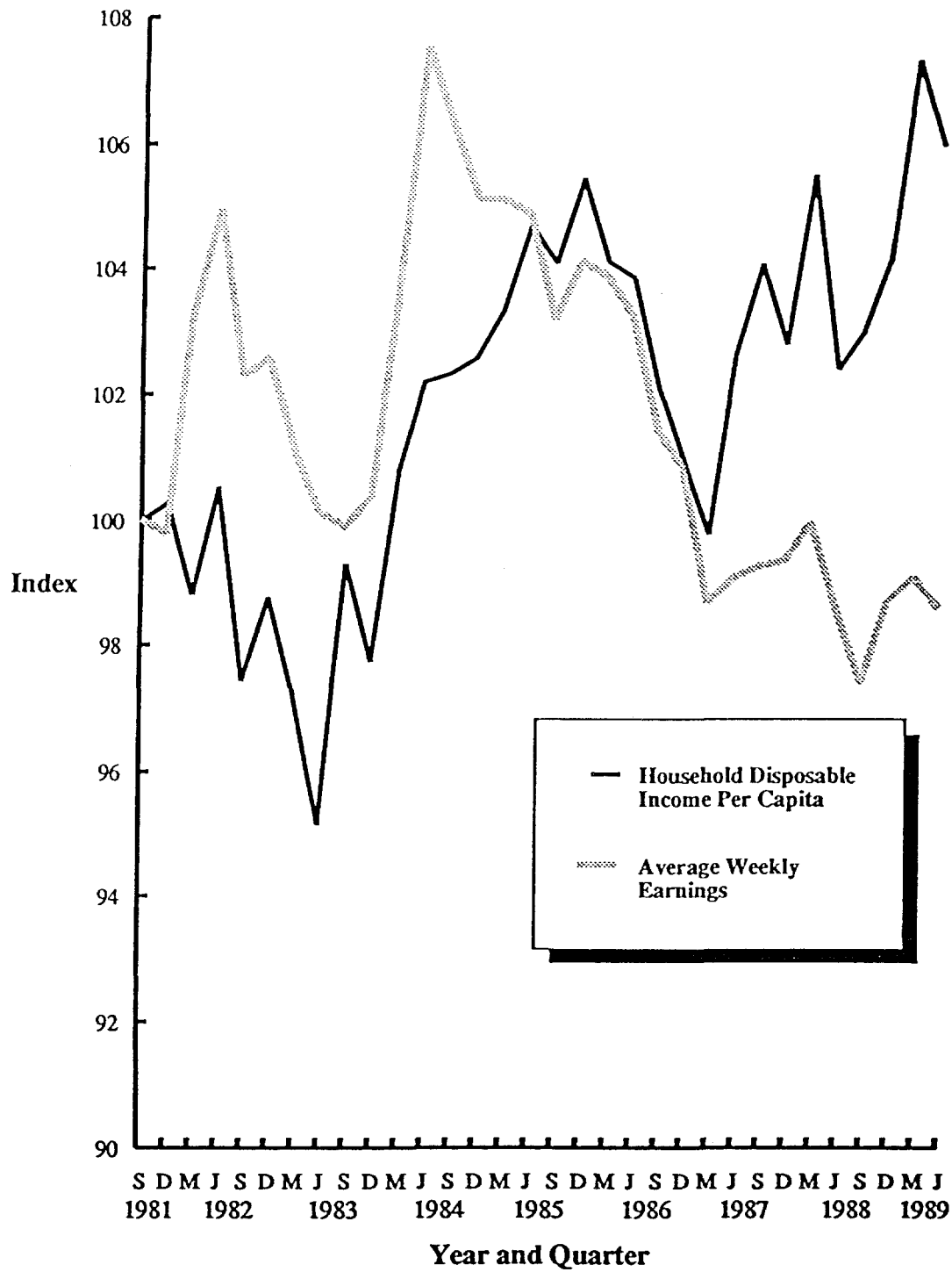
It can be seen that real AWE increased rapidly in the early 1980s, before falling in late 1982 and early 1983. Real AWE then rose very substantially to peak in the third quarter of 1984, whence it has fallen very substantially and fairly consistently. In contrast, real HDIPC fell in the early 1980s and has risen very substantially since its low point in mid-1983, despite a slump in 1986.

The fact that trends in two indicators of 'average' incomes can differ so markedly suggests that particular attention should be paid to the measures being used to describe trends in disposable incomes. Part of the explanation for the differences shown in Figure 1 is due to the increase in employment referred to earlier, while further factors include increases in asset incomes and in the real value of some social security payments over this period. None of these contributions to disposable income are captured by the average weekly earnings measure, but all are taken into account in the household disposable income per head measure.

Both household disposable income per head and average weekly earnings, however, are limited indicators, in that they show nothing of trends in the **distribution** of disposable incomes. Nevertheless, it is clearly an interesting and important question which of these or other indicators best captures what has actually happened to the level and distribution of disposable incomes since 1983. Debate on these issues goes on at a number of levels and reflects a variety of perspectives. Despite the varying ideological positions adopted and the sometimes bewildering array of statistics marshalled to support particular arguments, the issues of whether living standards for the average family have fallen and whether income inequality has increased are at least potentially subject to factual investigation.

The objective of this paper is to present some initial results from a new and more comprehensive study of trends in disposable incomes for different income and family groups for the period 1982-83 to 1989-90. Whilst by no means all of the issues mentioned above are covered, the study does cover a much broader scope than is usual in this type of analysis. In the next Section we describe some of this previous research and how the methodology used in this paper differs from earlier studies, concentrating on its advantages and limitations.

**Figure 1: Indices of Real Average Weekly Earnings and Household Disposable Income Per Capita
(September Quarter 1981 = 100)**



The concept of disposable incomes employed here encompasses the impact of changes in market incomes, government income transfers, and income taxes. No account is made of changes in the social wage (i.e. government services received by families), nor non-cash incomes (e.g. fringe benefits such as superannuation) - both areas of major policy change over the last seven years. Similarly no attempt has been made to assess the distributional impact of changes in taxes other than income tax.

The factors which are taken into account in the model used here include; demographic changes, changing employment rates, trends in market incomes, and changes in tax and income transfer policies. The separate trends for each of these factors are described in Section 3 of the paper. In Section 4, these different factors are analysed together to produce estimates of the trends in after tax incomes for different family types and income levels. Our key conclusions are summarised in Section 5.

2. PREVIOUS STUDIES AND METHODOLOGICAL ISSUES

There are two approaches usually taken to the measurement of trends in disposable incomes. The first of these is to take examples of different types of families at different set levels of income (such as proportions of average earnings or receiving particular government pensions or benefits) and estimate their tax liabilities net of relevant rebates and appropriate transfers such as family allowances. The disposable incomes thus calculated can be compared with movements in prices, and indexes of changes in real disposable income can be estimated. Examples of this approach include the studies of the tax-benefit position of the 'average production worker' (OECD, 1988), and in Australia, studies by Saunders (1982) and Moore and Whiteford (1986). It is also possible to supplement these studies by imputing for the illustrative families the value of the social wage benefits received in the form of public expenditure on health, housing or education (Norris, 1985).

This approach is a standard component of studies seeking to evaluate the impact of government taxation and transfer policies and is precisely the method used in political debates about falling living standards. But it has a number of important limitations. The most significant of these is that the approach can provide no more than an indicator of the likely nominal impact of government policies and cannot be used to judge actual distributional outcomes. This is because the approach only takes account of the specific tax and transfer policies modelled, within the context of a limited number of family types and income changes in line with average earnings. But a comprehensive analysis requires consideration of changes in employment and unemployment, as well as changes in the size and distribution of other income sources. Even more important, the examination of income trends for hypothetical families does not give a picture of the overall position of such families within the income distribution. Whilst informative in addressing the partial impacts of particular policies, each of the hypothetical cases chosen typically reflects only a small proportion of the population - with the likely changes for the rest of the population not directly addressed.

The alternative approach is to analyse actual income data as collected in surveys such as those carried out by the Australian Bureau of Statistics (ABS) since the late 1960s. The major attraction of this approach is that the data should incorporate the effects of many of the missing factors referred to above. Trends in labour force participation and in demographic composition, and differential movements in income from different sources will all be reflected in the responses given to the survey questions. In recent years, the ABS has made the results of these surveys available on unit record computer tapes, which contain a wide range of data on individuals, families and households on a unit basis (with certain details suppressed to maintain confidentiality). The availability of these unit record tapes has very significantly contributed to the analysis of Australian social policy. Studies that have used the unit record tapes include Bradbury, Rossiter and Vipond (1986), Johnson (1988), and Brownlee and King (1989), all of which have analysed changes in the proportion of population in poverty, and Saunders, Hobbes and Stott (1989) which compares the distribution of income in 1981-82 and in 1985-86.

Studies of this sort also have their limitations, however. As with any sample survey, the data are subject to sampling error and non-sampling errors of various sorts. Paradoxically, to the extent to which survey methodologies are improved over time, comparability will suffer. Like any source of official data, there are inevitable problems involved in the measurement of income, particularly for groups such as the self-employed, where it may be considered that the reported income data are not good guides to their true economic circumstances (though the data may be an accurate reflection of the income definition for taxation purposes).

The most important limitation of income survey data, however, relates to their timeliness. Surveys take time to collect, compile and release. This causes obvious problems for the evaluation of current policies. The two most recent ABS Income Distribution Surveys, for example, were carried out in 1982 and 1986 (with annual income data for 1981-82 and 1985-86 respectively) - that is, before the election of the Hawke Government and more than three years ago. The period immediately prior to the 1983 election saw a rapid increase in unemployment, with the unemployment rate rising from an average of 6.1 per cent for 1981-82 to 10.1 per cent in March 1983 (on a seasonally adjusted basis). Similarly, there have been very important changes since the most recent survey was carried out for 1985-86. Major policy changes include cuts to the top marginal income tax rate, which were not fully implemented until 1987-88 and further cuts, particularly to the lower tax rates, in 1989-90; and the Government's family package, introduced from December 1987, which very substantially increased assistance to low income families with children. There have also been major economic changes since 1985-86; total employment grew from 6.86 million for the 1985-86 year on average to 7.8 million in August 1989 and the unemployment rate fell from 7.9 per cent for the 1985-86 year to 5.9 per cent in August 1989.

These and other related developments suggest that changes to the level and distribution of income under the current Government cannot be assessed solely with the aid of existing income surveys. In addition, a simple comparison of income survey data does not allow for the disaggregate analysis of policy changes from broader economic trends, precisely because the effects of the changes are incorporated into the observed results. That is, in comparing these data sources at different times we cannot disentangle the effects of changes in the income tax system from changes in the social security system, from trends in unemployment or employment, or from movements in wages or asset incomes, unless we use a model which explicitly allows us to estimate the effects of these and other relevant factors.

The approach adopted in this paper is to build on the strengths of these alternative approaches, so as to arrive at estimates of trends in the real disposable incomes of families that cover the entire period of interest and also take account of the effects of such factors as increasing employment, changes in demographic composition, differential changes in income by source and the actual distribution of income between different groups and family types. The technique used in this paper is called micro-analytic simulation; it was first used on Australian data by King (1987). Our analysis starts from the most recent Income Distribution Survey carried out for the 1985-86 financial year and involves statistically 'ageing' the data - both forward to 1989-90 and back to 1982-83 - to simulate the distribution of income in these years. In brief, the 1985-86 Income Distribution Survey covered about one-sixth of one per cent of the population of Australia. Each person and family in the unit record file is given a 'weight', so that users of the file can produce population estimates from the sample numbers, i.e. the weights give the number of persons in the population represented by an individual in the survey, with the weights differing between individuals in accordance with the number of persons with those specific characteristics in the population as a whole. Our methodology involves taking the 1985-86 Income Distribution Survey unit record file and adjusting both these weights and the income variables to reflect changes in the composition of the population between the survey period and the periods used in the analysis.

The sample weights are first adjusted to reflect demographic changes on the basis of the age and sex distributions in the annual labour force series. The weights are then adjusted to ensure that the total level of employment in the year in the survey dataset corresponds to the employment levels in the years for which the estimates are simulated. Third, the value of the income variables in the data file are inflated or deflated to reflect trends in all the varying income components over the period. For example, an index of earnings for full-time and part-time workers of each sex was estimated on the basis of data from both the ABS Survey of Weekly Earnings of Employees (Distribution) and average weekly earnings figures, and this index was applied to the sample data. Both self-employment and asset incomes were inflated or deflated on the basis of measures from the National Accounts. Finally, models of the income tax and the social security systems are applied to calculate changes to disposable incomes.¹

The nature and limitation of this analysis should be noted. It should be emphasised that disposable income is not identical to living standards, which is usually defined as a broader concept covering such additional factors as the effects of indirect taxes, and government spending on housing, health and education. Nevertheless, disposable income is probably the most significant single component of overall living standards for most families.

1. A more detailed description of the methodology used is contained in Bradbury, Doyle and Whiteford (1990).

The method used here is essentially intermediate between the hypothetical families approach and the results that would be obtained from income surveys conducted in the two years. The analysis is much more complicated than is possible with hypothetical families, but is a long way short of simulating the results of income surveys. Our goal has been to attempt to model the more important components of income changes - but many influences have been omitted. In the discussion below we point to the main qualifications which this places upon our conclusions. In future work we will attempt to broaden the scope of the modelling further, but limitation to some finite set of changes is inevitable. Nonetheless we believe the analysis as it stands is a significant advance over that currently available and the conclusions are of some interest.

While the assumptions used in the analysis are all derived from other ABS data collections, and thus reflect actual social and economic trends, the level of detail used in the analysis may have important effects. For example, the employment status of female sole parents is adjusted in line with changes in the employment status of all non-married women in the same age group. A further example is the adjustment of asset incomes, which simply started from the observed distribution of asset incomes in the 1985-86 survey and inflated or deflated these in line with movements in aggregate asset incomes. Similarly no account has been made of any increasing wage inequality within the four earnings categories considered here (male and female, full-time and part-time).

In addition, any review of trends over time can be significantly affected by the starting point and the end point for analysis. In this case, the choice of 1982-83 will have a significant impact on employment trends since that year saw the worst recession in the post-war period. Nevertheless, using this as the starting point cannot be said to unduly favour the Labor Government, since the start of the recession preceded their election. Indeed, from this point of view the choice of 1982-83 may provide an overly negative interpretation of labour market trends under the present Government, as unemployment increased so rapidly in late 1982 and early 1983 that unemployment on an annual basis did not reach its peak until 1983-84, when it averaged 9.6 per cent, compared with an average of 9.0 per cent in 1982-83.

In other cases, the starting point may be even more debatable; for example, personal income tax rates were higher in 1982-83 than in 1983-84, as the income tax cuts given by the previous Coalition Government did not have their full-year effect until 1983-84. Similarly, the Family Income Supplement (FIS) scheme was also an initiative of the previous Government, although the Labor Government has since increased the rates considerably and liberalised the income test. On the other hand, the Government has foreshadowed a range of social security initiatives that will start in 1990, but will not be fully implemented until 1990-91.

A final and related factor is that all the trends identified in the analysis should not necessarily be thought of as being the result of government policies or initiatives. For example, there are differing views on the role of the Accord in wage restraint since 1983 (Lewis and Kirby, 1987; Moore, 1989). It might also be considered that the increasing labour force participation of married women over this period reflects longer term changes that have occurred in many similar societies. Some developments, such as changes to the income tax scales and in social security rates, clearly are the responsibility of governments, while other factors, such as demographic trends, are not or may only be subject to indirect influence. This paper does not seek to adopt a position on whether all the changes observed are the consequence of deliberate policies; the results are intended to be descriptive and readers can make their own inferences about causality.

3. TRENDS AFFECTING THE DISTRIBUTION OF REAL DISPOSABLE INCOMES

Demographic Changes

Table 1 provides details of the changing age and sex structure of the population aged 15 years and over between 1982-83 and 1989-90. Over this period, the adult population increased from 11.4 million to 13.1 million, with the proportion of women increasing slightly from 50.6 to 50.7 per cent.

The main features apparent in the Table include the slight fall in the proportion of the population under 25 years, and the increase in the population between 35 and 44 years and over 65 years. These developments are of interest since, other things being equal, it might be expected that the increase in the proportion of the prime age (35 to 44 years)

could be associated with somewhat higher average levels of income, while the increasing proportion aged over 65 years could be associated with a lower average level of income.

Employment Trends

The growth in employment since 1983 has been claimed by the Government to be 'a major achievement in advancing social justice and removing people and families from poverty' (Hawke and Howe, 1989, p. 1). Employment growth between 1982-83 and 1988-89 has been very substantial - the total number of persons employed increased from 6.30 to 7.53 million over this period, or by 19.4 per cent. Of these 1.23 million new jobs, 790 thousand (64.2 per cent) have been full-time, and 440 thousand (35.8 per cent) have been part-time.

Patterns for men and women differ. The total number of employed men has increased by 12.5 per cent, and of these jobs, nearly 84 per cent have been full-time. Female employment has increased over this period by 31.3 per cent. Just over half of these jobs (50.9 per cent) have been full-time. Overall, therefore, while part-time employment has grown much faster than full-time employment, nearly two-thirds of all the employment growth between 1982-83 and 1988-89 has been full-time.

In taking account of these trends, our analysis involves adjusting overall employment rates for the different demographic groups, and for women by marital status. Table 2 shows the differing employment rates in 1982-83 and 1989-90 for the relevant groups. Employment rates are the proportion of the total population in each age group who are in employment, either full-time or part-time. These increases in employment rates may appear more modest than the increases in total employment referred to above, but it should be remembered that trends in total employment are a combination of increasing employment rates **and** increases in the size of the population.²

For males, Table 2 shows fairly small increases in employment rates for those aged 15 to 19 years, 25 to 44 years and 60 to 64 years. The increase was more substantial for those aged 20 to 24 years, while other age groups have seen declines in employment rates over this period. For single females, there have been increases in employment rates for all age groups, except those aged 65 years and over - with the greatest increases in employment rates for those between 35 and 54 years of age. The most dramatic rates of employment increase, however, have been for married females for whom employment increased in all age groups, with the increase being around ten percentage points for all groups between 20 and 54 years of age.

As noted earlier, the rise of unemployment during 1982-83 means that, particularly for males, average employment levels were actually lower in 1983-84 than in 1982-83. If this year were taken as the starting point, greater increases in employment over the period would be apparent.³ In Section 4 of the paper we present some estimates using 1983-84 employment rates for comparison.

It is particularly important to note that the adjustments to employment in this analysis are derived from these trends in employment rates. That is, full-time and part-time employment are not separately adjusted, nor for those not in employment was any adjustment made to distinguish between those unemployed and those not in the labour force. The second of these factors is unlikely to have a significant impact on our results, since the incomes of those unemployed will not differ to a very great extent from that of those not in the labour force.

2. For example, the combination of the increase in the employment rate for men aged 35 to 44 from 90.3 per cent to 90.8 per cent, and the increase in the proportion of the adult population in this group from 8.9 to 9.7 per cent, and the increase in the adult population from 11.4 million to 13.1 million, by itself results in an increase in employment of 237 thousand jobs.

3. The male 1983-84 employment rates corresponding to the age categories in Table 2 were, 46.5, 75.8, 87.6, 89.7, 85.5, 73.6, 40.5 and 8.9 respectively.

**TABLE 1: AGE AND SEX DISTRIBUTION OF POPULATION AGED
15 YEARS AND OVER, 1982-83 AND 1989-90**
Distribution (Per Cent)

Age	1982-83		1989-90	
	Males	Females	Males	Females
15-19	5.7	5.4	5.5	5.3
20-24	5.8	5.7	5.2	5.1
25-34	10.6	10.7	10.6	10.6
35-44	8.9	8.5	9.7	9.5
45-54	6.9	6.5	6.7	6.4
55-59	3.3	3.3	2.9	2.8
60-64	2.7	2.9	2.8	2.9
65 and over	5.5	7.6	5.9	8.1
TOTAL	49.4	50.6	49.3	50.7
No. ('000)	11,437.3		13,127.8	

Source: ABS, The Labour Force Australia. Cat. No. 6203. Jan. 1983, 1989.
ABS, Projections of the Populations of Australia, States and Territories: 1987 to 2031.
Cat. No. 3222.0.

TABLE 2: EMPLOYMENT RATES (PER CENT), 1982-83 AND 1989-90

Age	1982-83			1989-90		
	M	F(S)	F(M)	M	F(S)	F(M)
15-19	49.8	46.2	36.6	50.8	49.2	39.8
20-24	77.7	73.1	49.0	81.3	75.4	59.4
25-34	88.3	68.6	45.1	89.0	69.7	55.4
35-44	90.3	59.0	54.1	90.8	65.0	65.4
45-54	86.1	51.0	45.3	85.4	58.1	55.1
55-59	74.4	32.5	25.3	69.8	33.6	30.7
60-64	44.3	13.5	10.2	45.5	15.6	14.4
65 and over	9.3	18.7	2.8	8.8	16.1	3.3

Notes: M: Males
F(S): Single females
F(M): Married females

Source: ABS, Labour Force Australia. Cat. No. 6203.0. Various issues.

The failure to distinguish growth in full-time employment from part-time employment is likely to be more important, given that part-time employment has been growing at a faster rate over this period. The proportion of males employed part-time has increased from 6.1 to 7.2 per cent, whilst the proportions of single and married females employed part-time has increased from 21.5 to 27.8 per cent and from 45.2 to 46.7 per cent respectively. The main bias that this is likely to introduce is to artificially increase the estimated incomes of single females - where 6.3 per cent of the employed workforce have 'switched' from full to part-time employment. However, some of this increase is accounted for by the age breakdown in Table 2, since the increase reflects, in part, changes in the age composition of the female workforce (which the model does encompass). Within the single female age groups of Table 2, all groups except 55 to 59 year olds have had part-time increases of less than 5 percentage points (the 55-59 group has increased by 8.5 per cent). Whilst we expect that this simplification will only have a small impact on the estimates of disposable income presented here, we hope to more directly address this issue in further developments of the model.

Trends in Income Components

Table 3 provides details of the trends in income components taken into account in our analysis. It can be seen that male full-time wage rates have fallen slightly in real terms over this period⁴, while part-time rates have fallen far more substantially. Female wage rates, in contrast, have increased slightly in real terms for both full and part-time workers. These wage rates are essentially weekly rather than hourly rates, and so it is not clear to what extent the changes in part-time rates in particular reflect either changes in working hours or changes in hourly rates. For the estimation of disposable incomes, this is irrelevant - though it would not be in a more general evaluation of the welfare increases accruing to different groups.

The trends for other income components differ markedly. It can be seen that the income from farm unincorporated enterprises has increased by over 700 per cent over the period since 1982-83. This reflects the fact that 1982-83 was an exceptionally bad year for farmers. The bracketed figure in the Table is the estimated real difference between the average of the 1981-82 and 1983-84 years and 1989-90. It can be seen that this shows a small real fall in farm incomes, rather than a massive increase. In our analysis we use the 1982-83 figures, given that this is the actual number relevant to our estimates (though we present some estimates which exclude farmers). It should not be thought, however, that farmers have fared exceptionally well since 1982-83, only that they fared exceptionally badly in that year.

It can also be seen that incomes from non-farm unincorporated enterprises, and from interest and dividends have increased substantially in real terms over this period, in contrast with the trends in wage rates. This is consistent with the rise in real interest rates over the period, and the increase in the share of the national income going to capital rather than labour.

The average changes in Table 3 were used to adjust the incomes of the recipients in the survey. It should be noted, however, that in some cases this will lead to an understatement of inequality in the distribution of incomes, and in some other cases, to an overstatement. This is because wages have actually moved at different rates at different points in the earnings distribution. For example, between August 1983 and August 1988, real wages for full-time married male workers actually fell by 4.7 per cent at the first decile of the earnings distribution, but rose by 0.9 per cent at the median and by 1.4 per cent at the ninth decile. In contrast, real wages for married female full-time workers fell by about the same amount (0.4 per cent) at all levels of their earnings distribution, while real wages for married part-time female workers rose by much more at the bottom of the earnings distribution (20.5 per cent), than at the median (5.4 per cent) or at the ninth decile (2.6 per cent). These differences have not been incorporated into our analysis to date.⁵

4. The estimated decline of 1.9 per cent in full-time male wage rates differs from the estimated decline of 2.9 per cent in average weekly earnings because the two series are not precisely comparable in methodology or scope. See the explanatory notes to ABS, *Weekly Earnings of Employees (Distribution) Australia*, Cat. No. 6310.0 for further details.

5. Source: ABS, *Weekly Earnings of Employees (Distribution) Australia*, Cat. No. 6310.0. Linear interpolation was used to calculate these percentile incomes.

**TABLE 3: REAL CHANGES (PER CENT) IN INCOME COMPONENTS,
1982-83 TO 1989-90**

Income component	Real change (%)
Wage rates-	
Male, full-time	-1.9
Male, part-time	-22.1
Female, full-time	+2.1
Female, part-time	+1.7
Farm, unincorporated enterprise	+765.8 (-4.0)
Non-farm, unincorporated enterprise	+19.6
Interest	+26.2
Dividends	+21.5

Source: See Bradbury, Doyle and Whiteford (1990).

Changes to the Social Security System

Table 4 provides details of the changes in the real value of selected social security and related transfers over the period since 1982-83. The table provides two estimates of changes in real value, one derived using the standard consumer price index (CPI), and the other using the CPI net of health and medical costs. The introduction of Medicare in 1984 caused a fall in the CPI, but since the vast majority of social security recipients were already protected by Pensioner Health Benefit Cards or similar provisions, this second measure may be considered to provide a more appropriate indicator of the changing real value of payments for social security recipients. The final results presented in this paper use the CPI for estimating changes in real disposable incomes for those outside the social security system, but apply the CPI net of health and medical costs to pensioner and beneficiary units.

A further factor that should be borne in mind when considering these results is the effect of 'indexation lag'. Most basic rates of pensions and benefits are increased twice a year in line with movements in the CPI; at the beginning of the Government's period of office indexation occurred each May and November in line with the movement in the CPI in the six-month period to the previous December and June, respectively. For example, the indexation increase in May 1983 adjusted for the increase in the CPI between July and December 1982. In periods when the rate of inflation is falling, this implies that the increase in pensions will be in line with the rate of inflation in a period 11 to 5 months previously, and will be higher than the actual rate of inflation in the same financial year. This will give the result that the pension will tend to rise faster than the concurrent rate of inflation, even though it is only increased in line with the CPI. While there is an artificial element to this effect, it should be noted that there is also a lag between price increases and wage increases, and that pensions are subject to automatic indexation, while real wages have fallen.

This indexation lag effect will be exacerbated when trends in the real value of the pension are compared on a point to point basis, rather than year to year. For example, it has been claimed that 'pensions for the aged and the disadvantaged have been increased by 8.4 per cent in real terms' since the Government came to office (Social Justice Statement, 1988, p. 2). As can be seen from Table 4, our estimate is that the real value of the pension increased by 5.8 per cent over this period (or 3.9 per cent if the Medicare effect is taken into account). The difference between 8.4 and 5.8 per cent is the result of taking movements on a financial year basis, rather than from March 1983.

The real increase that has occurred for pensioners reflects a number of factors in addition to the indexation lag effect, including a modest increase announced at the time of the introduction of Medicare, the \$2 per week increase to be introduced in April 1990, and the effects of bringing forward the indexation increases from December to November 1989 and June to April 1990. This bringing forward of indexation increases leads to a higher real pension, since higher rates apply over a longer period in any year; correspondingly, the indexation delay in 1986 was equivalent to a real cut in the pension in the period for which it applied.

Trends in other social security payment rates are more diverse, with the changes in real value of single unemployment and sickness benefits depending upon the age of the recipient. It should be noted that rates of single sickness benefit are now aligned with the corresponding rates of unemployment benefit, which explains the substantial real drop in sickness benefit for 18 to 20 year olds especially, and the smaller decline in the rate for single adults. The corresponding rates for the unemployed, in contrast, have fallen more modestly or have been increased substantially, since in 1982-83 they were much lower than the rates for sickness beneficiaries. Rates of both payment categories for 16 and 17 year olds have fallen by more than 11 per cent. The other factor that should be noted in this context is the increased real level of secondary and tertiary assistance scheme payments (now AUSTUDY). These real increases in education payments and the real falls in payments for the sick and unemployed were part of the process of aligning youth payments on the basis of age rather than activity.

The other notable feature of Table 4 is the very large real increase in rates of child-related payments, with additional pension/benefit for children and the family allowance supplement increasing by between 44 and 108 per cent in real terms, rent assistance for those with children increasing by 50 per cent in real terms, and family allowances for the first child increasing by around 16 per cent (although for families with two or more children, the real value of family allowances has fallen). The mothers/guardians allowance paid to sole parents shows two trends, with the level of payments for those with children under six years falling and that for sole parents with older children rising. This reflects the effective abolition of the higher rate for young children in 1984.

**TABLE 4: REAL CHANGES (PER CENT) IN SOCIAL SECURITY AND
RELATED PAYMENTS, 1982-83 TO 1989-90**

Type of Payment	CPI	Real change	CPI(ex.HM) ¹
Married rate of pension and benefit	+5.8		+3.9
Standard rate of pension	+5.8		+3.9
Single unemployment benefit			
16-17 years	-11.9		-13.5
18-20 years	-1.5		-3.2
adult	+20.5		+18.4
Single sickness benefit			
16-17 years	-12.0		-13.5
18-20 years	-19.5		-20.9
adult	-1.5		-3.2
Additional pension/benefit for children			
Less than 13 years	+47.3		+44.7
13-15 years	+112.4		+108.6
Mothers/guardians allowance	+24.6		+22.4
one child under 6 years	-6.5		-8.2
Rent assistance			
no children	+18.7		+16.6
with children ²	+51.5, +53.4		+48.8, +50.7
Family allowances			
one child	+17.9		+15.8
two children	-1.0		-2.7
Secondary assistance scheme	+81.0		+77.8
Tertiary education assistance	+17.1		+15.1

- Notes:
- 1) CPI (ex.HM) is the CPI net of health and medical costs.
 - 2) The range given reflects the further increases in rates of rent assistance for those with three or more children. The change for those without children applies to pensioners only, as unemployment beneficiaries did not receive rent assistance in 1982-83.

These increases for low income families with children reflect the priority given to targeting increased assistance to these groups since 1983. Assisting families with children was given even greater emphasis following the Prime Minister's election pledge in 1987, that 'by 1990 no Australian child will be living in poverty' (Australian Labor Party, 1987, p. 5), and the subsequent introduction of the 'family package'.

A final point to note is that adjusting the incomes of social security recipients over the period 1982-83 to 1989-90 has involved increasing rates of payment in line with Table 4 and increasing other income in line with the appropriate trends in Table 3, but not modelling the effects of changes to the income tests. In this context, it should be noted that the real value of the free area for pensions has fallen over this period, while the real value of the benefit free area has increased. In general, this would imply an over-estimate of the total incomes of part-rate pensioners, although this factor would be mitigated somewhat by the effects of income tax.

Personal Income Tax Changes

Personal income tax rate arrangements have been subject to nearly constant change over the past decade.⁶ The current Government introduced changes to the rate scale in the 1984-85 Budget, following the September 1985 Statement on Tax Reform, and in the April 1989 Economic Statement. The main feature of these cumulative changes have been to provide for a nominal increase in the tax threshold, a substantial cut in the first positive rate from 30 to 21 cents in the dollar over a wide range of income, and a smaller cut to 29 cents over a narrower range, a cut in the next rate from 46 to 39 cents up to \$35,000 p.a., an increase from 46 to 47 cents over a very narrow range above \$35,000, and a large cut from 60 to 47 cents above that (not to be fully implemented until 1990-91).

In considering the tax rates facing family units of differing composition, however, it is also necessary to take account of appropriate rebates, such as the dependent spouse and sole parent rebates, and transfers such as family allowance and the family allowance supplement, which go to those outside the social security system. Despite recent nominal increases, the family rebates have fallen substantially in real terms since 1982-83. As shown in Table 4, however, the real value of family allowances for the first child and family allowance supplement have been increased in real terms.

Clearly, it is trends in the real value of tax thresholds and rebates that are relevant when considering changes in tax liabilities over time. Table 5 shows the income tax rate scales in 1982-83 and 1989-90, expressed in 1989-90 dollars, as well as the effective tax thresholds produced for different types of families by the dependent rebates. Part A of Table 5 shows that taxes have increased and fallen over differing income ranges, with taxes rising at very low income levels because of the fall in the real value of the threshold, and then falling because of the cut in the first rate, and so on. These effects offset each other at different income levels, so that as a consequence single tax-payers with incomes less than \$12,024 per year in 1989-90 pay higher taxes than they would under the real 1982-83 scale; single tax-payers with incomes between \$12,024 and \$27,723 pay less tax; those with incomes between \$27,723 and \$34,968 pay more tax; those with incomes between \$34,968 and \$35,226 pay less tax; and single tax-payers with incomes between \$35,226 and \$61,045 pay more tax, while those with incomes over \$61,045 pay less tax than they would if the 1982-83 scale had been maintained and indexed to inflation.

These results are of particular interest since they indicate that the benefits of the cut in the top marginal rate do not actually arise until much higher real income levels than is often supposed. In fact, tax-payers with incomes between \$35,000 and \$58,412 are effectively facing a higher marginal tax rate than they would if the 1982-83 tax scales had been indexed. This is simply an illustration of 'fiscal drag' in operation.

Part B of Table 5 shows the effective tax thresholds produced by the various personal and dependent rebates. It can be seen that effective thresholds have fallen for sole parents and for those with dependent spouses. This will produce different 'break-even' points than those described above, although the general effects will be similar. It should be noted that the effective tax threshold for single pensioners has increased slightly in real terms because of increases in

6. For a more detailed description of personal income tax changes under the Labor Government, see Whiteford and Doyle (1989a).

TABLE 5: PERSONAL INCOME TAX ARRANGEMENTS - 1982-83 AND 1989-90

A. Rate Scales			
Income Range (1989-90 \$ per year)	Marginal Rate (cents per dollar)		Change in tax liability over income range (\$ per year)
	1982-83	1989-90	
0 - 5,100	0	0	-
5,100 - 7,283	0	21.0	+458.43
7,283 - 17,650	30.67	21.0	-1,002.49
17,650 - 20,600	30.67	29.0	-49.27
20,600 - 29,206	30.67	39.0	+716.88
29,206 - 31,828	35.33	39.0	+96.23
31,828 - 35,000	46.0	39.0	-222.04
35,000 - 50,000	46.0	47.0	+150.00
50,000 - 58,412	46.0	48.0	+168.24
58,412 and over	60.0	48.0	-12 cents for each \$1.00 over \$58,412
B. Tax Thresholds			
Type of Taxpayer	Effective Tax Threshold		% Change
	1982-83	1989-90	
Single --	7,283	5,100	-30.0
Sole Parent	11,078	9,577	-13.5
Single Income couple			
--without children	11,700	9,862	-15.7
--with children	12,408	10,815	-12.8
Pensioner			
--single	8,172	8,196	+0.3
--married couple ¹	8,172	7,576	-7.3
Beneficiary			
--single	7,283	6,671	-8.4
--married			
--without children	11,700	12,003	+2.6
--with children ²	12,408	12,003	-3.3

- Notes:
- 1) The difference between the effective thresholds for single and married pensioners in 1989-90 reflects the decision to increase the rebates to cover the basic pension plus the pensioner free area, which is less for each of a married couple than for a single pensioner.
 - 2) It should be noted that in 1982-83, additional benefit for children was taxable. Additional benefit was made non-taxable from March 1984.

the relevant pensioner rebate. The threshold for pensioner couples has fallen in real terms, although it will rise in 1990-91 as it is increased to cover the pension free area. The beneficiary rebates were introduced by the current Government, and while effective thresholds for single beneficiaries and couples with children have fallen in real terms, the rebates are sufficient to insure that those beneficiaries without private income do not actually pay tax on their benefits. In fact, the results should be interpreted with care, since beneficiary couples with children have also had their additional benefit payments for children exempted from tax since March 1984. This has meant that even while their effective tax threshold has fallen in real terms over this period, they are better off since those with no private income would have actually paid tax on their basic benefit payments in 1982-83 but do not in 1989-90 because of the combined effects of the rebates and the tax-exemption of additional child payments.

Table 6 shows the results of these divergent trends for different types of tax-payers at different levels of income (expressed in constant 1989-90 dollars). The results are expressed as percentage changes in real disposable incomes, which are calculated as total taxable income, minus income tax net of relevant rebates, plus family transfers.⁷ The results for single people are of interest, since they show the effects of the rate scale changes alone. It can be seen that at very low income levels, there have been falls in real disposable incomes, because the fall in the real value of the tax threshold has more than offset the effects of the cut in the first rate. (As noted above, these results do not apply to social security recipients with no private income, who have been fully protected from these effects by the operation of the special pensioner and beneficiary rebates.) There have been real tax cuts and increases in real disposable incomes, therefore, over a range of income up to nearly \$28,000 per year. Above this level, there have generally been falls in real disposable incomes, because of the effects of the falling real value of the threshold for the 46 cent (now 39 cent) rate. This effect has been increased by the falling real value of the threshold for the top rate, so that the effects of the cut in the top rate are not realised until quite high income levels, whence they start to deliver very large tax cuts.

This basic set of effects applies also to single income couples and to sole parents, but is modified at low income levels by the increased value of family allowance supplement, and at higher levels by the falling real value of the relevant rebates and family allowances for two or more children. In the example in Table 6, it can be seen that there are very large real increases in disposable incomes for low income families with children, followed by falls in disposable incomes for a very wide range of income, before the effects of the cut in the top marginal rate begin to dominate. Even so, at very high incomes, single income couples with children have not done as well as single people, because of the fall in the value of the dependent spouse rebate and the effects of the income test imposed on family allowances.

The situation for two income couples is more complex, and depends upon the precise ratios in which incomes are earned (in this example, it is assumed that earnings are in the ratio 60:40, i.e. at \$10,000, one earns \$6,000 and the other \$4,000, and so on). Thus, at low income levels, the fall in the real value of the tax threshold has a greater effect than the cut in the first rate, and because this influences the tax liabilities of both earners, the effect covers a wider range of income than it does for single persons. These sorts of interactions mean that increases in real disposable incomes for two income couples are concentrated on those with individual incomes in the \$12,000 to \$28,000 range, and joint incomes between \$24,000 and \$56,000. At joint incomes of \$100,000, for example, there are tax increases, because one partner earns \$60,000 and the other \$40,000, and since they are taxed as individuals, they each suffer the sorts of losses that apply to single persons at these income levels. Once again, for two income families with children, the results at low income levels are dominated by the effects of the family allowance supplement, while at higher income levels, the results reflect the fall in the real value of family allowances and its income-testing.

The results in this Table are of particular interest since these are exactly the sort of calculations used in static analyses of trends in real disposable income. Once again, it should be emphasised that these results implicitly assume that persons pay tax in line with their nominal liabilities and receive transfers according to their entitlements. To the extent that tax avoidance and evasion have been reduced since 1982-83, equity will have been enhanced in a way not shown by this Table. The issue of take-up of transfers is also important, since the results in Table 6 are so significantly affected by the increased real value of FAS payments. Analysis of the 1985-86 Income Survey suggests that apparent take-up of the then FIS program may have been very low (Whiteford and Doyle, 1989b). In the results given in the

7. The analysis in this section does not take account of the Medicare levy, although the overall results discussed in Section 4 do incorporate its effects.

**TABLE 6: EFFECTS OF CHANGES TO THE TAX-TRANSFER SYSTEM;
CHANGE (PER CENT) IN REAL DISPOSABLE INCOMES FOR DIFFERENT
FAMILY TYPES, 1982-83 TO 1989-90**

Taxable Income ¹ (\$p.a.)	Change in real disposable income (%)			
	Single person	One income ² couple, two children	Two income ³ couple no children	two children
10,000	-2.1	+19.8	-1.2	+19.8
15,000	+2.3	+13.8	-3.3	+9.8
20,000	+3.6	+10.9	-2.1	+7.4
25,000	+1.2	-0.7	+0.4	+0.4
30,000	-0.7	-2.1	+2.2	+2.1
35,000	-0.01	-1.3	+2.6	+2.5
50,000	-0.4	-1.4	+1.1	+1.1
70,000	+2.5	-0.6	-0.2	-2.0
100,000	+8.5	+5.8	-0.3	-1.6

- Notes:
- 1) Expressed in constant 1989-90 dollars.
 - 2) Dependent spouse assumed to have no taxable income.
 - 3) Income is assumed to be earned in the ratio 60:40.

next section, we have avoided this problem by constraining total FAS expenditure to be equal to the Department of Social Security's own forecasts. In the context of determining trends in disposable incomes arising from the actual effects of policy initiatives, this clearly is the correct approach to adopt.

In moving from this sort of analysis to estimates of trends in disposable incomes based on income distribution data, the results will be affected by the actual distribution of income units of varying types in different income ranges. For example, analysis of the 1985-86 Income Survey suggests that only about 10 per cent of all families had taxable incomes in that year currently equivalent to \$50,000 p.a. or more. Nearly 90 per cent of this group, however, were two income families, who as can be seen from Table 6 had either only modest real increases in disposable incomes or experienced small real tax increases. This means that while some **individuals** in the higher income groups will have benefited very greatly from the cut in the top tax rate, higher income **groups** as a whole will have benefited much less.

4. THE DISTRIBUTIONAL IMPACT OF CHANGES IN INCOMES AND TAXES

Whilst the previous sections describe many of the most important influences upon family incomes over the past seven years, it not easy to gain an understanding of the overall impact of these changes on family living standards. The complexity of the determinants of disposable incomes is the main justification for the development of micro-analytic models of family income. In this section, the estimated overall impact of the income and taxation changes described above on different family types at different incomes levels is described.

Our basic estimates of the distribution of net disposable incomes are presented in Table 7. This shows the percentile distribution of real family income levels in both 1982-83 and 1989-90, across all families, and within families of different types. All estimates have been converted to 1989-90 dollars using either the standard CPI or the CPI excluding hospital and medical expenses (the latter for pensioner/beneficiary families).⁸ The number 4.0 in the top left cell of the Table, for example, indicates that, in 1982-83, 10 per cent of single persons aged less than 25 had incomes less than or equal to \$4,000 (in 1989-90 dollar equivalents). As might be expected, median incomes vary greatly across the different family types, with the median incomes of non-aged couples significantly above that of other groups.

Changes over time are emphasised in Table 8, which compares percentage changes in real disposable incomes for different types of family units at different points in the income distribution. These numbers are derived directly from those of Table 8, as the difference in income levels in the two years at each percentile, divided by the income level in 1982-83. The results differ markedly between different groups and within groups at different income levels.

Overall, the median income of all families is estimated to have risen by 6.5 per cent in real terms over the period 1982-83 to 1989-90. These estimates can be compared with the increase in real HDIPC shown in Figure 1, which indicates an increase in average disposable incomes of around 8.4 per cent over the period.⁹ In proportionate terms, and using the average weights, the median income of sole parents rose by the highest amount (11.5 per cent), followed by non-aged couples without dependents (9.6 per cent), aged couples (4.4 per cent), single persons over 65 years (3.8 per cent), and then by single persons between 25 and 64 years (2.6 per cent). The median income of young single people increased by only 1 per cent in real terms over this period, while couples with dependents experienced an increase of 2.1 per cent in real median income.

8. A weighted index of the two indices were used for families receiving pension or benefit for only part of the year.

9. This difference arises from a number of factors, e.g. the analysis in this paper does not include the impact of increasing coverage of superannuation.

**TABLE 7: REAL DISPOSABLE INCOMES, 1982-83 AND 1989-90
(1989-90 \$000 PER YEAR)**

Family type	Percentiles					
	10	25	50	75	90	99
Single person						
- Less than 25						
1982-83	4.0	7.7	12.3	16.6	20.1	30.4
1989-90	4.1	7.7	12.5	16.9	20.3	32.6
- 25 to 64						
1982-83	6.1	7.9	17.3	23.9	29.7	51.8
1989-90	6.5	8.3	17.7	23.4	28.7	54.7
- 65 and over						
1982-83	6.5	6.9	7.4	9.2	13.6	29.4
1989-90	6.8	7.1	7.7	9.6	14.1	34.2
Couple, without children						
- Head less than 65						
1982-83	11.5	17.6	28.1	39.4	50.3	86.1
1989-90	12.5	19.6	30.8	41.3	51.8	97.1
- Head 65 and over						
1982-83	11.5	11.6	13.4	17.5	28.2	64.8
1989-90	11.6	12.1	14.0	18.2	30.2	68.1
Couple, with children						
1982-83	14.7	22.7	30.5	38.6	48.3	90.7
1989-90	17.6	23.9	31.2	40.0	50.0	98.5
Sole parent						
1982-83	6.0	8.2	10.9	17.7	27.4	41.1
1989-90	6.9	9.3	12.1	20.0	26.7	39.0
All families						
1982-83	6.7	10.3	18.0	29.5	40.7	67.5
1989-90	7.1	11.1	19.1	30.6	42.4	76.6

**TABLE 8: PERCENTAGE CHANGE IN REAL DISPOSABLE INCOMES BY
PERCENTILES WITHIN EACH FAMILY TYPE 1982-83 TO 1989-90**

Family type	Percentiles						Number in 1989-90 (million)
	10	25	50	75	90	99	
Single person							
Less than 25	2.5	-0.5	1.0	1.8	0.5	7.2	1.27
25 to 64	7.6	5.6	2.6	-2.1	-3.2	5.6	1.41
65 and over	3.9	4.1	3.8	4.1	3.7	16.1	.75
Couple, without children							
Head less than 65	8.0	11.3	9.6	4.9	2.9	12.8	1.26
Head 65 and over	3.9	4.1	4.4	4.5	7.1	5.1	.59
Couple, with children	19.1	5.5	2.1	3.7	3.4	8.6	2.02
Sole parent	15.0	13.0	11.5	13.3	-2.6	-5.0	.27
<i>All families</i>	<i>5.9</i>	<i>6.9</i>	<i>6.5</i>	<i>3.6</i>	<i>4.2</i>	<i>13.4</i>	<i>7.57</i>

It should be remembered that all the changes in Table 8 are in relative terms. For example, despite having the largest percentage increase in median incomes, in both years over 90 per cent of sole parent families had incomes below the median income of couples with children (Table 7).

Turning to the situation of very low income groups, it is apparent that sole parents and couples with children at the first decile within each group have fared particularly well. This is primarily the result of the real increases in social security payments and the introduction of the FAS scheme. The increase of 7.6 per cent in the real incomes of the 10th percentile of single adults aged 25 to 64 represents both the increase in employment and the real increase in the adult unemployment benefit rate. At the twenty-fifth percentile, sole parents continue to fare relatively well, while young people have experienced the lowest real increases in disposable incomes. The turn-around for couples with dependents - from large real gains at the first decile to much more modest gains - reflects the very tight targeting of the FAS scheme and the fact that couples with dependents, on average, have much higher incomes than the other groups.

Turning to the high income groups within each family type, it can be seen that at the ninth decile for each group, it is the aged who have had the largest increases in real disposable incomes. This is a reflection of the substantial real increases in asset incomes (including farm incomes) referred to earlier. It is only the increase in married women's employment that has prevented other groups at the ninth decile experiencing either very low real increases in disposable incomes or losses. For the top one per cent of each group, however, the situation is somewhat different, with all family types except sole parents having enjoyed substantial real increases in disposable incomes (the estimates for this top group should be considered only approximate given the sample size).

In examining these estimates it is important to bear in mind some of the limitations of the model. Incomes from pensions and benefits, for example, have been adjusted in line with movements in the base rates. No adjustments have been made to reflect the changing coverage of pensions and benefits over the period (though this has been done for family allowances and for FIS/FAS). The main results which this is likely to affect are those for young single persons and the aged. The many changes in eligibility requirements for youth unemployment benefits and educational allowances have not been modelled, and these may affect the results for the former group in unpredictable ways. The main change for the aged was the introduction in 1985 of the pension assets test. This was largely responsible for the reduction in the coverage of the age pension from 74 to 66 per cent between 1982-83 and 1985-86 (Saunders, 1987). This means that the 1982-83 income estimates for the aged in Table 7 are under-estimates, as some aged who are not receiving pension because of the assets test would have been able to in 1982-83. Correspondingly, the estimates for the income increases for the middle range of percentile groups for the aged are probably over-estimates. (Those at the bottom end of the distribution follow the change in the base rate of pension, whilst those at the 90th and 99th percentiles would be excluded from the pension because of the income test.)

As noted earlier, we have not been able as yet to incorporate information of changes in earnings distributions into this analysis. The data discussed in Section 3 suggest that earnings inequality for groups such as married males has increased over the period whilst for married female part-time workers inequality decreased. The impact of these changes on the overall distribution are difficult to estimate precisely, but most likely would imply a less progressive pattern of income changes for non-aged married couples. To address this issue fully, however, it would be necessary to take account of any possible reductions in non-monetary income as a result of the fringe benefits tax. If the increases in wage rates for higher income earners represented a 'cashing-out' of fringe benefits previously received, then assessment of the distributional effect would be more complex.

Keeping in mind these qualifications some broad trends are apparent. Across the family types, couples with children and single persons less than 25 seem to have done worst, and sole parents the best. Within family types, varying patterns can be seen. Among sole parents, gains generally decline with increasing income, suggesting that income inequality among sole parents has declined, and conversely, that the gap between the high income sole-parents and middle income couples has increased. This is a reflection of the targeted nature of the Government's increased income support for sole parents, combined with such factors as the reduction in the real value of the sole parent rebate.¹⁰ Couples with children have also experienced significant real income gains at the bottom end, but only small

10. Maintenance income has been assumed to increase with general inflation. Over the next few years, the introduction of the child support scheme may lead to some income increases for middle and high income sole parents - though the impact of this scheme in 1989-90 is probably only minor.

increases at the median. The increases for the aged, however, have been more uniform, with real pension increases at the bottom end being complemented by increases in asset incomes at the upper end of the distribution.

Looking at the overall pattern, and if the 99th percentile results are excluded, the general picture given by these results is one of either stable or decreasing inequality. However, incomes have increased significantly at the very top end of the income distribution for some groups, and so this conclusion must be qualified. It is probably worth repeating that this increase at higher incomes **does not** represent differential wage increases of higher income groups - as the model used here assumes uniform rates of wage increases. Part of the source of these increased incomes can be assessed by excluding income units where either the head or the spouse was employed in agriculture in their main job during 1985-86. As was noted earlier, farm incomes were particularly low in 1982-83, and so the income trends of farmers are very different from those of the rest of the population.

The removal of farm income does indeed have a dramatic effect. Table 9 shows that the overall median income increase is halved, and the large income gains at the 99th percentile significantly reduced. With farmers removed, the only groups where the 99th percentile do significantly better than the 90th percentile, are single persons aged 25-64 and the two categories of non-aged couples. Additional analysis shows that when all self-employed are removed, the income gains at the top end are also removed - suggesting that the increase in incomes for the high income groups in Table 9 is a combination of increasing incomes for farmers, combined with higher incomes for the self-employed generally. This is consistent with the pattern shown in Table 3 for capital income trends. Clearly, increases in self-employment (and capital) incomes over the period have been major contributing factors towards increased incomes - and inequality of incomes. With farmers removed, many more of the categories show negative income trends over the last seven years, with real falls in the incomes of couples with dependents, for example, only just averted by the increase in married women's labour force participation.

Finally, additional information on the impact of the changes in employment rates on incomes provides a slightly more sanguine perspective on the economy's performance over the life of the present Government. As was noted earlier, whilst unemployment was near its peak in March 1983, in terms of financial year average employment rates, 1983-84 was significantly worse than 1982-83, particularly for male employment. It may thus make more sense to use this low point as the reference mark for evaluating recent trends. Estimates based on 1983-84 employment rates suggest that the overall increase in median disposable income would be slightly higher, with the main group to gain being low income single persons.

5. SUMMARY AND CONCLUSIONS

This paper has presented the results of a new analysis of trends in the disposable incomes of Australian families in the period 1982-83 to 1989-90. These results should be thought of as only a first step in the understanding of such trends, and we have tried to make clear the many limitations of the methodology used and the assumptions required for the modelling of trends in the disposable incomes of families. In future development of this model, attention will be paid to improving the realism of the assumptions, particularly about trends in full-time employment relative to part-time employment, and in movements in earnings at different levels of the earnings distribution. Additional research is also required into better methods for integrating information on changes in the employment status of persons into the analysis of family income trends.

Despite these limitations, this analysis is both more comprehensive and more systematic than previous research on recent trends in the distribution of disposable incomes. As such, the conclusions should be of interest to those seeking to understand the impacts of economic changes and policy responses on living standards.

Our conclusions on the trends in the after-tax incomes of families can be summarised as follows. When we take full account of the family income increases due to increasing married women's employment, the overall real increase in median family incomes is estimated at around 6.5 per cent between 1982-83 and 1989-90 (Table 8). Excluding farming families, this increase is reduced to only 3.3 per cent. When using 1983-84 employment rates as the benchmark, these estimates of income growth increase by somewhat under one percentage point.

**TABLE 9: PERCENTAGE CHANGE IN REAL DISPOSABLE INCOMES BY PERCENTILES WITHIN
EACH FAMILY TYPE 1982-83 TO 1989-90
(Farm-employed families excluded)**

Family type	Percentiles					
	10	25	50	75	90	99
Single person						
Less than 25	2.4	-0.6	0.5	1.1	-0.3	-3.9
25 to 64	4.1	4.0	2.3	-2.9	-3.7	3.0
65 and over	3.7	3.9	3.7	3.3	1.4	1.5
Couple, without children						
Head less than 65	7.5	5.4	6.5	3.3	0.9	9.6
Head 65 and over	3.9	3.9	4.3	2.5	0.2	0.6
Couple, with children	12.0	2.6	0.8	2.0	1.9	4.0
Sole parent	15.3	13.6	12.8	13.3	-2.6	-1.7
<i>All families</i>	<i>4.7</i>	<i>3.8</i>	<i>3.3</i>	<i>1.4</i>	<i>1.8</i>	<i>4.0</i>

Different family types, however, have experienced quite divergent trends. The results which probably have most policy relevance are those calculated for non-farming families, as 1982-83 was an unusually bad year for farmers. Among non-farming families, the greatest increase has been for sole parents, whose median income has risen by 12.8 per cent - though their income levels still remain very much below that of other families with dependents. Couples without dependents have also experienced significant median real income gains of 6.5 per cent and 4.3 per cent for those with heads aged under and over 65 respectively. The single aged have had median income increases of around 3.7 per cent. The family types with the smallest income growth have been single young people and couples with children, whose real median incomes have remained essentially stable over the period. Indeed, if it were not for the increasing labour force participation of married women, it appears that (non-farm) couples with dependents would have experienced falling real incomes.

As well as disaggregating by family types, we have also examined trends in the distribution of incomes within each family type. At the very top end of the income distribution, increases in farm incomes and other capital incomes have led to large real income increases for some families. Setting these aside, the trend within each family type, and for families overall, appears to have generally been one of either stable or decreasing inequality. Possibly this conclusion would change if our model took account of evidence of increasing inequality of wages, but this evidence also needs to be assessed in the light of possible changes in non-monetary incomes resulting from the introduction of the fringe benefits tax.

Irrespective of whether the Government's pledge to 'end the need for child poverty' has been met, it is clear that the Family Package of increased additional payments to low income families with children has had a significant impact upon the living standards of the poor. Again excluding farm families, the real income levels of the 10th percentile of two parent and sole parent families with children are estimated to have increased by 12 and 15 per cent respectively.¹¹ For two parent families at the median income, however, the tight targeting of this assistance means that they have barely maintained their real incomes.

As was noted in the introduction, the purpose of this paper has been primarily descriptive, rather than policy oriented. Obviously, the question of which policies would be best to improve family living standards is a very complicated one. Our goal has simply been to draw a picture of the impacts of recent changes in the Australian economy on family disposable incomes. Many of the changes we have described can easily be identified as the results of particular government policies - many others cannot. Whilst the limited nature of our analysis does not allow a conclusive response to the statement that 'the rich are getting richer and the poor are getting poorer', we do feel confident in asserting that increases in employment and income support for families with children over the last seven years have significantly improved the circumstances of the poorest groups. The rise in capital incomes does also seem to have benefited the very rich and those with significant savings (e.g. the middle class aged). Middle income families however, have not done so well. Unfortunately for governments, median income families also tend to contain median voters.

11. These real increases are greater than the real increase of 8.4 per cent in household disposable income per head, which is the measure used to update the Henderson poverty line over time. This in turn implies that the extent of poverty among families with children as measured by the poverty gap **must** have fallen over the period.

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POVERTY AMONG ABORIGINAL FAMILIES WITH CHILDREN

Russell Ross, Peter Whiteford and Toni Payne

1. INTRODUCTION

The **First Main Report** of the Commission of Inquiry into Poverty (1975) commenced its chapter on Aborigines by noting:

there is no doubt that many Aboriginal people are in poverty. (1975, p. 258)

Some fifteen years later, this statement remains a truism, if not an understatement. For example, in an analysis of the labour market position of Aboriginal people in non-metropolitan New South Wales, one of the authors of this paper identified the causes of Aboriginal unemployment as including:

- the concentration of Aborigines in rural areas,
- the loss of access to traditional land, necessitating reliance on the formal economic system,
- the loss of access to traditional formal employment as a result of the decline in agricultural output and the trend to greater mechanisation of farming,
- low levels of inherited economic wealth and a high level of reliance on social security leading to low incomes and a cycle of poverty,
- low levels of access to higher levels of formal education and a low level of educational achievement, and
- low levels of job-related skills.

It was concluded that 'the interactions between these causes are complex but result in an almost certain guarantee of life-long poverty' (Ross, 1988, p. 1).

In this context, it may be asked why a further analysis of Aboriginal poverty is of interest, if there is general agreement that poverty in this population is pervasive.

This paper has a number of motivations. Despite the fact that Aboriginal poverty is widely viewed as a serious problem, there has in fact been no assessment of the status of the Aboriginal population in relation to the Henderson poverty line since the Reports commissioned by the Poverty Inquiry in the early and middle 1970s. In this period there has been a very significant number of studies of trends in 'Henderson poverty' among the general population. These studies have suggested, *inter alia*, that the composition of poverty has changed very significantly since the early 1970s, with the proportion of the aged in poverty decreasing and the proportion of workforce age increasing. Given this and the initiatives of successive Australian governments in the area of Aboriginal affairs, it is clearly an interesting question whether these efforts have been rewarded with lower poverty rates and whether the changes in the composition of the population in poverty in the community as a whole are matched by corresponding changes in the Aboriginal community.

Perhaps the most important reason for undertaking a new analysis of poverty among the Aboriginal population arises from the Prime Minister's commitment in the 1987 election campaign to end child poverty by 1990. Whatever one's views about the feasibility of this project it should be recognised that the government has had the courage to place poverty centrally on the political agenda in a way whose only parallel is the US 'War on Poverty' declared in the 1960s.

Assessment of the impact of the government's initiatives in reducing child poverty (Saunders and Whiteford, 1987; Brownlee and King, 1989) have necessarily been limited to the general population, due to the nature of available data,

as discussed below. Nevertheless, the issue of child poverty among Aboriginal families is of particular importance. This is due first to the much higher probable levels of poverty in the Aboriginal community, as discussed above, and second to the age structure of the Aboriginal population.

Perhaps the major demographic difference between the Aboriginal population and the rest of the community is its age structure. In the 1986 Census, around 23 per cent of the total population were aged less than 15 years, while 40 per cent of the Aboriginal population were children less than 15 years (ABS, Catalogue Nos 2499.0 and 2501.0). Given this combination of underlying vulnerability to poverty and a very high proportion of children, it could be expected that child poverty is potentially a very major problem among the Aboriginal community. It follows that any analysis of the government's initiatives on child poverty should pay particular attention to Aboriginal children.

This paper provides new estimates of the proportion of Aboriginal families with children and with incomes below the Henderson poverty line using data from the 1986 Census and the 1985-86 Income Distribution Survey. The next section of the paper describes the methodology used to estimate numbers in poverty and discusses the limitations of this approach. This is followed by the main results of the analysis, and the conclusion touches on some of the implications of these results.

2. METHODOLOGY AND DATA SOURCES

As previously mentioned, there have been no estimates of the number of Aborigines in poverty using the Henderson Poverty line since the reports commissioned by the Poverty Inquiry in the early 1970s. This reflects the fact that the income surveys conducted by the Australian Bureau of Statistics are **sample** surveys. The 1985-86 Income Survey for example, covered about one-sixth of one per cent of the total population; given that the Aboriginal population is a very small group in the total population (about 1.3 per cent), this means that the sample is likely to include very few Aboriginal households and it is therefore not possible to generalise from the survey to the Aboriginal population as a whole.

The Census in contrast includes the total population and thus provides the best available basis for analysing the circumstances of Aboriginal families. However, the income data in the Census are very limited, with information only being collected on gross income from all sources in rather broad ranges. By themselves, therefore, the Census income data can not be used to estimate poverty rates, since it is necessary to know the precise after-tax incomes of each family or income unit when using the Henderson poverty line. For example, the poverty line for a not-employed sole parent with one child was \$7,400 in 1985-86. The Income Distribution Survey allows us to identify precisely the number of not-employed sole parents with one child and with 1985-86 incomes below this level, but provides no information on Aboriginality. The 1986 Census allows us to identify the number of not-employed Aboriginal sole parents with one child, but only indicates whether annual income was in the range \$6,000 to \$9,000. Simple interpolation within this income range is unlikely to give reliable results because of the possibility of 'clustering' of incomes within this range. For example, the maximum rate of income support for a sole parent with one child was around \$6,800 in 1985-86 (Moore and Whiteford, 1986, p. 76). It could be expected that a very high proportion of sole parents would have incomes close to this level, rather than being evenly spread over the income range as simple interpolation would assume.

The solution to this problem adopted in this analysis is to attempt to merge the detailed income data from the Income Survey with that from the Census in order to provide a sounder basis for estimating precise levels of income, cross-classified by all the variables in the Census data.

This is possible because the most recent Census and the most recently available Income Survey were carried out within a few months of each other, the Census in June 1986 and the Income Distribution Survey in September 1986. Results from both collections have since been made available on computer tapes with details at the unit record (individual, income unit, or household level), but with some data suppressed to maintain confidentiality.

In brief, all individuals in the Income Distribution Survey were sorted on the basis of a six-way tabulation cross-classified by family type, labour force status, marital status, sex, age and income category, with the income category being in \$500 per year increments. This information was then used to allocate individuals in the Census unit record file the income figure which was the weighted average of the incomes of the individuals in the Income Distribution

Survey file with the same characteristics in terms of age, sex, marital status, labour force status and family type from the very wide income categories in the Census to the weighted average of the much narrower income ranges from the Income Survey.

Being thus given specific gross annual income levels for all individuals, the next step was to apply a model of the personal income tax system for the 1985-86 year, and estimate annual disposable (after-tax) income for all individuals. Annual disposable incomes were then aggregated to 'income unit' incomes, where the income unit used in the Henderson poverty line is closest to the notion of the nuclear or extended family, e.g. an aged parent and an adult child living together would be treated as two income units. To maintain consistency with the Henderson methodology the analysis excluded all income units containing a person who was self-employed, or a farmer and also all units which were headed by a 'juvenile' (i.e. a person 15 to 20 years of age, not in full-time education, and neither married nor with children). The final step was to apply the detailed Henderson poverty lines for each type of income unit and estimate the ratio of actual disposable income to the relevant poverty lines.

A number of limitations of this method should be emphasised. The disposable incomes estimated by this method are far more detailed than those that are available on the Census computer tape; nevertheless, the figures are *estimates* and should be recognised as such. In the results that follow, analysis has generally been restricted to families with children, solely because of current policy concerns with these groups. Future analysis will deal also with those without children. In addition, many objections could be made to the use of the Henderson poverty line for estimating the proportion of the population in poverty; among the criticisms canvassed in Saunders and Whiteford (1989) are the essentially arbitrary nature of the basic poverty standard, and problems associated with the method of adjusting the poverty line for different family types and for changes over time. Notwithstanding these problems, the Henderson poverty line is the most widely used method of estimating poverty in Australia. Its use therefore has the advantage of providing estimates that are comparable with many other estimates of poverty using alternative data sources and allows comparison with the estimates of poverty among the Aboriginal population made at the time of the Commission of Inquiry into Poverty.

Perhaps the most important issue that arises in relation to the question of estimating poverty among the Aboriginal community and comparing poverty rates with those in the non-Aboriginal community is the question of whether the basic methodology is relevant to the population being studied. This question is best summarised in the following statement from an earlier study of **The Economic Status of Australian Aborigines**:

In attempting this survey, important qualifications have to be entered. There is, firstly, the problem of 'bias' or 'ethnocentrism'. By this is meant a fear lest value judgements may be implied in a study which examines 'standards of living' and 'socio-economic status' from the viewpoint of one set of cultural assumptions. While seeking to document different economic conditions among various communities of people, it is not implied that economic change, especially socially disruptive change, is necessarily desirable. Secondly, there is the problem of encapsulating in the divisions made in this study the great variety of peoples across a number of State and other boundaries. The divisions have been made for a number of purposes. But it is important to remember that these demarcations are not rigid. Nor are the people within them homogeneous. (Altman and Nieuwenhuysen, 1979, pp. xiv-xv)

These points are particularly relevant to the use of an income poverty line and the concept of the income unit used in the Henderson measure. The income unit, as noted above, refers to the immediate or nuclear family within which income is **assumed to be shared**. Thus an aged relative living with her or his children or an independent child living with his or her parents are assumed only to benefit from economies of consumption within the household but not from sharing of income. These assumptions are generally questioned, but may be particularly so in the case of Aboriginal families, especially those with more communal traditions and styles of living.

This problem can only be noted, not resolved in any definitive manner. One approach to reducing the significance of this issue is to relate the question of total income poverty for the Aboriginal population as a whole to that for the non-Aboriginal population. That is, rather than attempting to define **numbers** in poverty as those below the poverty line (or some fraction of the poverty line) the seriousness of poverty could be explored by comparing the total income shared by all of the Aboriginal community with the total income required to be above the poverty line. This would be an extension of the 'poverty gap' measure often advocated as an alternative to the simple 'head count' of numbers in

poverty (Saunders and Whiteford, 1987). In further work on this issue, this approach to poverty measurement will be explored.

It can also be noted that while the assumptions about income-sharing implicit in the Henderson poverty line may not be particularly relevant to the Aboriginal population, the likely much higher incidence of Aboriginal poverty may mean that this issue may provide a less distorted picture of poverty in this group than may initially be thought. That is, in the technical measurement of poverty, use of a line which does not allow for income-sharing between households will have less of an effect on estimates of poverty, when poverty is experienced by a very high proportion of the population rather than by a fairly small minority.

Despite these points, the limitations of the underlying concepts should be remembered. As noted previously by Altman and Nieuwenhuysen (1979), it is also important to bear in mind the diversity of Aboriginal circumstances. In this regard, the analysis in this paper is not intended to be used as the basis for any policy recommendations.

3. RESULTS OF THE ANALYSIS

By way of background, Table 1 shows earlier estimates of poverty among Aborigines and the Australian population as a whole at the time of the Poverty Inquiry in the early 1970s. It can be seen that 12.5 per cent of the total population had incomes below the Henderson poverty line in 1973, and a further 8.1 per cent had incomes between 100 and 120 per cent of the poverty line ('rather poor' to use the words of the *First Main Report* of the Commission of Inquiry), giving a total of 20.6 per cent of income units below 120 per cent of the Henderson poverty line. The proportion of Aboriginal income units in poverty was much higher, with between 22 and 58 per cent below the poverty line and 55 to 77 per cent below 120 per cent of the poverty line. The varying proportions below 100 per cent of the poverty line and between 100 and 120 per cent suggest some sensitivity to the exact poverty line and its closeness to rates of social security payments. The total numbers below 120 per cent of the poverty line are much more stable, with the exception of the much higher poverty estimate for Perth in late 1974. Overall, this suggests that the proportion of the Aboriginal population with incomes below 120 per cent of the Henderson poverty line in the early 1970s was between 2.5 and 4 times that of the population as a whole.

In turning to the situation at the time of the 1986 Census, Table 2 shows the income unit structure of the population with children. A notable feature of this comparison is the much higher proportion of Aboriginal families with children in sole parent income units, with 36.8 per cent of Aboriginal families with children being sole parents compared to 18.9 per cent of the non-Aboriginal population. The proportion of sole parent families with children in the non-Aboriginal population, shown in this table, is higher than the figure usually given for the general population (around 15 per cent) because of the exclusion of the self-employed, very few of whom are either sole parents or Aborigines. The bracketed figures given in Table 2 show the proportion of two-parent and single parent families by number of children. It is apparent from these figures that there are a significantly higher proportion of large families among the Aboriginal community than the non-Aboriginal community, with 16.6 per cent of Aboriginal couples with children having four or more children compared to 6.4 per cent of non-Aboriginal couples. For sole parents with three or more children, the corresponding proportions were 19.0 per cent and 13.8 per cent, respectively.

Table 3 gives details of the employment status of adults in Aboriginal and non-Aboriginal families with children. The table shows much higher proportions of Aboriginal families than non-Aboriginal families with adults not in some form of employment (either full-time or part-time). Roughly 30 to 40 per cent of Aboriginal couples with children had neither adult in employment at the time of the 1986 Census compared to 8 to 20 per cent of non-Aboriginal couples with children. Both Aboriginal and non-Aboriginal sole parents were far more likely again to be jobless; while between 60 and 70 per cent of non-Aboriginal sole parents were not in employment, the rate of joblessness among Aboriginal sole parents consistently exceeded 80 per cent.

Table 4 gives the main results of the analysis, showing the proportion of Aboriginal and non-Aboriginal families with children below differing levels of the poverty line. The Table shows that approximately 43 per cent of Aboriginal families with children had incomes below 100 per cent of the Henderson poverty line in 1986 compared with 15 per cent of non-Aboriginal families with children. For couples with children, poverty rates were between two and three times as high for Aborigines as for non-Aborigines. While poverty rates increased dramatically with the number of children in the family, the rate of increase for non-Aborigines was greater than for Aborigines.

**TABLE 1: ESTIMATES OF POVERTY AMONG ABORIGINES AND THE AUSTRALIAN POPULATION
- 1973 AND 1974**

Survey	Weekly Income of Income Units in Relation to the Henderson Poverty Line		
	Less than poverty line (%)	100 to 120 per cent of poverty line (%)	Total poor (%)
Australian population			
National Income Survey, August 1973	12.5	8.1	20.6
Aborigines			
Brisbane, May 1973	48.0	7.0	55.0
Adelaide, late 1973	22.3	33.1	55.4
Adelaide, late 1974	32.5	22.5	55.0
Perth, late 1974	58.3	18.3	76.7

Source: Altman and Nieuwenhuysen, 1979, p. 167.

TABLE 2: INCOME UNIT STRUCTURE OF THE POPULATION WITH CHILDREN, 1986

Income Unit Type	Aboriginal Families (%)		Non-Aboriginal Families (%)	
Couple with:				
one child	19.8	(31.3)	27.2	(33.5)
two children	20.6	(32.6)	34.0	(41.8)
three children	12.3	(19.5)	14.9	(18.3)
four or more children	10.5	(16.6)	5.2	(6.4)
		(100.0)		(100.0)
Sole parent with:				
one child	18.0	(48.9)	10.1	(53.7)
two children	11.8	(32.1)	6.1	(32.5)
three or more children	7.0	(19.0)	2.6	(13.8)
		(100.0)		(100.0)
Total (%)	100.0		100.0	
Number	373		15,037	

Source: ABS, 1986 Census unit record tape.

TABLE 3: EMPLOYMENT STATUS OF ADULTS IN INCOME UNIT, ABORIGINAL AND NON-ABORIGINAL FAMILIES, 1986

Income Unit Type	Aboriginal Families		Non-Aboriginal Families	
	At least one Employed (%)	No Adult Employed (%)	At least one Employed (%)	No Adult Employed (%)
Couple with:				
one child	63.5	36.5	88.6	11.4
two children	61.0	39.0	92.1	7.9
three children	71.7	28.3	90.2	9.8
four or more children	59.0	41.0	80.5	19.5
Sole parent with:				
one child	17.9	82.1	42.8	57.2
two children	18.2	81.8	38.4	61.6
three or more children	19.3	80.8	28.5	71.5
Total (%)	46.9	53.1	80.3	19.7

Source: ABS, 1986 Census unit record tape.

TABLE 4: PROPORTION (%) OF INCOME UNITS BELOW THE HENDERSON POVERTY LINE, 1986

Income Unit Type	≤ 80% of Poverty Line		≤ 100% of Poverty Line		≤ 120% of Poverty Line	
	Aboriginal	Non-Aboriginal	Aboriginal	Non-Aboriginal	Aboriginal	Non-Aboriginal
Couple with:						
one child	6.8	2.4	12.2	3.6	33.8	13.6
two children	5.2	1.9	27.3	8.0	44.2	12.8
three children	19.6	2.4	50.0	14.2	67.4	33.8
four or more children	30.8	16.7	48.7	25.1	71.8	47.6
Sole parent with:						
one child	34.3	14.2	46.3	25.8	77.6	58.1
two children	15.9	13.5	77.3	51.0	95.5	73.5
three or more children	34.6	40.8	92.3	82.1	96.2	86.2
Total (%)	18.5	5.8	43.2	15.0	63.5	28.2

Source: ABS, 1986 Census unit record tape.

Among Aboriginals and non-Aboriginals alike, poverty rates for sole parents are generally far higher than among couples with children, even though poverty among Aboriginal sole parents is between 10 and 25 percentage points higher than for non-Aboriginal sole parents. One possible explanation for this pattern is that sole parenthood is so strongly associated with poverty that Aboriginality becomes less significant than for couples. This may reflect the degree of reliance of sole parents upon the social security system, suggesting a higher level of reliance upon transfers for Aboriginal sole parents.

The results for those with incomes up to 120 per cent of the poverty line are of interest for a number of reasons. It can be seen that nearly two in three Aboriginal families with children are in circumstances of 'near poverty'. Among Aboriginal sole parents with two or more children, 'near poverty' is close to universal, although it should be noted that it is nearly as pervasive among non-Aboriginal sole parents with three or more children.

Part of the explanation for these results may be inferred from the results in Table 5, which describes the relationship between poverty rates and the employment status of adults. Probably the most important point to note about this Table relates to the difference in poverty rates between those families (either couples or sole parents) where no parent is employed and those where at least one parent is employed.

Broadly speaking, where there are no adults employed, Aboriginality also does not appear to make significant difference to poverty rates (see lines 2 and 4 of Table 4). This is clearly explicable in terms of the reliance on the social security system that such families must experience, irrespective of their origin. Where there is at least one adult employed, Aboriginal families appear significantly disadvantaged compared to non-Aboriginal families. This may reflect a number of factors, including a greater likelihood of two income earners among non-Aboriginal couples, the differences between full-time and part-time labour force participation (and/or full-year and part-year participation), and differences in wage rates. Which of these factors is more significant is a subject that would reward further study.

Finally, Table 6 compares estimates of poverty among the Aboriginal population in Brisbane in 1973 and throughout Australia in 1986. These estimates should be treated with caution, as they compare poverty rates in a solely urban population in 1973 and in the national population in 1986. This may mean that the differences apparent in the estimates may reflect the differing nature of the populations rather than changes over time.

Nevertheless, the total poverty rate in 1986 was significantly below that in 1973 (25 per cent and 48 per cent respectively), although the proportion below 120 per cent of the poverty line appears to have declined less (from 55 to 36 per cent). It can be seen that in both years, poverty rates among sole parents and couples with children were significantly higher than among those without children.

Poverty among single Aborigines appears much lower in 1986 than in 1973, whether one uses the 100 or 120 per cent poverty line. In addition, single person income units appear in 1986 to represent a much higher proportion of the total population (42 per cent) than in 1973 (30 per cent). Turning to sole parents, the proportion below 100 per cent of the poverty line is somewhat lower in 1986 than in 1973, but the proportion below 120 per cent of the poverty line is virtually unchanged.

The proportion of couples without children and below 100 per cent of the poverty line appears much higher in 1986 than in 1973, although there was a far higher proportion of this group just above the poverty line in 1973. Among couples without children, the proportion below 100 per cent of the Henderson poverty line in 1986 was about half of that in 1973. Once again, there appears to be a greater degree of concentration just above the poverty line in 1986, but the total population of this family type below 120 per cent of the poverty line still appears to be significantly less in 1986 than in 1973 (50 and 70 per cent respectively).

In summary, therefore, to the extent that these estimates suggest there has been a significant decline in poverty rates among the Aboriginal population in 1973, there appear to be a number of possible explanations. Poverty appears to have decreased very substantially among single Aboriginal people, who have also become a much higher proportion of the total population. Poverty appears also to have declined among couples with children, but to a lesser extent, and the impact of this has been reduced by the apparent decline in the proportion of the population in this family type. Poverty among couples without children appears to have increased, in contrast, while poverty among sole parent income units remains fairly stable and very high, with nearly 9 in 10 Aboriginal sole parents with incomes below 120 per cent of the poverty line in both years.

TABLE 5: ESTIMATES OF POVERTY (PER CENT) AMONG ABORIGINAL AND NON-ABORIGINAL FAMILIES WITH CHILDREN, BY EMPLOYMENT STATUS OF ADULTS, 1986

Type of Family by Employment Status of Adults	Aboriginal Families			Non-Aboriginal Families		
	Poverty Rate by per cent of Poverty Line			Poverty Rate by per cent of Poverty Line		
	80	100	120	80	100	120
1. Couple with children, at least one adult employed	4.7	18.0	34.7	0.8	3.6	12.4
2. Couple with children, no adults employed	26.7	52.3	76.7	23.4	54.1	78.4
3. Sole parent, employed	8.0	28.0	56.0	6.4	14.7	26.2
4. Sole parent, not employed	33.0	73.2	93.8	25.0	59.4	93.5

Source: ABS, 1986 Census unit record tape.

TABLE 6: PROPORTION (%) OF ABORIGINAL INCOME UNITS IN POVERTY BY INCOME UNIT TYPE, BRISBANE 1973 AND AUSTRALIA 1986

Survey	Income unit-type				Total
	Single	Sole Parent	Couple, without children	Couple, with children	
Brisbane 1973					
Less than 100 per cent of poverty line	30.0	79.0	3.0	62.0	48.0
Less than 120 per cent of poverty line	37.0	89.0	12.0	70.0	55.0
TOTAL NUMBER IN CATEGORY	30.0	17.0	9.0	45.0	100.0
Australia 1986					
Less than 100 per cent of poverty line	8.0	65.0	13.0	31.0	25.0
Less than 120 per cent of poverty line	11.0	87.0	16.0	50.0	36.0
TOTAL NUMBER IN CATEGORY	42.0	17.0	10.0	30.0	100.0

Source: Brown, Hirschfeld and Smith (1974) and 1986 Census unit record tape.

4. CONCLUSION

The analysis in this paper has been primarily descriptive. Its main objective has been to provide the first new estimates of the proportion of the Aboriginal population with children and with incomes below the Henderson poverty line since the reports of the Commission of Inquiry into Poverty in the early 1970s. As may have been expected, the results suggest that poverty rates are much higher among the Aboriginal population than among non-Aboriginal families with children, with more than 40 per cent of Aboriginal families with children living on or below the Henderson poverty line and nearly two-thirds being 'poor' or 'rather poor'. These poverty rates are generally two to three times as high as for the non-Aboriginal population.

Vulnerability to poverty in Aboriginal families with children seems to be associated with a number of factors. There is a far higher proportion of children in the Aboriginal population than the population as a whole, and the proportion of Aboriginal children who are in sole parent families or in large families is much higher than in the non-Aboriginal population. The most important factor, however, appears to be the employment status of adults; where no adults in a family are employed then the poverty rates are similar (and very high) for both Aborigines and non-Aborigines. This suggests that the much higher rates of poverty among Aboriginal families can be related back to the fact that joblessness is much higher in this group, with more than 50 per cent of Aboriginal families with children not containing an employed adult, compared to less than 20 per cent of non-Aboriginal families.

While joblessness would therefore appear to be the most significant factor associated with Aboriginal poverty, poverty rates for Aboriginal families with children remain high even where there is an adult in employment. Possible explanations for this include greater labour force participation among non-Aboriginal families, either because of greater likelihood of two earner families or of full-time rather than part-time labour force participation. Another possible explanation is that wage rates for employed Aborigines are lower than for employed non-Aborigines. Finally, some tentative evidence suggested that overall poverty rates may have declined significantly among the Aboriginal population since the early 1970s, particularly among single people and couples with children. The position of Aboriginal couples without children would appear to have deteriorated, however, while Aboriginal sole parents appear to have remained overwhelmingly in poverty.

The limitations of this analysis should be emphasised once again. The methodology used to derive income data from the 1985-86 Income Distribution Survey to adjust the less detailed data in the 1986 Census must be regarded as somewhat experimental and the results are more approximate estimates than those usually derived from Income Distribution Surveys. Nevertheless, the methodology is of particular interest as a means of improving the usefulness of Census income data.

The other main limitation results from the basic concepts underlying the Henderson poverty line and whether the Henderson assumptions about income sharing units are relevant to the Aboriginal population. The finding that income poverty is so much higher among the Aboriginal population may suggest, however, that this problem would not affect the magnitude of the disadvantage experienced by Aboriginal families.

It should also be emphasised that the estimates presented in this paper refer to 1986. There have been many changes since that period, including a substantial reduction in unemployment and the introduction of the Government's 'family package' in December 1987. Given the very high rate of poverty among Aboriginal families with children, it could be expected that they will have benefited significantly from the increases in family payments announced since that time. Whether the number of Aboriginal families below the Henderson poverty line has fallen significantly since 1986 cannot be said with precision, but it is very likely that the poverty gap has been substantially reduced. Given the questions surrounding the relevance of an income poverty line, it might also be suggested that a poverty gap measure may be a far more useful approach to Aboriginal poverty than the simple head count used in this paper.

In addition, the estimates of poverty given here suggest that while improvements in income support may mean that many Aboriginal families move above the poverty line, they could still remain 'rather poor', i.e. below 120 per cent of poverty line. These improvements in family payments remain very important and a heartening indication of government commitment to address the problem of child poverty. Nevertheless, the results given above suggest that low income is a symptom of poverty rather than a fundamental cause, and it is employment that must be addressed if poverty is to be reduced and not just alleviated.

On the basis of the earlier Tables it can be estimated that while the Aboriginal population accounted for only 1.3 per cent of the total population in 1986, Aboriginal children accounted for 2.7 per cent of all children, and 7.1 per cent of children in poverty. The development of further approaches to reduce child poverty should therefore pay particular attention to improving the circumstances of Aboriginal families with children.

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FACTORS INFLUENCING THE (LACK OF) LABOUR MARKET SUCCESS OF ABORIGINES*

Russell T. Ross

1. INTRODUCTION

The labour market plight of Aborigines has received considerable attention in recent years from policy makers, policy implementors, the media and various other commentators. Most of this attention has focused on the very high unemployment levels of Aborigines. This emphasis on unemployment has been reflected in academic research in the 1980s, much of which has been descriptive rather than analytical; see Altman and Nieuwenhuysen (1979), Castle and Hagan (1984), Cousins and Nieuwenhuysen (1983), Ross (1987a, 1987b, 1988) and Treadgold (1988). Although the true extent of their labour market degradation in the 1980s is becoming well documented, little attention has been directed towards understanding the economic and other processes underlying the labour market position of Aborigines.

As will be shown later, Aborigines nationwide face unemployment rates which are multiples of the national unemployment rates. Further, many who are in employment are in low paid or low tenure jobs¹, and reliance on social security payments among Aboriginal communities continues to be widespread. Using data from the 1986-87 Survey of Working Age Aborigines in New South Wales,² an analysis is undertaken in this paper to determine the characteristics which differentiate employed Aborigines from Aborigines not in employment. The structure of the paper is as follows. Section 2 presents an overview of the employment position of Aborigines using information from the 1986 Census of Population and Housing; these data are presented in order to outline the context in which this analysis is set. Section 3 outlines the theoretical framework for, and Section 4 presents the empirical estimates of, the maximum likelihood functions of employment probabilities. Finally, in Section 5 some economic and social policy implications of this analysis are canvassed.

2. BACKGROUND³

Evidence from the 1986 Census of Population and Housing indicates that the labour market position of Aborigines throughout Australia is very poor. This evidence is summarised from a national perspective and then (in more detail) the position in New South Wales is described, leading in to the analysis of the non-Census data in Section 3.

2.1 A National Perspective

Table 1 shows the employment rates for Aboriginal males and females for each State and Territory, and by locality type within each State, and also presents the comparative figures for the total population. Table 1 shows that there is considerable variation across both states and locality types. However, what is of more interest here is that in all regions Aboriginal employment rates are substantially lower than those for the broader population. In many areas, Aboriginal employment rates are less than one half those for the non-Aboriginal population.

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1. See Ross (1988), pp. 37-38, and Treadgold (1988), Table 8, pp. 601.

2. For a description of this data set, see Ross (1987a) or (1987b).

3. This section is a summary of a more extensive analysis presented in Ross (1990).

**TABLE 1: ABORIGINAL AND TOTAL POPULATION EMPLOYMENT RATES: MALES AND FEMALES
AGED FIFTEEN TO SIXTY-FOUR AUSTRALIA, STATES AND TERRITORIES, 1986**
(per cent)

	MALE		FEMALE	
	A	T	A	T
AUSTRALIA				
Major Urban	51.3	76.9	32.9	52.7
Other Urban	41.6	75.0	24.2	45.7
All Rural	41.4	75.9	21.6	49.8
NEW SOUTH WALES				
Major Urban	54.6	76.5	34.9	52.0
Other Urban	36.3	72.5	20.1	43.9
All Rural	32.2	73.3	18.1	47.8
VICTORIA				
Major Urban	62.5	78.1	42.1	53.9
Other Urban	52.4	77.4	30.3	47.6
All Rural	52.9	79.4	31.3	53.6
QUEENSLAND				
Major Urban	50.8	75.7	31.4	50.3
Other Urban	45.7	74.2	24.2	44.3
All Rural	51.1	74.8	20.9	46.5
SOUTH AUSTRALIA				
Major Urban	41.8	74.9	26.8	52.1
Other Urban	37.1	75.3	24.1	46.2
All Rural	53.6	79.3	36.3	56.2
WESTERN AUSTRALIA				
Major Urban	36.6	76.7	22.4	53.0
Other Urban	36.0	77.4	19.4	45.3
All Rural	39.8	78.1	23.2	51.7
TASMANIA				
Major Urban	57.7	74.3	42.0	52.6
Other Urban	60.9	79.4	35.9	45.5
All Rural	67.4	76.5	41.6	47.2
NORTHERN TERRITORY				
Major Urban	--	--	--	--
Other Urban	43.2	79.3	33.6	60.1
All Rural	31.7	57.8	18.4	35.9
AUSTRALIAN CAPITAL TERRITORY				
Major Urban	78.0	83.1	53.5	63.8
Other Urban	--	--	--	--
All Rural	41.7	83.8	20.8	56.0

Notes: A = Aboriginal Population; T = Total Population
Major Urban: population in excess of 100 000
Other Urban: population between 1 000 and 100 000
All Rural: rest of State or Territory

Source: 1986 ABS Census Microfiche

Less than one half of all working age Aboriginal males, and around one quarter of all working age Aboriginal females, were employed at the time of the 1986 Census. Aboriginal males and females fared relatively better in the major urban areas, where slightly over one half of males and almost one third of females were employed. By contrast, in both the smaller urban areas and rural locations, Aboriginal employment rates were closer to forty per cent (males) and twenty-five per cent (females). These national figures obscure significant interstate variations. For example, in South Australia and Western Australia, both male and female employment rates were highest in the rural areas, while in Queensland the same was true for males but not females. In New South Wales, employment rates in the major urban regions (i.e. Sydney, Wollongong and Newcastle) were much higher than the national average, whereas in the rest of New South Wales the opposite was true. The relatively high employment rates in the major urban area of the ACT (i.e. Canberra) undoubtedly reflected the fact that a number of Aboriginal organisations and government departments servicing Aboriginal needs have their head offices in Canberra, combined with the very small Aboriginal population in the ACT.

2.2 A New South Wales Perspective

Table 2 presents employment rates for Aborigines and the total population for each of the twelve Statistical Divisions used by the Australian Bureau of Statistics (ABS) in its dissemination of statistical information for New South Wales, ranked in descending order by the Aboriginal male employment rate. For both males and females, the pattern is very clear. The labour market position was relatively best in and around the Sydney metropolitan region; Sydney, Illawarra, and Hunter had the three highest employment rates. The situation was the worst on the northern coast and the Murray region, where the employment rates were only half those in Sydney.

Also included in Table 2 are the comparative employment rates for the total working age population. In every Statistical Division the Aboriginal rate is lower than that for the total population, and in four cases it is less than one half the total rate. However, there is a fairly strong correlation between the Aboriginal and total employment rates for either sex, and also between the male and female Aboriginal employment rates.⁴ Thus if the table was ranked by, say, the employment rates for total males the order would be somewhat different. What is clear from Table 2 is that not only are Aboriginal employment rates lower than those for the total population, but there is also much more variation in the Aboriginal rates. The bottom portion of Table 2 presents two measures of the spread in the employment rates. The ratio of the highest to lowest rate is greater for Aboriginal males (2.29) than it is for all males (1.37), and this is also true for females (2.32 and 1.43). Similarly, the spread in percentage points is greater for Aboriginal males (29.7 points) than for all males (19.2 points), and for Aboriginal females (18.7 points) than for all females (13.2 points).

Table 3 presents the same information on the basis of the thirteen Aboriginal Land Council regions of New South Wales. The information is presented in this way as the 1986-87 Survey of Working Age Aboriginal People in New South Wales was undertaken in five of these Aboriginal Land Council regions. The pattern presented in Table 3 is, of course, the same as that for Aborigines in Table 2.

3. THEORETICAL FRAMEWORK

A formal theoretical model is not presented here but can be found in a companion technical paper; Ross (1990). Briefly, the theory underlying this analysis is that before a person can be employed, they must have in some way signalled their willingness to be employed, i.e. employers will only hire people who are available to be hired. The **demand for labour** indicates what sort of individuals employer are wanting to employ while the **supply of labour** reflects what sort of individuals are available for employment. Individuals will only be interested in employment,

4. The correlation co-efficients are .5152 (between Aboriginal males and total males), .8643 (Aboriginal females and total females), .8290 (Aboriginal males and females), 0 (Aboriginal males and total females), and 0 (Aboriginal males and total females); each of the non-zero values are significant at the 99% confidence level.

**TABLE 2: ABORIGINAL AND TOTAL POPULATION EMPLOYMENT RATES:
STATISTICAL DIVISIONS, NEW SOUTH WALES, 1986
(per cent)**

	MALE		FEMALE	
	A	T	A	T
Sydney	52.7	67.8	32.9	44.0
Hunter	47.7	63.9	24.0	34.7
Illawarra	44.5	63.8	26.2	34.0
Murrumbidgee	44.0	70.1	20.0	40.0
South Eastern	41.6	67.0	28.0	42.4
Central West	38.9	67.0	18.4	39.6
Far West	32.6	59.3	15.6	30.8
North Western	30.4	64.2	16.0	40.0
Northern	29.6	65.7	15.5	40.0
Richmond-Tweed	27.2	51.3	18.7	32.5
Murray	26.0	70.5	15.8	43.4
Mid-North Coast	23.0	51.9	14.2	31.2
Measures of Spread:				
Highest:Lowest Ratio	2.29	1.37	2.32	1.43
Highest - Lowest (percentage points)	29.7	19.2	18.7	13.2

Note: A = Aboriginal Population; T = Total Population

Source: 1986 ABS Census Microfiche

**TABLE 3: ABORIGINAL EMPLOYMENT RATES: MALES AND FEMALES FIFTEEN AND OVER NEW
SOUTH WALES ABORIGINAL LAND COUNCILS**
(per cent)

	MALE (%)	FEMALE (%)
Sydney & Newcastle	52.7	34.1
Western Metropolitan	51.1	28.9
Central Coast	25.5	14.7
North Coast	27.4	16.4
North Tablelands	19.8	12.0
Northern	39.9	18.5
North West	25.4	15.1
Western	29.0	13.4
Central	34.4	18.4
Wiradjuri	41.5	19.8
Murray River	32.8	19.3
Far South Coast	39.7	29.4
South Coast	44.0	25.3

Source: 1986 ABS Census Microfiche

i.e. in supplying their labour, if they see some benefit to themselves from employment; typically this benefit is represented by the after tax earnings they receive as payment for their services. Conversely, employers will only demand labour if they regard the costs (i.e. wages plus on-costs) of the labour as acceptable - the higher these costs, the lower will be demand for labour.

Given that Aboriginal unemployment rates are so high and Aboriginal employment rates are so low, it is clearly the demand side of the labour market which is determining the composition of Aboriginal employment. However, supply side factors remain important to the extent that employers only hire individuals who have in some way indicated their willingness to offer themselves for employment; although if there is a problem of hidden unemployment the true supply of labour will be understated. For the purposes of this paper, the emphasis is on determining the characteristics that differentiate those Aborigines who are successful in gaining employment from those who are not successful. To this end, likelihood functions are posited in which the probability that an individual person is in employment depends upon a set of personal characteristics - some of which reflect the individual's willingness to seek paid work and some of which are regarded by employers as desirable attributes in employees - and upon the state of the local labour market.

Demand Side Variables

Conventional wisdom is that the most important individual characteristics believed to influence employers' hiring and firing decisions are human capital enhancing characteristics such as the level of education, the level and type of job skills, and previous labour market experience; all of which are expected to have a positive impact on the hiring decision. The data base used here only has information on Aborigines, thus it is not possible to directly test for any systematic discrimination against Aborigines. However, an indirect test of discrimination could be achieved by comparing the coefficients on these human capital variables in the analysis with comparable coefficients estimated from a similar analysis of a data base which had information only on non-Aborigines. Two additional variables, age and sex, are included here to test for any incremental discrimination among Aborigines. The impact of age on the demand for Aboriginal employees is expected to have an inverted-U shape; i.e. employers discriminate against both very young workers and older workers. With respect to the demand for Aboriginal employees, the sex variable would reflect only differential discrimination on the basis of gender.

Supply Side Variables

Age, sex, marital status, family composition, family size, and access to non-wage sources of income are all believed to have a significant impact on individuals' willingness to make themselves available for paid work. In the present context, i.e. where the demand side is clearly the dominant side of the Aboriginal labour market, these supply side factors are expected to play a lesser role in determining labour market outcomes, although they will still play an important role in determining which Aborigines offer themselves for employment.

The expected impact of each variable on the decision to seek employment is as follows. The greatest negative influence on the supply decisions of females is expected to be the number of and ages of children, with very young (pre-school age) children being the most influential.

Greater access to other forms of income is also expected to lower willingness to seek work by reducing the need for employment income. Thus if a person is married and has a spouse who is employed, it is less likely that they will seek work themselves. Similarly, if a person has a steady flow of income from another source (i.e. other than their own or their spouse's employment) they will be less likely to seek work. After adjusting for all these other influences, it is expected, on cultural grounds, that males will be more likely to offer themselves for employment, but that marital status per se will have no influence on this decision.

Locality-Specific Variables

Conditions in the local labour market will also influence the employment patterns of Aborigines by impacting on both demand and supply side factors. For example, if the local area is economically depressed, then the demand for Aboriginal employees will be lower than otherwise and Aborigines will have lower expectations about their employment prospects with many not bothering to even offer themselves for employment.⁵ Similarly, the economic structure of the local area will influence Aboriginal employment.

This demand-supply-locality trichotomy is to some extent arbitrary. A number of variables may well influence more than one aspect of the trichotomy. For example, education is believed to influence both demand and supply decisions. While employers place a positive value on increased education, so too do the individuals themselves, with more highly educated individuals being more willing to seek employment in order to better reap the rewards of their education. Thus the measured effect of education is really a net effect.

4. EMPIRICAL ANALYSIS

The data base, the 1986-87 Survey of Working Age Aborigines in New South Wales, is described in full elsewhere; see Ross (1987a, 1987b). It contains detailed information on 677 Aborigines. The data are drawn from five distinct geographic regions; viz. the far South Coast, the far West, the North West, the inland South, and the South-West region of Sydney. These regions correspond to five Aboriginal Land Council regions; Far South Coast, Western, North West, Wiradjuri, and Western Metropolitan, respectively. The combined population of these five regions comprised forty-eight per cent of the adult Aboriginal population of New South Wales at the time of the 1986 Census.

Table 5 presents descriptive statistics for the variables used in this analysis. Most variables are self-explanatory, although several require comment. The impact of education on employment is measured by a variable reflecting the number of years of formal education. It is defined as either the actual number of years of formal education or the minimum number of years of schooling required to obtain the highest educational qualification held, whichever is the greatest. Typically, the former measure was used for those individuals who completed high school while the latter measure was used when the person had very little formal school education but had acquired educational qualifications at some stage later in their life.

The data set contains three measures of labour market experience, each of which is self-enumerated. First, the number of full-time equivalent years of total experience. Second, the number of months worked in the previous three years, and third, the number of weeks employed in the twelve months immediately prior to the survey. It is the first of these measures that has been used in the present analysis.

The data from the Western Metropolitan region were all collected in Campbelltown. For the Far South Coast, the data were collected in Bateman's Bay, Moruya, Narooma, and Wallaga Lake Reserve. The data from the Western region came from Broken Hill, Wilcannia, Wentworth and Menindee. Data from the North-West were collected in Bourke, Brewarrina, and Walgett. Finally, the data from the Wiradjuri region were collected from Wagga Wagga and a list of fifteen towns.

A probit analysis of this data was carried out and is described more fully in Ross (1990). Briefly, analytical techniques such as probit analysis are used to determine the impact of particular individual characteristics (such as education, marital status, age, etc.) on the probability that specific individuals are in paid employment. The estimated coefficients from the probit analysis of the employment probability function are presented in Table 6, while Table 7 shows the marginal impact of each variable on the employment probabilities evaluated at the sample means of several sub-groups in the data set.

5. This effect is known as the discouraged worker effect.

TABLE 4a: ABORIGINAL EMPLOYMENT RATES: MALES AND FEMALES FIFTEEN TO SIXTY-FOUR FOUR ABORIGINAL LAND COUNCIL REGIONS NEW SOUTH WALES
(per cent)

	MALE (%)	FEMALE (%)
Western	18.8	14.9
North West	17.8	12.2
Wiradjuri	17.0	15.6
Far South Coast	16.8	6.9

Source: Ross 1986-87 Survey

TABLE 4b: ABORIGINAL EMPLOYMENT RATES: MALES AND FEMALES FIFTEEN AND OVER FOUR ABORIGINAL LAND COUNCIL REGIONS NEW SOUTH WALES
(per cent)

	MALE (%)	FEMALE (%)
Western	29.0	13.4
North West	25.4	15.1
Wiradjuri	41.5	19.8
Far South Coast	39.7	29.4

Source: 1986 ABS Census Microfiche

TABLE 5: MEANS OF VARIABLES USED IN THE PROBIT ANALYSIS

Variable (sample size)	Females		Males		Total	
	Employed 45	Total 322	Employed 67	Total 355	Employed 112	Total 677)
EMPLYD (% employed)	100	14.60	100	19.09	100	16.97
UNEMP (% unemployed)	0	21.90	0	55.27	0	39.49
MALE (% male)	0	0	100	100	59.82	52.70
MARRY (% married)	50.00	35.24	53.73	43.02	52.23	39.34
SEPETC (% separated, divorced, widowed)	10.87	22.86	4.48	8.55	7.05	15.32
AGE (in years)						
15-20 (% of sample)	17.39	22.86	14.93	24.79	15.92	23.87
21-30 (% of sample)	30.44	36.83	35.82	35.04	33.66	35.89
31-40 (% of sample)	19.57	14.29	23.89	16.81	22.15	15.62
41-50 (% of sample)	6.05	5.71	10.45	7.41	8.68	6.61
51 and over (% of sample)	0	2.85	1.48	3.41	0.89	3.15
unknown	26.09	17.46	13.43	12.54	18.52	14.86
SCH (years of formal education completed)*	9.54	8.65	8.66	8.38	9.01	8.50
EXPE (work experience, in full-time equivalent years)	5.39	2.02	7.40	3.48	6.59	2.79
LMPS (% who had been in a labour market program at any time in the past)	6.52	3.17	14.93	5.13	11.55	4.20
OTHY (all income other than earnings and social security benefits, \$/p.a.)	9.39	55.53	4.69	3.47	6.57	27.89
Land Council Region (% of sample)						
CAMPBELLTOWN	19.58	10.16	10.44	4.56	14.11	7.21
WESTERN	21.73	21.27	26.87	27.35	24.80	24.47
NORTH WEST	21.73	25.71	26.87	27.92	24.80	26.88
WIRADJURI	26.09	20.95	11.94	13.39	17.63	16.97
FAR SOUTH COAST	10.87	21.90	23.88	26.78	18.65	24.47

Note: * Eleven individuals did not report their level of schooling. They have been excluded from the calculation of the mean levels of schooling shown here. Their information is included in all other lines.

The effect of a variable on the employment probability is non-linear. It involves the density of the index as well as the probit co-efficient, although it will always have the same sign as that on the relevant probit co-efficient. For the j^{th} variable (X_j), the marginal impact on employment of a one unit change in the value of the variable is given by⁶

$$\begin{aligned} dP_i/dX_j &= (dP_i/dZ_i) \cdot (dZ_i/dX_j) \\ &= F(Z_i) \cdot \beta_{pj} \end{aligned} \quad (2)$$

where P_i is the probability that person i is employed, Z is a standard normal variable (i.e. $Z_i \equiv -\beta_p'XX_i$), β_p is the vector of estimated probit co-efficients, XX_i is the vector of probit variables for the i^{th} individual, β_{pj} is the probit coefficient for the j^{th} variable, and $F(Z_i)$ is the normal density of Z at Z_i . The implication of (2) is that the marginal impact of a variable on the employment probability depends not only on that variable's estimated coefficient but also on the other characteristics of the individual. Since $F(Z_i)$ must always be positive as the density of a normal distribution indicates the proportion of individuals having a particular outcome (and no outcome can occur a negative proportion of the time), dP_i/dX_j will always have the same sign as β_{pj} . Table 7 illustrates how the marginal impact varies for each of the sub-groups.

The evidence presented in Tables 6 and 7 gives a very clear picture of the determinants of employment. The most successful Aborigines are those with the highest educational backgrounds, and the best job skills. Irrespective of the level of discrimination against Aborigines per se, there appears to be no systematic discrimination between males as compared with females.

The probit co-efficients presented in Table 6 indicate that the strongest determinants of employment status are the level of education, previous (but recent) work experience, and labour market program experience. There is also a regional factor in employment success. All four country regions have lower employment probabilities than the reference region (Campbelltown), although there does not appear to be a significant difference amongst the four regions; i.e. each region's probit coefficient is negative and significantly different from zero, but the hypothesis that the four regional co-efficients are not significantly different from each other can not be rejected at the ninety-five per cent level of confidence.

The age coefficients indicate that the age-employment profile has an inverted-U shape. The coefficients on AGE15-20 and AGE21-30 are statistically insignificantly different from that for the age reference group (i.e. persons aged fifty-one to sixty-four). This indicates that persons at either end of the working age range have, other things being equal, an equal probability of being employed. The estimated coefficients on the other two age groups (AGE31-40 and AGE41-50) are positive and significant; albeit at the ninety per cent level of confidence, with the coefficient on AGE31-40 being literally right on the ninety per cent boundary. The hypothesis that the two coefficients are not the same can not be rejected at normal levels of confidence. This indicates that persons in these age groups are the most likely to be in employment and that individuals in either age group have the same likelihood of being employed.

This data cannot be used to test for any employment discrimination against Aborigines. The estimated coefficients on the sex and marital status variables suggest that there is no systematic discrimination among Aborigines; the coefficients for both the sex and marital status variables are insignificantly different from those for the reference group (i.e. females who have never been married). Although Aborigines who are separated, divorced or widowed have lower employment probabilities, it is likely that this reflects a supply-side effect, viz. the easier access to social security payments for sole parents who are separated or widowed.

As was indicated earlier, the marginal impact on the employment probability of a regressor depends not only on the probit co-efficient but also on the individual's specific characteristics; see (2) above. Table 7 illustrates this relationship by showing marginal impacts for a number of stylized individuals. The marginal impacts are evaluated for nine sub-groups; all employed persons, all unemployed persons, all persons not in the labour force (i.e. neither employed nor unemployed), employed females, unemployed females, females not in the labour force, employed males, unemployed males, and males not in the labour force.

6. See Ross (1986, p. 330, footnote 12).

TABLE 6: RESULTS OF THE PROBIT ANALYSIS ON INDEX OF PROBABILITY OF EMPLOYMENT

Variable	Co-efficient	Standard Error
Constant	-2.7793	.633***
MALE	.1182	.132
MARRY	-.0077	.145
SEPETC	-.5107	.237**
AGE15-20	.5667	.547*
AGE21-30	.6758	.534**
AGE31-40	.9403	.529**
AGE41-50	.8883	.550**
AGE UNKNOWN	.8542	.537**
OTHY/1000	-.2143	1.860
SCHL	.1525	.039*
SCHDU	1.8317	.552***
EXPE	.5597	.095***
LMPS	.8772	.252***
WESTERN	-.4583	.246*
NORTH WEST	-.5125	.246**
WIRADJURI	-.6191	.251***
FAR SOUTH COAST	-.5926	.248***

Notes: SCHDU and SCHL are defined as follows:
if schooling information missing (see note to Table 5)

SCHL = 0, and SCHDU = 1

otherwise

SCHL = SCH, and SCHDU = 0.

*** significant at 99% level of confidence
** significant at 95% level of confidence
* significant at 90% level of confidence

Reference group is female, never married, aged fifty-one to sixty-four and living in Campbelltown.

**TABLE 7: ESTIMATED MARGINAL IMPACT OF EACH VARIABLE ON THE EMPLOYMENT PROBABILITY, EVALUATED AT SAMPLE MEAN VALUES
FOR SELECTED SUB-GROUPS
(percentage points)**

Variable	Marginal Impact for							
	Employed		Unemployed		Neither Employed nor Unemployed		Total Sample	
	Males	Females	Males	Females	Males	Females	Males	Females
SEPETC	-0.47	-4.62	-15.38	-10.43	-16.90	-13.56	-17.28	-19.66
AGE31-40	0.87	8.51	28.31	19.21	31.12	24.96	31.81	36.19
AGE41-50	0.82	8.04	26.75	18.14	29.40	23.58	30.05	34.19
SCH	0.14	1.38	4.59	3.11	5.05	4.05	5.16	5.87
EXPE	0.52	5.07	16.86	11.43	18.53	14.86	18.94	21.55
LMPS	0.81	7.94	26.41	17.92	29.03	23.28	29.68	33.76
WESTERN	-0.42	-4.15	-13.80	-9.36	-15.17	-12.16	-15.51	-17.64
NORTH WEST	-0.48	-4.70	-15.61	-10.59	-17.15	-13.76	-17.54	-19.95
WIRADJURI	-0.57	-5.60	-18.64	-12.64	-20.49	-16.43	-20.95	-23.83
FAR SOUTH COAST	-5.50	-5.36	-17.84	-12.10	-19.61	-15.73	-20.05	-22.81

Note: The other variables (i.e. MARRY, MALE, AGE15-20, AGE21-30, AGEUNKNOWN, OTHY) do not have any impact on the employment probability.

5. SOCIAL POLICY IMPLICATIONS

The social policy implications of this analysis are clear. If the labour market position of Aborigines is to be improved, considerably more resources will need to be directed towards improving opportunities for formal learning and the acquisition of job-related skills beyond those provided in basic education. Aborigines are not remaining in the education system anywhere near as long as other groups in society and so are disadvantaged in the competition for scarce employment opportunities. In determining how these resources would best be allocated, a key question centres on the balance between skills acquisition through greater opportunities in the education system and skills acquisition through targeted labour market programs. There is evidence to indicate that those Aborigines who have had experience in labour market programs are more successful in the labour market than other Aborigines; see Ross (1988). However, there is no point in providing more resources to this end if there is a lack of employment opportunities. In this scenario all that would be achieved is a more educated pool of unemployed people.

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HUMAN RESOURCES IN COMMUNITY SERVICES: CONFLICTS OF AIMS, VALUES AND INTERESTS

Adam Jamrozik

1. INTRODUCTION

It is a feature of advanced industrial societies that fewer and fewer people are needed to produce material goods and more people are engaged in the distribution of goods, in the provision of services, in the management of economic and social production (including the human factor of production), and in the regulation and control of economic and social life (Jamrozik, 1988). It is sufficient to look at the changing and rising skyline of central business districts in our cities and to listen to the radio or glance at the daily press to see how significant this shift of human resources has become.

Indeed, if we look at the changing employment pattern in the structure of industries we see a massive shift of human resources from material production to what may be called 'management industries'. Using the classification of the Australian Bureau of Statistics (ABS), I include in the management industries three sectors: finance, property and business services; public administration; and community services. Between 1966 and 1988, while the total employment in Australia increased by 52 per cent, employment in the management industries increased three times faster by 157 per cent, and 59 per cent of the total increase in employment came in these industries (Table 1). Furthermore, these industries now account for one-third of all employment but they employ 41 per cent of all employed persons with post-school qualifications and over two-thirds (69.3 per cent) of all employed persons with tertiary degrees. Consequently, over three-quarters of people in professional occupations are employed in these industries (Table 2).

In terms of employment numbers, the largest of the three sectors in the management industries is the community services sector, which includes health, education, welfare and religious institutions, and other related services. Currently, community services account for about 17 per cent of all employed persons, for 25 per cent of all employed persons with post-school qualifications, and for 41 per cent of all employed degree holders. Furthermore, of all sectors of industry community services employ the largest proportion of women: 28 per cent of all employed women, 60 per cent of all employed women with post-school qualifications, and over three-quarters (77 per cent) of all employed female degree holders (ABS, 1988, Cat. No. 6235.0). Of all employed women classified as professionals, 88 per cent are employed in the three sectors of the management industries and close to three-quarters (73 per cent) are employed in community services alone.

There are many good reasons for submitting community services to a closer scrutiny when considering issues of social policy. First, there is relatively little systematic knowledge about the actual working of the organisations in community services, because there are few, if any, recent studies of these organisations as such. For example, in the volumes of Issues Papers and Background/Discussion papers published by the recent Social Security Review there has not been a single paper on the operation of the Department of Social Security itself. Similarly, there are not many good critical studies of health services, or education services.

Another reason is that in contrast to the numerous studies of welfare recipients, especially of the 'poor', no comparative studies are conducted of the providers of services. In the concern about the cost of community services, little weight seems to be given to the economic significance of the fact that the 'cost' of services consists primarily of the income of service providers. Yet, it is this aspect of community services that to a large extent affects the operation of these services and the role they perform in the implementation of social policy and in the market economy.

A number of reasons may also be advanced to justify a focus on conflicts in the use of human resources in community services. First, human resources have received, rather traditionally, relatively little attention in Australian social and economic policy and this is the context in which community services - great users of human resources - are developed and provided. Second, community services are an important part of the social wage, essential to people's functioning in the market economy and, indeed, enabling the market economy to function. Third, in the Australian context there is no agreement among policy makers and among services providers, nor in the community more generally about the role

TABLE 1: CHANGES IN EMPLOYMENT 1966-1988: ALL INDUSTRIES, MANAGEMENT INDUSTRIES AND COMMUNITY SERVICES, AUSTRALIA

Period (Years)	Persons Employed		
	All Industries N('000)	Management Industries N('000)	Community Services N('000)
1966-1988			
1966-	4823.9	945.4	486.0
% of all employed	100.0	19.6	10.1
1988: All employed	7330.1	2427.6	1304.9
% of all employed	100.0	33.1	17.8
% increase since 1966	52.0	156.8	168.5
<hr/>			
1966-1972			
1972: All employed	5609.9	1271.0	663.9
% of all employed	100.0	22.7	11.8
% increase since 1966	16.3	34.4	36.6
1972-1975			
1975: All employed	5841.3	1501.2	793.2
% of all employed	100.0	25.7	13.6
% increase since 1972	4.1	18.1	19.5
1975-1983			
1983: All employed	6241.1	1965.8	1077.3
% of all employed	100.0	31.5	17.3
% increase since 1975	6.8	30.9	35.8
1983-1988			
1988: All employed	7330.1	2427.6	1304.9
% of all employed	100.0	33.1	17.8
% increase since 1983	17.4	23.5	21.1

Source: ABS (various years), *The Labour Force Australia*, Cat. No. 6203.0, 6204.0.

TABLE 2: EMPLOYMENT: INDUSTRY AND EDUCATIONAL ATTAINMENT FEBRUARY 1988
(N = '000)

Type of Industry	All Employed Persons*	With Post-School Qualifications		Without Post-School Qualifications
		All with Qualifications	With Degrees	
All industries				
N	7219.1	3370.2	738.8	3727.8
%	100.0	46.7	10.2	51.6
Material production				
- N	2353.4	1057.5	110.5	1283.2
- %	100.0	44.9	4.7	54.5
- % of all employed	32.6	31.4	15.0	34.4
Services: distribution				
- N	2014.2	723.3	87.5	1197.8
- %	100.0	35.9	4.3	59.5
- % of all employed	27.9	21.5	11.8	32.1
Management industries				
- N	2330.0	1392.1	513.9	932.1
- %	100.0	59.7	22.1	40.0
- % of all employed	32.3	41.3	69.6	25.0
Recreation, personal services				
- N	521.6	197.4	27.0	314.8
- %	100.0	37.8	5.2	60.4
- % of all employed	7.2	5.9	3.7	8.4
Material production	=	agriculture and other primary; mining; manufacturing; electricity, gas, water; construction		
Services: distribution	=	w'sale and retail trade; transport and storage; communication		
Management industries	=	finance, property, business services; public administration and defence; community services		
Recreation, personal services	=	Entertainment, restaurants, hotels, personal services, domestic services, etc.		

* Includes persons still at school

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

of these services or about the responsibility for these services. Fourth, the lack of attention given to these issues in policy making and the administration of services, as well as in research and writings on social policy, leads to certain outcomes which make community services vulnerable to attack from the opponents of the welfare state. Finally, conflict rather than consensus appears to be the normal state of affairs in community services - whether we look at health services, education, child care, child and family welfare, or services for the aged. Over the past few years there probably have been more strikes in health services and education than in any other industry.

Conflicts in community services about aims, values and interests occur at all levels of service provision and they are multidimensional. For example, there are conflicts:

- between public and private interests
- between policy makers, administrators and operators at the level of service delivery
- between service providers and service recipients
- which are inter-professional and inter-organisational.

Indeed, conflict is inherent in community services and reasons for it are many. Community services are instruments of social policy - that is, instruments of government power - and they are also instruments of the dominant interests in the society. Thus, whether we perceive our society as a society of pluralistic interests or as a class society, it is to be expected that conflicts - whether overt or covert - will be the normal state of affairs in the organisations which represent, as it were, these interests.

2. COMMUNITY SERVICES

The community services sector is a large and diverse field of provision which consists of human rather than material resources, such as health, education, welfare, recreation, leisure, religion and related services. In the social sphere, what the community services provide is the knowledge and skills of the professional and para-professional personnel who operate on people rather than on things: they manage, organise, teach, control, heal, cure, counsel, adjudicate, examine, research, advise policy-makers, make and implement policies, and a host of other related things. They provide services which facilitate other people's social functioning, or services which control and often inhibit other people's social functioning. In discharging these functions they make the market economy viable, but they also reproduce and often reinforce the inequalities generated by and inherent in that economy.

In functional terms, in relation to social and economic organisation the professionals in community services play an important role in maintaining the supply of labour for the market, in the reproduction of the labour force, and in taking care of the human residue of the market economy - the unemployed, the disabled, pensioners, and so on.

In terms of social policy, community services contribute one of the two instruments through which policy is implemented, the other instrument being cash transfers - pensions, benefits and tax concessions. In a well developed welfare state on a social-democratic model, both services and cash transfers become integrated with the economy as **primary social provisions**. However, in a limited welfare state (or in what may be called welfare capitalism) in which the market is the dominant force in the allocation of resources, community services still perform the role of **primary provisions** the access to which is essential to a person's **social functioning**, while cash transfers - pensions, benefits - perform the role of the **safety net** ensuring the recipients' **physical survival**. Exception needs to be made here for tax concessions which perform mainly the role of hidden welfare for the affluent.

These definitions and distinctions can be seen in the conceptual framework which has been outlined in a number of publications (e.g. Jamrozik, 1987; Jamrozik and Boland, 1988; Graycar and Jamrozik, 1989). In this conceptual framework (Figure 1) the welfare state is perceived as a political organisation which comprises both the public and the private sector of the economy, as well as an 'intermediate' sector and, in addition to its function of maintaining social order and social control, it performs the roles of ensuring the physical survival of its citizens and enhancing their social functioning. These two functions provide the necessary conditions for the market economy to operate: the state provides the material and human infrastructure of resources; ensures the reproduction of the labour force; ensures the

consumption of market products; provides the protection of law and order; and takes care of the human residue of the market economy.

As primary social provisions, community services are thus of great importance, equally in a developed welfare state as in a limited capitalist welfare state (Marshall, 1981). However, despite the growth of community services in terms of employment and resource allocation there is considerable body of evidence which indicates that these services do not achieve the aims of social welfare policy, if that policy is to be understood as aiming towards greater equity and equality in the allocation of resources and outcomes. On the contrary, research evidence indicates that community services tend instead to benefit the more affluent middle classes and in doing so they are instrumental in replicating or even reinforcing the inequalities generated in the market economy rather than alleviating these inequalities (e.g. Le Grand, 1982; George and Wilding, 1984; Anderson and Vervoorn, 1983; Sweeney and Jamrozik, 1982, 1984; Drury and Jamrozik, 1985; Boland and Jamrozik 1987; Jamrozik 1983, 1987).

The reasons why community services do not function as they are ostensibly expected to do are both internal, that is, related to the nature of these organisations, and external, that is, related to the social, political and economic environment and to government policy. The effect is that community services are expected to achieve a range and diversity of aims, values and interests which are not compatible with one another, thus leading to tensions and conflicts in policy as well as in administration in service delivery. To illustrate these issues I will briefly consider some of the external factors, namely, the attitudes to human resources, the commitment to welfare, and the policies of the present government. I will then look at some of the internal factors and illustrate these by examples from the field of education, health and child care. I want to point out, however, that the external and internal factors are not independent from each other; indeed, they are interrelated and often mutually interdependent and reinforcing each other.

3. EXTERNAL FACTORS IN COMMUNITY SERVICES

Attitudes to Human Resources

Traditionally, it has been a feature of Australian society that human resources have received relatively little attention in comparison with material resources. As a result, while the country has been well endowed with material resources and their exploitation receives much attention, the development of human resources has been neglected. This leads to frequently encountered shortages of human skill and expertise, thus creating severe economic problems, such as the dearth of geologists in the early 1960s or of aircraft engineers in the late 1980s.

To overcome shortages of human resources, Australia has resorted to 'importing' these through immigration. However, immigration policy is an area which illustrates the ambivalent, if not outright neglectful, attitude to human resources. For over 40 years now a substantial proportion of the labour force has been provided by immigrants. Throughout much of this period, emphasis was manifestly given to the economic aspects of immigration and priority given to immigrants with occupational qualifications and experience. Yet to this day immigrants, especially those from the non-English speaking countries, have considerable difficulties in having their qualifications accepted. Some progress might have been made on this issue in recent years, but the problem is repeated with each new wave of immigrants. How much waste of human resources has been incurred through these attitudes and what potential loss to the economy has been incurred is open to intelligent speculation, but must have been substantial.

The waste of human resources has been not only in the economic value but also in the social and political aspects of Australian society. Notwithstanding the proclaimed policy of multiculturalism, Australian social institutions have remained largely impervious to cultural influences from non-English speaking countries - they have remained largely monocultural. In the attitudes to education generally, only now there seems to be some recognition of the problems resulting from the neglect of education over many decades, although it is rather problematic whether the policies which are now advocated will produce the desired results.

FIGURE 1: SCHEMATIC MODEL OF THE WELFARE STATE

Maintaing Functions	Facilitating Functions
Provisions related to recipients' survival	Provisions related to recipients' social functioning
<p data-bbox="576 595 935 624">1. The State (the Public Sector)</p> <p data-bbox="448 658 1059 687">Aggregate allocations - Administration - Service delivery</p> <div> <div data-bbox="118 754 381 844">Direct cash transfers (e.g. pensions, benefits - means tested)</div> <div data-bbox="756 754 1169 844">Services mediated/delivered by administrators and professionals (e.g. health, education, child care, etc.)</div> </div> <p data-bbox="504 945 1003 974">Universal cash transfers (e.g. Tax concessions)</p> <div> <div data-bbox="118 1041 376 1070">Unemployment benefits</div> <div data-bbox="756 1041 1035 1070">Public sector employment</div> </div>	
<p data-bbox="464 1171 1043 1200">2. Intermediate (State/Private 'Non-Profit' Sector)</p> <p data-bbox="509 1234 999 1263">'Voluntary' organisations and religious bodies</p> <div> <div data-bbox="118 1330 469 1420">Direct transfers (e.g. emergency relief assistance cash, food vouchers)</div> <div data-bbox="756 1330 1163 1420">Health, education, early childhood services, Publicly financed/subsidised employment</div> </div>	
<p data-bbox="557 1520 956 1550">3. The Market (the Private Sector)</p> <p data-bbox="493 1583 1019 1612">Production and distribution of goods and services</p> <div> <div data-bbox="118 1680 440 1736">Low-grade employment (manual, unskilled, part-time)</div> <div data-bbox="756 1680 1023 1769">High-grade employment (professional, technical, managerial, executive)</div> </div> <div> <div data-bbox="118 1803 464 1859">High-cost credit (e.g. hire purchase, home loans)</div> <div data-bbox="756 1803 1163 1859">Financial and commercial market (investment, credit, capital formation)</div> </div>	

Source: Graycar, A. and Jamrozik, A. (1989), **How Australians Live: Social Policy in Theory and Practice**, Melbourne, Macmillan.

Commitment to Welfare

Australian society may be regarded as having some features of the welfare state but not a welfare state on a social-democratic model. At best, it may be described as a society with some features of welfare capitalism. Indeed, as it is argued in some recent literature (McIntyre, 1985; Saunders, 1987; Castles, 1988) the commitment to welfare-state policies in Australia has been and continues to be rather weak. Community services is an area of service provision which demonstrates how weak and uncertain is the commitment of Australian society and its successive governments to the aims and principles of the welfare state even in its limited forms. After close to 90 years since Federation, the issue of responsibility let alone the form for such essential services as health or education are still on the political agenda. As commented by Peter Saunders in relation to health services,

That the very existence of a public health system is still on the political agenda in this country - a proposition that is absurd even in Britain and unthinkable in most European countries - is a telling testimony to the immaturity of commitment to the welfare state in Australia. (1987, p. 45)

As a result of this immaturity of commitment, community services in any given form have an assured life-span of three years at the most (the maximum period between Federal elections) and are subject to variation in the intervening years. Beyond this, their existence and form are uncertain because there is always the party in opposition which promises to change things or abolish things when it comes to power.

Social Policies of the Present Government

In narrowing the issue of external factors in community services to the social policies of the present government, it is increasingly evident that the fundamental conflict or incompatibility in these policies is between the proclaimed philosophy of a party which claims to be social-democratic, which in turn rests on a philosophy of an egalitarian welfare state, and the pursued policies of a 'free' capitalist market economy which rest on a philosophy of inequality characteristic of a class society. From this fundamental incompatibility of aims and values - and by implication, interests - flow conflicts and incompatibilities of aims, values and interests into all areas of social and economic life.

Whatever the rhetoric emanating from the Government or the Opposition, the social policy currently followed in Australia has most of the features of selectivity, residualism, and subjugation of social objectives to the demands of a capitalist market economy. Certainly, that is how the policy is seen by outside observers. For example, writing recently about 'social welfare down under', Carson and Kerr (1988:70-82) point to the high degree of similarity between the policies of Hawke Labor in Australia and Thatcher Conservatives in Britain.

It is by now fairly clear, or it should be, that a policy of 'fix the economy first' by freeing the market from public restraint before social reforms can be undertaken does not work in practice. A 'free' market economy is based on inequality and is therefore incompatible with a social policy which aims to achieve at least a degree of equality. Moreover, it is also fairly clear that the economy has not been 'fixed' either, even after six years. As I have stated elsewhere, a policy of promise has now been replaced by a policy of gloom, while social and economic inequality continues to increase. It is this legitimization of inequality that has been perhaps the most significant feature of the trend in social policy over the last decade or so (Jamrozik, 1989:120). Since 1975 the feature of social policy has been selectivity and increasingly residualism, which now has been given a new name of 'targeting'.

4. INTERNAL FACTORS IN COMMUNITY SERVICES

As noted earlier, community services are labour-intensive industries which provide mainly intangible personal services rather than material goods and services. On that score the allocation of resources, the provision of these services, and the outcome of administrative arrangements and methods of service delivery are distinctly different from social services in the form of cash transfers (see Figure 2).

These distinctive features of community services render them susceptible to certain tensions and conflicts which are inherent in all organisations in which administrative and professional interests are made to work together, in which aims and objectives are not always clear, and in which the public collective interests and the private individual and group interests are not easily reconcilable.

Public and Private Interests

Community services are seen to be a part of the public sector of the economy but this is not entirely the case. It would be more appropriate to define them as a publicly-funded sector. There are good reasons for such a definition. First, many community services are in the private sector, such as private schools, hospitals, clinics, nursing homes, and a host of diverse services which go under the name of 'voluntary', 'non-profit' and/or 'religious' organisations. Second, many private agencies, in welfare as well as in health and education, operate entirely or substantially on government subsidy (see Graycar and Jamrozik, 1989, Chapter 6).

According to the ABS classification, (ABS 1988, Cat. No. 6248.0) as at August 1987, close to two-thirds (63 per cent) of wage and salary earners employed in community services were employed in the public sector, in contrast to all industries where the average was less than one-third (30 per cent). Table 3 shows that of the four sub-sectors classified by the ABS, the highest proportion of private employment was in welfare and religious organisations (81 per cent), followed by health (45 per cent), other community organisations (38 per cent) and education (20 per cent).

In Australia, participation of the private sector in community services, especially in welfare, has been strong since early colonial days. In child welfare, children's homes of all kinds have been operated by private organisations with the support or entire funding from the government. Similarly, early asylums for the aged, maternity hospitals and homes for unmarried mothers were operated by private organisations. The 'contracting out' of services in child welfare is again widely practised in all States, and in the provision of homes and hostels for the aged private enterprise is quite substantial.

Two other features of community services need to be noted in regard to the public/private distribution of services. First, community services, whether public or private, provide the legal and material infrastructure for private practice, some of it very lucrative, such as the legal system which is public, even though most solicitors and barristers are in private practice. Similarly in health services, there are public hospitals and there is Medicare but most medical practitioners who use this infrastructure are private practitioners. Second, government subsidies paid to private community services are not only for operating (or recurrent) expenditure but also for capital expenditure which, of course, represents a transfer of public funds to private corporations.

It is not difficult to see that the public/private division in community services has been and continues to be a source of tension and conflict. For example, in New South Wales, specialist medical practitioners have for many years threatened to withdraw their labour and have on occasion withdrawn their labour for long periods of time. In the welfare sector, private agencies which rely on government funding have to adjust their policies and practice according to the changing policies of governments, not always with the best outcomes for the recipients of their services. Competition for clients is another area of conflicting aims, values and interests in community services.

The current trends towards privatisation, if it is to continue, does not augur well for the future of community services. The more private interests are allowed to prevail, the more the public sector in community services is reduced, and more inequality in access to these services is a predictable result. The history of private welfare in Australia, as in Britain or the United States, does not present a picture of great benevolence and generosity.

Interests of Service Providers

The interests of service providers cannot be overlooked as an important variable in the operation of the community services system. Community services are a labour-intensive industry and most of the costs of the services represent

**FIGURE 2: CASH TRANSFERS AND SERVICES:
CHARACTERISTIC FEATURES AND PROCESS OF ALLOCATION**

Cash Transfers		Services	
Characteristic Features			
1.	Tangible (quantitative)	1.	Intangible (qualitative)
2.	Value determined in money terms	2.	Not easily determined in money terms
3.	Entitlement determined by legislation and administration	3.	Entitlement determined by administrators and service providers
4.	Value allocated = value received	4.	Value allocated cannot be equated with value received
5.	Immediate benefit	5.	Benefit not always immediate
6.	Mainly maintaining function	6.	Mainly facilitative function
7.	Cost = benefits received	7.	Cost = income of service providers
Process of Allocation			
↓		↓	
Aggregate allocation		Aggregate allocation	
Units of allocation		Units of allocation	
- direct to individuals, families		- to departments, agencies, schools, hospitals etc.	
Administration - relatively simple		Administration - complex	
- few intervening variables		- many intervening variables	
Transfer (bank, post)		Transfer - mediated through diverse bodies	
Recipient - receives the benefit		Recipient - does not necessarily receive the benefit	

Source: Graycar, A. and Jamrozik, A. (1989), **How Australians Live: Social Policy in Theory and Practice**, Melbourne, Macmillan.

**TABLE 3: WAGE AND SALARY EARNERS:
PUBLIC AND PRIVATE SECTORS, AUSTRALIA, AUGUST 1987**

Category	All Industries		Community Services	
	N('000)	%	N('000)	%
All Employed	5779.4	100.0	1235.7	100.0
Private	4034.1	69.8	456.7	37.0
Public	1744.7	30.2	779.0	63.0
- Commonwealth	436.5	7.6	54.9	4.4
- States	1152.1	19.9	723.0	58.5
- Local	156.7	2.7	1.1	0.1
<hr/>				
Community Services				
Health Services			512.2	100.0
- Private			228.1	44.5
- Public			284.1	55.5
Education, Museums, Libraries			468.6	100.0
- Private			92.3	19.7
- Public			376.3	80.3
Welfare & Religious Institutions			93.7	100.0
- Private			75.7	80.8
- Public			18.0	19.2
Other Community Services			161.2	100.0
- Private			60.6	37.6
- Public			100.6	62.4

Source: ABS (1988), Employed Wage and Salary Earners, Australia, September Quarter 1987, Cat. No. 6248.0.

the income of service providers, be they the administrators or the professionals who work at the service delivery level. In addition to income, the services offer the providers career structures, social status, and professional authority and power, often reinforced by state authority and power.

An important aspect of professional authority is the ability to define authoritatively the nature of an issue or problem. It is the providers of services, as well as the professional analysts and researchers, who individually and collectively define what social issues are. While their definitions might not always be accepted by the community or the government of the day, the influence of professional definitions of social issues is nevertheless significant. In defining the nature of issues the professionals in community services also influence the processes of resource allocation (Donnison and Chapman, 1965).

However, the providers of services do not only influence the demand for services and allocation of resources but also play a role in determining who gets the service and of what quality. It is this latter role that brings in the issue of inequality in access to services. Even where services are universal, as shown by the studies in Britain (Le Grand, 1982; George and Wilding 1984) and in Australia (e.g. Sweeney and Jamrozik, 1984; Jamrozik, 1987), show that access to services, both quantitative and qualitative, is related broadly to the recipient's social class. Class interests are present in the perceptions and actions of administrators and professionals in community services as well as in the analyses and interpretations of researchers in policy-relevant issues. These interests are then articulated by organised lobbies in which providers of services are often actively involved and become influential in resource allocation by governments.

In sum, considering the complexity of the processes in resource allocation and service delivery, and the multidisciplinary nature of the personnel employed in community services, in addition to the lack of clarity about the functions these services are to perform and ideological differences, conflicts about aims, values and interests in community services can be expected. Indeed, conflicts do occur at all levels of service provision - from policy making to service delivery - and the outcome is a product mediated by the aims, values and interests of policy makers, administrators and the professionals at the level of service delivery. These issues are illustrated below by examples from the fields of education and health services.

Education

In Australia the attitudes to education have been ambivalent, to say the least. At times opinions have been advanced that some young people were 'overeducated', at other times they would be seen to have 'wrong' education or that they do not have enough 'basic' education. Embedded in these arguments is the issue of inequality and an important source of this inequality is the dual nature of the education system. The system is well entrenched in primary and secondary schools and now it has started to extend into the area of tertiary education.

Over the past decade or so the private school system has grown while the public school system has shrunk. Between 1976 and 1986, enrolments in the private schools grew by 30 per cent while those in the public schools had decreased by 6 per cent. The number of teachers employed in each sector has followed suit and so have government funds. Since the change of Federal Government in 1983 there has been some attenuation in the amount of funds allocated to private schools but the trend continues to favour the private school sector.

The difference in school retention rates between the public and the private school system continues to be very wide, despite some narrowing of the gap in recent years. In 1976 retention rates to Year 12 were 29.6 per cent in public schools, 47.5 per cent in Catholic schools and 88.5 per cent in the other private schools. In 1986 the rates were 42.3 per cent in public schools, 57.4 per cent in Catholic schools and 91.2 per cent in other private schools (Department of Employment, Education, and Training, 1987).

The effect of these differences is clearly seen in the transition from school to tertiary education. In 1986 the proportion of university entrants in relation to school leavers in the previous year were 18.4 per cent for leavers from private schools, three times the rate for leavers from public schools (6.5 per cent). As a result, while 22.6 per cent of school leavers in 1985 were from private schools, they accounted for 45.1 per cent of university entrants in 1986. This situation has shown very little change since 1983 (ABS, 1983; 1986, Cat. No. 6227.0).

It would be a utopian proposition to suggest at present that the dual school system should be abolished, but it is reasonable to argue that resources be provided and other necessary steps be taken to at least reduce the inequalities emanating from the present arrangements. As things now are, the growth of the private schools is going to continue and so will the pressure on the government to increase its funding of that system. Public schools are increasingly perceived to be incapable of doing the job expected from them. As reported recently, people who themselves had gone through the public education system and who have since become affluent now send their children to private schools, believing that these schools offer their children a better preparation for tertiary study and for later life (Pakula, 1988; Susskind, 1988). The dual school system does not only lead to inequalities; it is also socially divisive and instrumental in the maintenance and legitimization of a class society (McIntyre, 1985:115).

Health

Health services constitute another important area of community services which is ridden with conflicts of aims, values and interests at all levels of service provision, from policy making to service delivery. It is also the field which demonstrates the weak commitment of successive governments in Australia to the welfare state. It is the second time now that the Labor Government has introduced a universal health scheme but its survival is far from assured. Moreover, there might be a universal health scheme in existence but in reality there are a variety of health service systems in operation.

First, there is a division between the public and the private health system but this division is not clearcut. There is a completely private health sector with its own hospitals and clinics and there is the public health sector which is a 'hybrid' sector, as private medical practitioners use it for their practice. The framework of Medicare plus private insurance schemes also add to the variety and inequality.

Then there is an interesting situation, as in New South Wales, where there is a shortage of beds in public hospitals and patients have to be transported at times around the metropolitan area or even interstate, to find a vacant bed, while under the auspices of public health services a range of programs is available which are related to a healthy life style but hardly available to all. For example, the Eastern Health Services located in a public hospital in a Sydney suburb offer such programs as aerobics, assertive communication skills, China for travellers, various language courses, dance (modern and traditional), scuba diving and natural good looks for all occasions - among many others (Eastern Health Services, 1988). Courses range from two-day workshops to nine weeks in duration, and fees range from \$36 to \$295. Similar sorts of programs are available with subsidies from health services under the auspices of adult leisure learning centres (Errey and Vojsk, 1984).

It is well documented (e.g. McMichael, 1985; McGregor, 1987; Brown, 1988) that the rates of morbidity and mortality are related to social class: people in the lower social strata suffer more from such conditions as heart disease, cardiovascular disease and lung cancer; their life span is shorter than that of the people in the higher socio-economic strata. At the same time, the more affluent social strata consume more health services. However, this does not mean that they suffer more health problems but rather it means that they obtain different quality health services. The broader the definition of health services, the more unequal the access to health services becomes, both in quantitative as well as qualitative terms.

In terms of human resources, over half a million people are now employed in health services in Australia and some of them are among the highest income earners. Yet to this day there is no agreement on the responsibility for health services or on the aims those services should fulfil. Within the health service the private interests of practitioners abound as well as conflicts among the various professions employed in the system.

5. OBSERVATIONS AND CONCLUSIONS

Community services are, by definition, facilitative services, an important part of the social wage. The effectiveness of these services depends on a judicious mixture of economic efficiency and normative values. Both the development of these services as well as their provision are mediated by the aims, values and interests of service providers at all levels of service provision. It is this feature of community services that is an important factor in their susceptibility to

become instruments of inequality. Services such as education, health or child care are in principle or theory available for all who need them; however, in practice they operate selectively in qualitative and quantitative terms, and they reproduce or even reinforce the inequalities generated in the market.

Community services are important instruments of social policy. Apart from its significance for a country's economic performance (Dobell, 1981; Eide, 1981) social policy can be a force for social integration or a force for social divisiveness. Integration is facilitated by a universal approach to social policy, while selective, residual, targeted welfare provisions lead to social division. They also lead to a rather coercive welfare state, as means-testing, selectivity and targeting leads to pressures for stricter and stricter testing of eligibility. Such a policy leads to hardening attitudes towards some recipients of services while at the same time many others receive substantial benefits which enhance their functioning in the market economy but do not attract the label of 'welfare'.

The effect of social divisions in our society can be seen in the spatial distribution of certain social phenomena in urban environments. The phenomena which are seen to be social problems are always more prominent and more frequent in the lower socio-economic areas. This situation occurs even with problems which are claimed to be present in all socio-economic strata, such as child abuse or marital violence (Department of Health, New South Wales, 1986; Department for Community Welfare, Tasmania, 1988). If the problem occurs in the higher socio-economic areas, the individual or the family affected is likely to differ from the prevalent characteristics of the surrounding population. Indeed, the following proposition may be advanced,

The more a social phenomenon is perceived to be a social problem, the more likely it is that in low socio-economic areas the individual or family affected will have the characteristics similar to the population of the area, and the reverse will be true in higher socio-economic areas.

A completely reverse situation occurs in relation to services which enhance the recipient's social functioning, such as child care or higher education. That is, in the more affluent areas the characteristics of the users of such services are similar to those of the surrounding population, but they are different from the surrounding population in low socio-economic areas (Sweeney and Jamrozik, 1984).

Community services thus perform different tasks in different socio-economic areas, being more concerned with surveillance, remedial tasks and social control functions in low socio-economic areas, and with developmental, preventive and facilitating tasks in high socio-economic areas. These differences tend to apply equally to welfare services, social security, as well as to health, education, child care and family welfare. The differences in approaches, attitudes and interpretation of social phenomena thus reflect and reinforce the class divisions of a society within the capitalist market economy.

The socio-economic and class differences tend to be concealed in the official reports of government departments and private agencies by presenting the recipients in such categories as single parents, young people, the aged, etc. This one-dimensional categorisation gives an impression that each of these groups is homogeneous in socio-economic and class terms, with common interests and common needs.

Among the reasons I have suggested for the shortcomings of the effectiveness of community services is the weak commitment to welfare in Australia and the ambivalence of aims in government social policy. Partly because of this lack of commitment and ambivalence, services which are provided ostensibly on a universal basis, as soon as their value is recognised, tend to be appropriated by the more affluent, and the less affluent and the poor become excluded from access or receive services of inferior quality.

As far as social policy is concerned, it is important, indeed essential, that the problems emanating from the inherent nature of community services are recognised, acknowledged and acted upon. This is the role for researchers and the providers of services themselves. I have suggested that community services reflect and reinforce the class structure of the capitalist market economy. A class society means that people have differential access to society's resources, differential 'command over resources through time', that is, a differential access to and/or exercise of power, and that the interest of one sector of the population is in conflict with another sector or sectors. Community services certainly reflect class issues and class conflicts.

In relation to social policy, while some years ago the aim of social policy was claimed and often believed to be to establish the principles and directions through which the economy would be used to create a welfare society, now it is the other way round, that is, the aim is how social policy and community services can provide conditions suitable for the market economy. As a result, even welfare institutions have now acquired the characteristics of market institutions. Economic rationality is fast becoming the morality of the welfare state.

The six-plus years of the present Labor Government at the national level (and a number of Labor governments at the State level), while producing some positive effects on the economy, have produced these results at the cost of a growing social and economic inequality. Above all, the most significant feature of these developments in social and economic policy is the change of attitudes towards accepting inequality as an economic necessity. In order to overcome this trend, the philosophy of economic rationalism has to be put to question, especially now when the economic outcomes so confidently predicted by the government are again increasingly doubtful.

The present Federal Government has given considerable attention to the alleviation of poverty by focusing on income support measures. However valuable these measures might be, they are remedial measures and they do not tackle the structural issue of inequality. For this reason they are likely to be ineffective. Inequalities are inherent in the market economy and these inequalities cannot be eliminated by the provision of community services alone or by income support measures for the low socio economic strata. However, by paying more attention to the way the community services perform their functions we could perhaps at least attenuate some of these inequalities.

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THE EXTRA COSTS OF DISABILITY

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1. INTRODUCTION

One of the most important issues facing people with disabilities is that of the extra personal costs that they and their families incur. This chapter describes certain aspects of a study which examined some of these extra costs. It is specifically concerned with those costs incurred when people participate in community activities.

People with disabilities have come increasingly to expect that they should have the opportunity to participate as fully and autonomously as possible in social and economic life. There is a growing recognition, both on the part of government and in the wider society, that there should be a sustained effort to remove obstacles that have hitherto prevented people with disabilities from participating and, more positively, that there should be efforts to encourage and facilitate their participation.

The study described here was commissioned by the Department of Social Security to inform certain recommendations made recent Ministerial review of income support arrangements for people with disabilities (Cass et al., 1988). A major focus of this review was on the development of **enabling** policies; that is, on policies intended to encourage people with disabilities to participate in the ordinary life of the community. One of the recommendations of the Review was for a 'disability allowance' (initially to be set at \$20 per week or \$1,040 per year) which would acknowledge and help with the costs people incur when they take part in community activities. The study described here focussed specifically on those extra costs incurred by people with disabilities as a result of their participation in employment or education and training. Its principal objective was to ascertain both the amount and the nature of the extra expenditure incurred by adults with disabilities when they participate in employment or education and training and thereby to assess how far the proposed disability allowance might help to meet this extra expenditure.

2. THE STUDY

The study was of limited scale. This was partly on account of the timescale for the study. This was short, as the results were required speedily in order to inform discussion of the Social Security Review's recommendations. In fact, the study commenced in October 1988 and was completed within seven months. However, there was another reason for deciding upon a small-scale study. Although a limited number of studies of the extra costs of disability have been undertaken in Australia, to our knowledge no research concerned specifically with the costs of community participation has been undertaken here. For this reason it seemed appropriate that the present study should be exploratory and small in scale. In the light of this, it should be emphasised that the findings of this study cannot be generalised to other populations. Its value lies in the insights it provides as to the sorts of factors that might affect costs and the considerations to be taken into account in planning a larger study.

The research was carried out in Sydney and involved 60 respondents aged between 20 and 50 years. The identification of people with severe disabilities who were engaged in employment or education and training proved problematic. In the end it was decided to select participants in the study from amongst recipients of the mobility allowance and invalid pensioners who were receiving earnings from part-time employment. So that the names of these social security pensioners would not be divulged to anyone outside the Department of Social Security without their agreement, the Department wrote to recipients on behalf of the research team, to seek their agreement.

The sample was stratified on the basis of type of primary or main impairment. In the event the sample included 30 people whose primary impairment was paralysis, an amputation or musculoskeletal; 17 people with an intellectual impairment; three people with sensory impairments and four people who had psychiatric illnesses. The study included

a further six people with a range of other, often multiple, impairments which could not be accommodated within any one of the foregoing impairment categories.

2.1 Some Conceptual Issues

In the development of the study it became apparent that there was some lack of clarity about the central concept of **extra costs**. In order to determine precisely what information was needed in order to address the study's objectives, it was necessary to arrive at a working definition. Figure 1 illustrates how this was done.

In most studies, **extra costs** are simply taken to be those incurred by or on behalf of a person with a disability on account of that disability. However, given the focus of the present study, the term has chiefly referred to costs which would not have been incurred but for participation in work or study. Nevertheless, because a good deal of the expenditure incurred on account of disability amounts to a precondition of participation in the workforce or in education, information on more general disability-related expenditure was also collected.

Costs come in many guises. They may be differentiated according to whether they are economic or social, emotional, or affecting mental or physical health. Though this study took note of costs to which no monetary value can be attached, its primary concern was with economic costs.

In studies of economic costs a distinction can be drawn between the direct and indirect. In the present study information on both types was collected. Direct costs represent expenditure on goods and services required to meet the special needs of a person with a disability. Indirect costs take the form of income foregone or of financial opportunities lost, either by the person with the disability or by his or her principal caregiver(s). Three types of indirect costs were explored in the study; lost or diminished earnings; lost occupational fringe benefits; and government fringe benefits such as those which may be lost by the recipient of an invalid pension when she or he enters employment and no longer qualifies for fringe benefits on account of the amount of their earnings.

Direct costs are normally classified according to whether they are recurrent, that is, incurred on a regular basis because of continuing needs, or non-recurrent, which is to say occasional or 'one off' expenditures. In the study, both types of costs were taken into account.

The costs of disability are, of course, borne by a wide range of people and organisations, public, voluntary and private. The study focussed on those borne by the person with the disability, and where relevant, by other members of his or her income unit. However, we also looked in some detail at the other quite numerous sources of financial support which may be used by people with disabilities.

There are further ambiguities associated with the concept of 'extra costs'. While some expenditure, on incontinence items, wheelchairs and home modifications for example, is quite clearly incurred solely on account of the disability (these we might term the hard-core costs), there are other kinds of expense which can be associated with disability because they alleviate discomfort or distress, but which may also be incurred by people without disabilities for other reasons. People with disabilities sometimes need air conditioning or central heating specifically because of their condition. At the same time, a great many other people use them too, as ordinary domestic comforts or amenities. Such items were not counted as extra expenditure unless they were demonstrably necessary for the management of a specific condition.

A further ambiguity arises in connection with the concept of 'extra costs of participation'. The matrix shown in Figure 2 helps to clarify the issues.

The expenditures of which there is **direct** evidence from this study are included in the cell shown as E4 in Figure 2. However, although the expenditure of those in cell E3 can to some extent be inferred from the survey questions about the general costs of disability, a more comprehensive investigation than was possible in the time available to us would be needed to cover people with disabilities who are not working. Costs represented by cells E1 and E2 are not covered at all by the study.

**FIGURE 1: COST OF DISABILITY
SCHEMA USED FOR STUDY OF THE EXTRA COSTS OF PARTICIPATION**

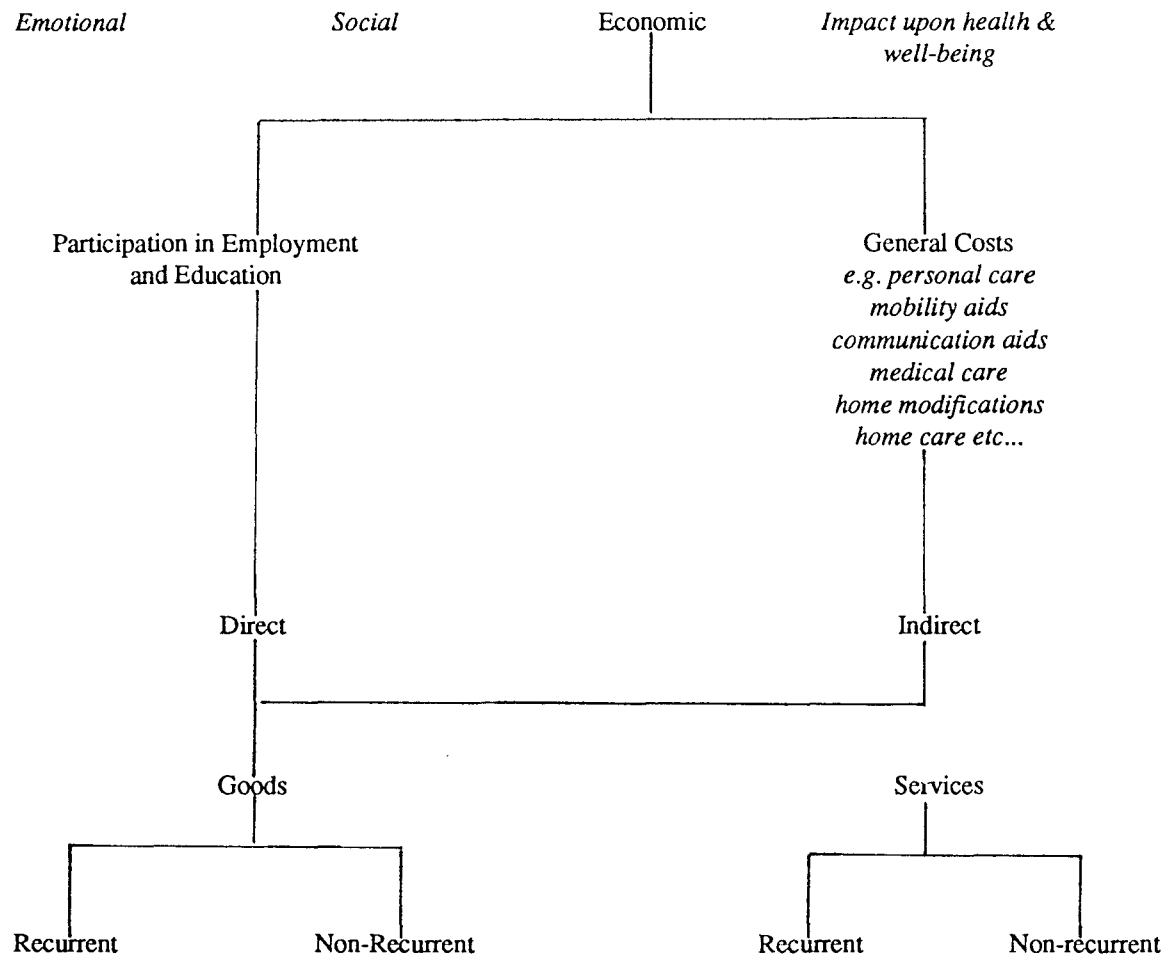


FIGURE 2: EXPENDITURE ACCORDING TO WORK AND DISABILITY STATUS*

	Not Working	Working
No disability	E1	E2
Disability	E3	E4

* A corresponding table relating to education and training is implied.

2.2 Method of Data Collection

Information was collected by means of a personal interview conducted in the respondent's home. In order to obtain information in a standardised form a structured interview schedule was used. However, in the process of the interview a great deal of anecdotal information was collected, which provided some of the most valuable insights into the meaning of disability and the complex economic difficulties which people can find themselves facing as a consequence.

The interview schedule obtained detailed information on the amount and type of expenditure incurred by respondents by virtue of their participation in employment or education and training. The questionnaire also included information on general disability-related expenditure on such items as special diets and food preparation, equipment for the management of incontinence, medical care, car and car modifications, travel costs, footwear, special clothing, communication aids, heating and air conditioning, home modifications, mobility aids, special equipment and furniture, phone and power bills, home maintenance and repairs and home care and personal care. Information was also collected on the indirect costs of disability, for example on the perceived effects of disability on earnings, job opportunities, promotion, fringe benefits and job search. Information on the effect of the respondent's disability on the employment and thereby the earnings of his or her main caregiver was also collected. Finally, in order to be able to relate expenditure to personal and social circumstances, detailed information was also sought on the respondent's disability(ies) and level of dependency, family composition, employment status, earnings and income.

3. THE RESULTS

3.1 Direct Costs

Two broad clusterings seemed to emerge. One consisted of the 33 people with physical and sensory impairments, and the other of the 21 people who were intellectually impaired or who had a psychiatric illness. There were also six people whose impairment was such that they could not confidently be placed in either of these two main clusterings.

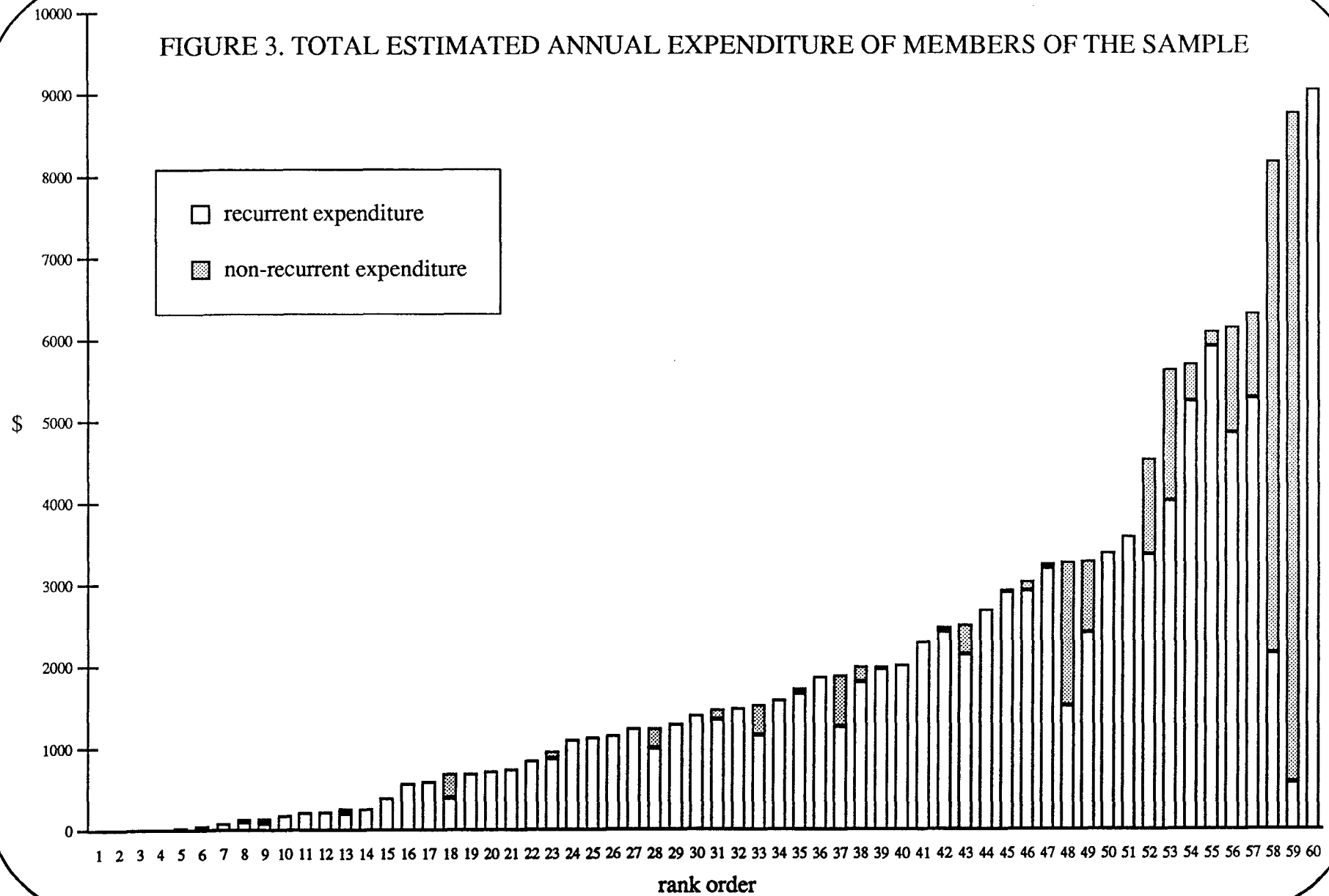
Although, according to the scale of dependency developed for the study, the people with physical or sensory impairments were less often highly dependent than those with intellectual impairments (but not those who had psychiatric illnesses or those in the 'other' category) they were relatively more likely to have a severe difficulty with mobility and to be incontinent. People with physical or sensory impairments were more likely than people with intellectual impairments or psychiatric illnesses to be married and in 'open' or general employment, in contrast to sheltered employment. They also tended to have higher incomes. No person in the study with an intellectual impairment or a psychiatric illness was currently living in a stable union and only two were in 'open' employment. People with physical and sensory impairments were also more likely to be among those who had high expenditure on their disabilities.

Notwithstanding the contrasts between these broad clusterings, there was very considerable variation in respondents' annual expenditures, even within them. Figure 3 presents the overall expenditure of the 60 people in the study, that is, the combined expenditure on participatory and more general disability-related items. At the lowest end, two respondents incurred no expenditure at all on account of their disabilities. At the top end, three respondents spent over \$8,000 per year each. The mean annual expenditure was \$2,076 and the median was \$1,445. It will be observed from Figure 3 that in the majority of cases recurrent expenditure constituted a far higher proportion of total expenditure than non-recurrent. There were, however, some marked exceptions, particularly at the upper end.

Table 1 provides a summary of the expenditure according to whether it was 'participatory' or 'general disability-related', as well as according to whether it was recurrent or non-recurrent. Not surprisingly, the large overall variation is also reflected in these sub-categories of expenditure.

There is insufficient space here to provide a comprehensive account of all forms of expenditure, but brief descriptions of the expenditure incurred by particular individuals in the sample may serve to bring the numbers to life and to highlight some of the issues relevant to policy. At the time of the interview 35 respondents were in full or part-time work. Thirty one of the 35 respondents who were employed at the time of the interview had incurred some recurrent

FIGURE 3. TOTAL ESTIMATED ANNUAL EXPENDITURE OF MEMBERS OF THE SAMPLE



expenditure in the year preceeding the interview because of this activity. In general the main component of expenditure was travel to work.

The person who spent most on travel was a woman with cerebral palsy. Although the gross earnings from her employment as a telephonist were only \$15,000 a year she had spent \$4,800 over the past year to make her 40 km journey to and from work. The severity of this woman's disability meant that she was neither able to use public transport nor to drive herself. She therefore had to rely upon taxis to take her to work. It was fortunate that she qualified for the New South Wales Urban Transit Authority's taxi subsidy which effectively halves the cost of travel. But in view of the level of expenditure she incurred despite the subsidy, it is hardly surprising to find that only one other person in the sample relied upon taxis to transport them to work.

Three people in the sample incurred non recurrent expenditure related to their work. Two of these had sensory impairments. Their expenditure on non-recurrent items for the period of their current job was \$16,296 and \$25,141 respectively. This high expenditure was clearly related to their personal and social circumstances. They were both part of households where there were two professional incomes, and in neither case were there dependent children. In addition, their incomes were enhanced by the non-means tested invalid pension for blind people.

It is worth noting that although nine other respondents had non-recurrent requirements, involving one off payments, these were met from sources outside the income unit. In some cases these sources were numerous. For example, one respondent with a high level of quadriplegia was provided with a manual wheelchair for work through the Program of Aids for Disabled People (PADP), and with an electric wheelchair by a group of friends. His employer made a special adjustment to his work area. His brother gave him a desk, which his grandfather adjusted for his use, and Home Care visited his workplace free of charge three times a day to attend to his personal care needs.

This example demonstrates two points. First, that the individual's level of expenditure does not necessarily reflect his or her level of need. Second, that the social and economic resources people bring to their situations have an important influence on how far their needs are satisfied. Knowing how to access formal support services as well having a well-resourced informal support structure is likely to make a substantial difference to the satisfaction of people's needs, and also to the amount of expenditure they themselves will have to meet.

The contrasting example of another respondent with quadriplegia adds emphasis to this point. This man was also provided with an electric wheelchair through PADP. Whilst operating, the chair made a significant difference to his life. However, once the batteries had worn out neither he nor his family could afford to replace them. Reluctantly, he returned the chair to PADP.

Twenty-four people in the sample were participating either part-time or full-time in an education or training program. The range in recurrent expenditure for this group was again very wide, from a low of \$70 to a high of \$5,000 a year. The main component of expenditure was the cost of the educational/training courses themselves, particularly for those attending Activity Therapy Centres (ATCs). In fact, four of the respondents who were attending an ATC paid over \$3,000 a year in attendance fees, which included their transport. Receipts presented during interviews indicated that the four respondents paid over 95 per cent. of their invalid pension on the combined cost of their ATC and group home. Their parents complained that they heavily subsidized their offspring by purchasing furniture and bedding for their hostel rooms as well as by paying for clothes and entertainment expenses.

Apart from participatory expenditure, all but three people incurred some recurrent, general disability-related expenditure. Amounts ranged from \$1 to \$4,255 in the year preceeding the interview. The mean was \$760, with the largest amounts being spent on private health insurance, incontinence items and treatment and therapy fees, as, for example, on naturopaths, physiotherapists and podiatrists.

The person who spent least on his recurrent needs helps to demonstrate the complex economic arrangements which people who have disabilities are sometimes led to make in order to meet their needs. This man, although working full-time, received an extremely low wage, thereby maintaining some entitlement to the invalid pension and its accompanying fringe benefits. It would certainly not have been possible for him to earn a wage that would covered both his family's living expenses and the goods and services required for his disability, particularly his mobility aids and the equipment needed for his incontinence. In his view it was therefore essential that he maintained some entitlement to an invalid pension and the accompanying fringe benefits. The prospect of the loss of fringe benefits acts as the major disincentive to this man making the transition to normal paid employment.

TABLE 1

Work-Related Expenditure		
A.	No. of Respondents Working:	35
B.	No. incurring recurrent expenditure: ¹	31
	Mean recurrent expenditure:	\$1481
	Median recurrent expenditure:	\$1112
	Range of recurrent expenditure:	\$240-\$4800
C.	No. incurring one-off expenditure: ²	3
	Mean one-off expenditure:	\$20719
	Median one-off expenditure:	\$20719
	Range of one-off expenditure:	\$16296-\$25141
Education and Training Related Expenditure		
A.	No. of Respondents in Education and Training:	24
B.	No. incurring recurrent expenditure: ¹	21
	Mean recurrent expenditure:	\$1616
	Median recurrent expenditure:	\$1224
	Range of recurrent expenditure:	\$70-\$5000
C.	No. incurring one-off expenditure: ²	3
	Mean one-off expenditure:	\$745
	Median one-off expenditure:	\$120
	Range of one-off expenditure:	\$115-\$2000
General Disability-Related Expenditure		
A.	Total No. of Respondents:	60
B.	No. incurring recurrent expenditure: ¹	57
	Mean recurrent expenditure:	\$760
	Median recurrent expenditure:	\$393
	Range of recurrent expenditure:	\$1-\$4255
C.	No. incurring one-off expenditure: ³	42
	Mean one-off expenditure:	\$8676
	Median one-off expenditure:	\$1220
	Range of one-off expenditure:	\$6-\$108 395

- Notes:
1. Refers to expenditure over the last year.
 2. Refers to expenditure over the duration of the current job or current education or training program.
 3. Refers to expenditure since the onset of the disability. All expenditure has been adjusted by the CPI to 1988 dollars.

Among the three people who had no recurrent expenditure, no evidence could be found that suggested that their basic needs were neglected. However their lives did appear to be very isolated and barren. The most obvious question in the light of the interviews conducted with them is: how far are people able to identify their own needs? This is a matter of particular concern in those cases where people are very poor and/or very isolated, and as a result have very low expectations about how their needs can or should be satisfied.

There is a difficulty in determining lifetime expenditure in these areas, particularly in cases where the onset of disability has occurred either at birth or in childhood. In these instances many of the most costly items have been acquired in childhood, the costs often borne by parents. However, as the child grows into adulthood and becomes financially independent, it becomes increasingly difficult to determine who bears the cost of the disability, and also to determine at what point in time, if ever, such a person becomes solely responsible for the financial cost of meeting his or her own needs. This is particularly the case when people continue to live with their parents, in a state of considerable dependency.

One 27 year old man with muscular dystrophy who participated in the survey was still living with his parents. They had moved to their present house when he himself was still a child, in order to be close to the school he needed to attend. The house had been extensively modified by his parents during his childhood. Now, many years later, it is part of his adult environment - the modifications made during his childhood meeting essential adult needs. However, as equipment breaks down it needs to be replaced; as his wheelchair damages the house, repairs have to be carried out and as he becomes increasingly disabled, further modifications are required. As time progresses and he accepts more financial responsibility for the costs associated with his disability, it becomes increasingly difficult to determine who is bearing which costs - the respondent or his parents. It is equally difficult to determine the lifetime costs to the respondent of his disability.

A similar, though slightly variant form of this problem occurred in those households where respondents had intellectual impairments. In these cases, because income was often pooled and the respondent had little or no say in how his or her own income was spent, it also became very difficult to say who was bearing the costs of the disability.

3.2 Indirect Costs

A majority of respondents believed that their earnings, chances of promotion and work-related benefits had been affected by their disabilities. Eighty-six percent felt that their earnings or chances of promotion had suffered, and 50 percent felt that their occupational fringe benefits had been affected.

Those who felt disadvantaged in the workplace saw this disadvantage as arising from a number of factors associated with their disability, including thinly disguised discrimination. Some saw their disadvantage as arising from the way in which the disability itself limited their capacity to perform as able-bodied people and affected their choice of employment. Often it was the poor fit between particular job requirements and the available opportunities which seemed to affect the job choices of these people, in much the same way as it does in the case of mothers who are restricted as to the hours that they can offer. A number of respondents vividly described the daily effort they and their helpers expended in getting ready for work and the journey to work represented a further hurdle for many people. Some felt that their disadvantage in the occupational sphere arose because of earlier educational disadvantages, such as disruption of schooling or teachers' misjudgment of their intellectual abilities. However, the most frequently perceived obstacle to full participation was the difficulty of physical access to buildings which severely limited their work options. For a number of the respondents the inaccessibility of a new workplace meant that they had been unable to take up the offer of a job promotion or better job. This is clearly a matter for which the community rather than individuals must take responsibility.

4. CONCLUSIONS

The proposed disability allowance had two purposes. First, to recognise extra costs and second to encourage participation.

An allowance set at the suggested level of \$20 a week would certainly represent some recognition of the extra costs of participation. However, the extent of this recognition would clearly vary, according to the level of expenditure. For some, such an allowance might appear quite generous, for others relatively insignificant.

The question of whether the allowance could meet its incentive objective is not as easily answered. The study did not include a control group of people who were not participating in work, education or training. Hence it is not possible to tell what type or what level of incentive would encourage people with disabilities into the workforce. However, it did seem in many cases that an allowance would need to be considerably in excess of \$20 a week if it were to compensate for the economic disincentives to participation in employment. The fear of losing invalid pension fringe benefits was raised as a matter of great concern by a number of respondents. Among the most valued of benefits were access to PADP, access to free incontinence items, and free medical care.

Many respondents felt that in the economic sphere they were doubly disadvantaged. Not only was their cost of living higher than of an able bodied person, but many had experienced other barriers which they found difficult to overcome. Many others not participating have presumably found them insurmountable. These were problems of physical access to buildings, transport and so on, community attitudes, and a lack of suitable work close to home.

Therefore, while we can only applaud the idea of encouraging people with disabilities to take an active part in the economic life of the community, an allowance of \$20 per week for this purpose represents for many of them no more than a drop in the ocean. Not only are greater financial incentives required, but a manifold, wide-ranging attack on the whole array of obstacles which still faces them.

REFERENCE

Cass, B., Gibson, F. and Tito, F. (1988), **Towards Enabling Policies: Income Support for People with Disabilities**, Issues Paper No. 5, Social Security Review, AGPS, Canberra.

**‘WALKING MY BABY BACK HOME’:
POLICY AND PRACTICE IN HEALTH SERVICES AND SINGLE PARENT FAMILIES**

Cathy Boland

1. INTRODUCTION

In terms of social policy the position of single parent families in Australia has always been one of ambivalence. This paper explores the historical nature of this ambivalence and its historical continuity and then illustrates this issue with a recent example of maternity services provisions for unmarried mothers. The purpose of this paper is to search for contemporary perceptions of unmarried mothers, and their historical sources, and the influence of demography and economy on this aspect of family life. In past years, the surveillance of single mothers was the prerogative of welfare departments, however, some of the studies reviewed herein suggest that maternity hospitals and other community health services appear to have been drawn into the surveillance of this group of women. A proposition is put forward that when health services had incorporated aspects of welfare services provision, there was a failure to take into account the problematic nature of the role of welfare services which has been discussed in the theoretical critiques of social control.

The paper is set out in five sections. The first section looks at the history of single parents from 1788 up until the turn of the twentieth century and at the foundations of the maternity hospitals which were primarily established for single mothers. The perspective of this section is set in a broader aspect of access to paid employment and the position of the family. Section 2 continues the historical perspective, and emphasises the role of the Commonwealth in direct maternity services provision which began in 1912 with the £5 Baby Bonus/Maternity Benefit. This benefit was the only direct Commonwealth provision of maternity services for three decades. The Commonwealth's next appearance on the stage, so to speak, was in 1941 with the provision of Child Endowment (introduced first by the New South Wales State Government in 1927). Section 3 examines four recent studies of maternity hospitals, the first of which was a survey of patients in 1979. It is argued that a methodological perspective of observation of individual clients, in this case single mothers, has led to a narrow focus on the clients themselves, rather than to a broader analysis of the social conditions and policies within which the whole community is enmeshed, and from which concepts of social life are created. Section 4 raises the issue of poverty and its relationship to social class and service provision as described in these studies. This issue is discussed with reference to some data from the New South Wales Maternal/Perinatal Statistics Collection. The final section aims to explore issues raised in this paper and their relation to social policy, and continuity and change in the ideological construction of the single parent family.

2. SINGLE PARENTHOOD IN COLONIAL AUSTRALIA

The structure of the ‘family’ which was the basis of white settlement in Australia was concerned with, inter alia, issues of social class, access to financial resources and marital status. The founding mother of white Australia was predominantly a single-parent mother, and a vulnerable one at that, with little access to the workforce, other than domestic service. As there were very few wives and children who accompanied the marines and officials of the First Fleet, opportunities for even that type of work were limited because the demand for servants was minimal (Summers, 1975). Convict women who became pregnant were confined at the Female Factory, where they and their off-spring were kept and provided for by the state/colony.

Summers describes the lot of the female convicts as follows:

Since there was virtually no escape from the colony which required women to be whores, there was no escaping whoredom. ... They had been transported to service the sexual needs of the males of the Colony and they were condemned for their behaviour.
(Summers, 1975, p. 270, 272)

The upper classes were distressed by the depraved behaviour of the often drunken women whose sentences were actually for life because of no access to the labour market, which at that time was based on barter. Indeed, Alford argues that, apart from domestic service, there was no real alternative work for women until the late nineteenth century when service industries, commerce, and manufacturing were established (Alford, 1988, p. 47).

There was a change in social policy during the governorship of Macquarie when issues of access to the 'labour market', the structure of the family, and social policy generally received some attention. Macquarie was concerned about the 'immorality and vice so present among the lower classes' (Alford, 1988, p. 43). He substantiated his concern with a policy of promoting emancipated convicts and the promotion of education. Under Macquarie, by 1820, one-fifth of local official public spending was on education.

Macquarie's policy of promoting emancipated convicts, Summers notes, 'was bitterly resented by the exclusivist and anti-emancipist 'Pure Merinos' who wanted a pastoral industry resting on convict labour to form the foundation of the new colony' (Summers, 1975, p. 279). Following Macquarie's departure, his idealism was soon overturned by a policy based on 'profit and punishment'. Instrumental in this reversal of policy was Commissioner Bigge who was sent to report on the Colony at the end of Macquarie's governorship. The Bigge Report of 1831 represented, in retrospect, a swing in policy from the left to the right. Land grants which had previously been allocated to emancipated convicts were, from 1831, allocated to the respected capitalists who received land grants in proportion to the capital they had to develop the land. 'The price set for land had to be a "sufficient" price, high enough, that is, to stop labourers from becoming land owners quickly' (Martin, 1988, p. 71). Under this policy, women were 'a supply of whores who could keep their men (the employed male convicts "with no encumbrances") from becoming too restless' (Summers, 1975, p. 279).

The lack of a family as the basic social institution was noted by the colonial 'intelligentsia' in the 1850s, and the interplay of capital, labour and the family was once again of concern. Wakefield argued 'that the presence of wives and children would have economic benefits by making men both industrious and stable, and less militant ... marriage produces greater anxiety for the future' (Alford, 1988, p. 43).

It was not, according to Alford, until the immigration of middle and upper class families that a 'feminine ideal' of motherhood replaced the images of 'damned whores' but middle class women were at an economic advantage, being held safely out of the workforce in the arms of marriage (Alford, 1988).

The interaction of marital status and class is exemplified in the following analysis from O'Farrell's *The Irish In Australia*.

The Irish had no comprehension of the convenient English double-standard practice in regard to morality which affirmed the highest theoretical public standards but tolerated private moral anarchy. ... Certainly colonial laxity in sexual matters, as in many others, was a challenge which no zealous reformer - indeed no civilised person - could ignore, but the drive to suppress the sexual went much further than that. How much it was a reaction to English criticism is unclear, but that contempt and snobbery always had a sexual edge. (O'Farrell, 1987, p. 153)

3. COMMONWEALTH GOVERNMENT POLICIES

By the late nineteenth and early twentieth centuries, the ideology of Australian assistance to 'deserted wives' was established, following the depression of the 1890s, in the boarding-out allowance of 1896 which was given to deserving mothers who did not drink or gamble, and were not promiscuous. These mothers were kept under surveillance by charity workers in the city and the constabulary in rural areas (O'Brien, 1988).

At about this time, public maternity hospitals were established, mainly as charitable institutions for single mothers.

In 1908 the Platform Committee of the Political Labor League had produced a program calling for the provision of maternity wards in all hospitals. (Worker in Dickey, 1976, p. 60)

Place of birth did change from home to hospital and the service also began to be used by married mothers. By 1929, 54 per cent of births took place in public hospitals, compared to only 7 per cent in 1920.

From the time of Federation until the 1970s, the only measures introduced by the Commonwealth which benefited single mothers were the maternity benefit of 1912, child endowment in 1941 and the widows' pension in 1942. The next appearance of the Commonwealth was in 1973 with the supporting mothers' benefit. Prior to this, State welfare departments had held the responsibility for supervision, registration and visiting single mothers in receipt of a pension. Even in 1974, women were eligible for supporting mothers benefits only after being on State benefits for six months. The Commonwealth took over the first six months of payment of this benefit in 1980, thus terminating reimbursements to the States under the States Grants (Deserted Wives) Act. The Act itself was repealed in June 1982.

4. SINGLE MOTHERS IN A CLINICAL PERSPECTIVE

The previous two sections of this paper briefly considered the position of the single parent family in a broad social context and the ambivalent attitude towards it which has been evident in government policies from the earliest colonial days. This section narrows the focus to four papers from maternity hospitals in Australia, which give an indication of professional perspectives on single motherhood and the effect of these perceptions in a clinical setting. The four papers discuss practices at four different hospitals in Australia. The first two papers are referred to here as Hospital 1 (Rothfield, 1981) and Hospital 2 (Normoyle, 1983) and are from New South Wales. Both these papers report results of studies conducted at these two hospitals. The two other papers are from Brisbane (Hospital 3, Tudehope, 1983) and Melbourne (Hospital 4, Yu, 1983) and discuss issues related to parent-infant attachment. In an attempt to place these studies in a wider social framework, some results from an analysis of the New South Wales Maternal/Perinatal Statistics Collection are included in the discussion in section 5 on service provision and social class.

The following discussion is a methodological and social critique of the four studies, three of which attempted to predict at birth 'abnormal parenting practices, likely to lead to child abuse or neglect' (Normoyle, 1983, p. 73). These three studies aimed to identify parents who at some time in the future might abuse their child, and were implemented as an attempt to develop preventive measures by creating an 'at risk' profile, and then targeting those 'at risk' with some type of 'support' services. Rothfield (1981) and Normoyle (1983) refer to the Kempe studies, the authors of which are well known for the identification of the 'battered child syndrome'. All three studies refer to Kempe et al. as the source of this methodology. For example,

Kempe's studies suggest that observation of parents by doctors or other staff, during antenatal consultations, observation in the labour ward and particularly within a maternity unit can be used in the identification process. (Normoyle, 1983, p. 73)

These three studies are directly or indirectly focused on single parent families. The studies are analysed here from a sociological perspective, and are compared and contrasted for the possibility of class, gender and ethnic bias. Because of similarities in the methodologies of the first two studies at Hospital 1 (Rothfield, 1981) and Hospital 2 (Normoyle, 1983), they are discussed together.

In 1979, International Year of the Child, the first of these four studies (at Hospital 1) began a six-months' survey of all obstetric patients at that hospital. The intent of that survey was the 'identification of behavioural characteristics that appear to inhibit the development of an early and secure parental/infant attachment' (Rothfield, 1981, p. 6) which 'is accompanied by an increased risk of the occurrence of physical or emotional abuse' (Rothfield, 1981, p. 8). The intent of research at Hospital 2 was similarly expressed (Normoyle, 1983).

The method used at the two hospitals consisted of observation of the mothers in the labour ward; so, the entire obstetric population at those hospitals came under what Rothfield describes as 'routine surveillance' (Rothfield, 1981, p. 8). The information obtained in Hospital 1, (Rothfield, 1981, p. 9) indicates that, at the birth of their child, the parents' visual, verbal and active responses were assessed as accepting, passive or rejecting in order to predict who would be 'at risk' (see Table 1). In the second study, Hospital 2, Normoyle also refers to direct observation in the labour ward of 'the mother's visual response, verbal response, and her actions' (Normoyle, 1983, p. 75). At Hospital 1, further information was sought on the mother's reaction to, and handling of, the infant, and whether the staff at discharge considered the parent related well, fairly or poorly to the infant.

TABLE 1: OBSERVATIONAL DATA COVERING PERIOD OF CONFINEMENT, HOSPITAL 1

Name: _____ Primp/Multip Partner: _____ Present/Not present <i>(Tick paternal response in red if different from maternal)</i>				Medical Officer: Type of delivery: Sister I/C delivery: Date of delivery: Sister I/C postnatal ward: Date of Discharge:	
Parental Reaction at Delivery	Accepting	Passive	Rejecting	Post Partum Interaction Maternal/Infant contact: Continuous/Interrupted Reason for interruption: Chosen Feeding Method: Breast/Artificial formula Reaction to infant: (a) Concerned/Unconcerned (b) Eager to touch/relevant (c) Eye contact sought Yes/No (d) Talks to baby Yes/No (e) Infant named Yes/No Handling of Infant: (a) Confident (b) Initial lack of confidence (c) Persistent lack of confidence Infant Photographed: Yes/No General Impression on Discharge: Parent/Infant Relate Well / Fairly / Poorly /	
Visual Response					
Active Response					
Infant	Apgar score	Sex	Gestation		

Source: Rothfield (1981, p. 9).

Although it could be reasonably argued that there are indeed mothers who do have difficulty in establishing an immediate bond with their infant, the question arises of how appropriate are such methodologies to predict child abuse? It appears that the nature of the project determined that observation was carried out and recorded without the parents' consent. Informed consent is technically part of the legal basis of the contractual relationship between recipients and professionals providing health care. The welfare model enters the hospital and the right to informed consent departs.

In addition to observation of the parents in the labour ward, other risk factors were identified. At Hospital 1, antenatal factors included consideration of adoption/abortion; denial of pregnancy; depression; lack of support from partner/family and isolation; over-concern with infant's future performance; and excessive concern with small problems. Post-natal factors included, inter alia, failure to name child or inappropriate name chosen; relinquishing control readily to staff concerning baby's needs; expectations developmentally beyond infant's capabilities; and negative response from partner and/or relatives to mother and/or infant. So, indirectly, single mothers are on the agenda. As for the social construction of maternity, the mothers come under surveillance and are indirectly held responsible for the actions of other adults, i.e. their partners and families.

At Hospital 2, the author identified the 'at risk' group as follows:

The most significant factors used to identify the 'at risk' group are the mother's age, marital/de facto status, socioeconomic disadvantage, social and geographical isolation, and nursing staff's concern at the mother's attitude towards her infant. (Normoyle, 1983, p. 73).

This list was extended to include mothers who 'openly discuss their anxiety about financial difficulties and marital problems ... the career orientated, may be more vulnerable' and those who experienced 'complicated deliveries and separation of the mother and infant soon after birth' (Normoyle, 1983, p. 74). Once again, it appears that the mother comes under surveillance for circumstances beyond her control; neither the families that rejected them, nor the staff who initiated the complicated interventions come under surveillance; rather, it is the mothers who 'must be initially counselled within the maternity unit' (Normoyle, 1983, p. 75) and followed up by community agencies including Baby Health Centres and child assessment clinics.

The author (Normoyle) appears to be in an ambivalent position. On the one hand, it is hoped to provide support for women to express their 'doubts and fears' (Normoyle, 1983, p. 79). Yet at the same time such a revelation deems that the client is 'at risk'. Rothfield (1981) and Normoyle (1983) appear to be reluctant to point out that community agencies include State welfare agencies which have legislative obligations to provide surveillance of families in which children are considered to be 'at risk'. Single parent families, almost by definition, have traditionally been placed in that category.

By identifying anyone who experiences 'marital/defacto breakdowns, socioeconomic disadvantage and isolation' (Normoyle, 1983, p. 75) as 'at risk', certain methodological assumptions are implied, mainly that these risk factors are reliable predictors of child abuse. A review of similar research methodologies in Britain notes that the scientific validity 'of any self-styled predictive checklist is negligible' (Dingwall, forthcoming; 51), as it is statistically unlikely that everyone who is poor will abuse their children. In other words, there is likely to be a large number of what is referred to in epidemiological literature as 'false positive' identifications; that is, the method/tool of analysis incorrectly identifies subjects as having a condition, when, in fact, they do not have that condition. A research methodology of this kind also may omit some 'true negative' cases, those people who do abuse their children, but do not have the characteristics that the methodology is searching for. Dingwall refers to this as the 'proportion of abusers that lie outside that population' (Dingwall, forthcoming, p. 48).

How the two studies related to or created a philosophy of general patient 'care' at these hospitals is not discussed in the research reports. The model of surveillance set up at these hospitals could be deemed a welfare model - built on the knowledge accumulated in welfare agencies that children at risk of physical abuse or 'neglect' have historically been from poor families (Sweeney, 1989). Such a model ensures that service providers' concerns about appropriate/inappropriate behaviour determine the outcome, as was similarly the practice concerning the recipients of the boarding-out allowance at the turn of the century (O'Brien, 1988).

The first study indicated that those deemed to be 'at risk' could be identified and targeted, to 'bridge the gap between the hospital and community based welfare services', provided the clients exhibited a 'readiness ... to seek ongoing support from a less familiar welfare source' (Rothfield, 1981, p. 6).

Table 2 presents the type of information sought from the mothers at Hospital 1. This included, inter alia, information concerning attendance at physiotherapy classes and films, causes for anxiety, understanding of the word 'motherly', understanding of the stages of delivery, feelings on first receiving infant, understanding of the word 'bonding', name of infant, availability of paternity leave, time to feel confidence in interpreting and meeting the needs of the infant. On first analysis, how do these criteria relate to issues associated with ethnic diversity in Australia? It is a well established knowledge that attitudes, norms and professional practices in these matters differ considerably among ethnic groups. Therefore, if the data in Table 2, from Hospital 1, (Rothfield, 1981, p. 9) is analysed with this knowledge in mind, that is, in a multicultural perspective, possibly five of the seven Antenatal Categories, one of the five Delivery Categories, two of the eight Post-natal Categories and three of the nine At Home Categories seem unable to incorporate a population non-literate in English that may not have access to paternity leave. There is no consideration that these criteria may not be relevant or critical cross-culturally. The approach assumes literacy, availability and knowledge of classes and written material in many languages, which the recent review of obstetric services indicates does not exist (The Ministerial Task Force on Obstetric Services in NSW, 1989). The data in Table 2 could also be analysed from a class perspective. The data sought at that hospital appears to have ethnic and class bias, as the information appears to be directed towards middle class users of physiotherapy classes, books and baby slings. (Perhaps baby slings and the large number of 'How to Birth' books should be sold with the warning, 'failure to use these devices will lead to prosecution under the child welfare act'). How these factors were related to the mothers' 'actions' as recorded earlier in Table 1 is unstated.

Using observation of the mother as a key criterion for establishing those 'at risk', the two studies note somewhat divergent findings. The first relied on a psychological profile, and the second on a social class continuum. Study One (Hospital 1) identified 77 women out of 1,006 livebirths or 7.6 per cent of that hospital's population as being 'at risk'; nine mothers were at risk as they had experienced prolonged social disadvantage, fifteen mothers' infants had been in Intensive Care Units for longer than 48 hours, and fifty-two mothers were thought by the researcher to display an 'inability to reconcile reality' with the researcher's vision of it. The author relies on a psychological profile. The dammed if you do and dammed if you don't analogy applies here, as presence of what the author implies are psychosomatic symptoms represents ill-adjustment, as does absence of psychosomatic symptoms. The author suggests that the ill-adjusted were;

Those whose pregnancies were viewed as an illness, or were accompanied by many relatively minor complaints, or who expressed 'never felt so well' sentiments appeared to show unexplored feelings and preoccupations. (Rothfield, 1981, p. 7)

The 'ill-adjusted' mothers were further described as those who listed ideal maternal qualities which they did not see themselves as having. As there does not appear to be any allowance in the research method for parenting experience, or for the number of previous births, it is tempting to ask, who really had the idealised view of maternity, the researcher or the researched? Within this research methodology there is no room for the uncertainty that can surround parenting, or for the fact that it is a far more arduous task for those who are poor and unsupported, or that parents, too, can learn how to cope with their offspring. In this analysis, the focus of 'deviance' has broadened out to include not only those experiencing prolonged social disadvantage but possibly a wider section of the previously 'perceived as normal' population.

The author continues her observations about the group categorised in this analysis as 'ill-adjusted' by stating that: 'they illustrate the vulnerability of the parents who lack both the models and the support of an extended family' (Rothfield, 1981, p. 7). In reading the analysis of the results of this study, the lack of an extended family could be interpreted as the fault of the 'ill-adjusted', as subjects who are socially isolated are described in the study as belonging to the ill-adjusted group (Rothfield, 1981, p. 7). Thus, it appears, if lack of an extended family is not the fault of the individual, at the least, lack of an extended family is interpreted as 'ill-adjustment'.

The second study, relying on the same method of observing the mother at birth, proposed additional and different criteria for identifying those 'at risk'. These additional indicators could be summarised as class-related: mother's age, marital status, socio-economic disadvantage and social isolation. The researchers at Hospital 2 followed up 54 'at

TABLE 2: DATA SOUGHT FROM PARENTS IN THE 'INCREASED RISK', 'LOW RISK' AND CONTROL GROUPS IN FORM OF FOUR PART QUESTIONNAIRE, HOSPITAL 1

Antenatal	Delivery	Post Natal Ward	At Home
Attendance at: Physiotherapy class Mothercraft class Birth film	Understanding of the stages of labour	Method of feeding chosen	Who, or what provided most adequate assistance at the time
Partner participation in this preparation	Differences between eventuality and expectation of the birth	Reasons for choice	Paternity leave available
Ability to find and understand information related to pregnancy	The hardest part of the birth experience	Problems encountered with that method	Paternity support
Cause for particular anxiety	Feelings on first receiving infant	Degree of confidence felt in handling infant	Other support sources sought
Particular hopes or expectations related to infant	Who, or what had offered most useful support during labour	Who, or what provided most useful support at that time	Assistance not available that would have been appreciated
Understanding of the word 'motherly'		Name of infant	Action of baby's causing most concern
Books read on the subject of childbirth and/or infant care		Feelings for infant How they differed from expectation	Greatest fear to infant
		Understanding of the word 'bonding'	Time to feel confidence in ability to interpret and meet needs of infant
			Use of baby-carrying sling and its effectiveness
			Hoped for adjustment at any future birth experience

Source: Rothfield (1981, p. 9).

risk' mothers - and noted three recorded cases of abuse out of a population of 844, despite some kind of community follow-up, which included community health and baby health services, social welfare agencies and voluntary child care groups. In this study, noting that what was termed abuse is undefined, the abuse rate was 5.5 per cent, and 94.5 per cent were incorrectly identified. The rate of 'false positives', that is subjects who the methodology incorrectly identified as 'at risk' was 94.5 per cent. Commenting on a similar study, Dingwall notes,

Arguably the 74 per cent of children about whom there was no real concern were false positives who had been wrongly stigmatised. (Dingwall, forthcoming, p. 39)

A further explanation of issues related to false positive and false negative identifications has been examined elsewhere (Boland, 1989, pp. 100-102).

The third study, at Hospital 3 had similar intentions, the identification of the mother and infant 'at risk'. The methodology differed from the previous two studies in that notification and follow-through to community services was not discussed, other than referral to the hospital social worker. The five criteria at this hospital for identifying those 'at risk' were the hesitant clumsy mother, the anxious depressed mother, the mother who thought 'the baby belongs to the hospital', mothers who had feelings of inadequacy about themselves, and mothers who claimed the baby 'didn't bond to them' (Tudehope, 1983).

It would be rather unfortunate if, in retrospect, some of the mothers who claimed that the baby 'didn't bond to them' had been trying to explain the effects of epidural anaesthesia. Research on this aspect of the practices in birth services shows that,

On tests at 24 h [hours], babies from both epidural groups performed poorly on motor, state control and physiological responses. At five days, the Bupivacaine [epidural] neonates still had poor state control and cried more. By 1 month there were few differences between the groups in neonatal behaviours. (Murray, in Bennett et al., 1987, p. 15)

Muhlen-Schulte and Wade (1988) also noted significant differences in motor performance at one month of age in infants delivered by epidural Caesarean section. Problems in the child were low-birth weight infants and infants with feeding problems.

The final paper, from Hospital 4 was published in the same year, in the same journal and in the same month (Yu, 1983). In this paper, the author is very much concerned with the social trauma associated with the admission of an infant to neonatal intensive care. The author suggests;

Preterm or sick newborn infants ... were considered, in the past, to be at particular risk for later child abuse or neglect. These observations were made in an era when the psychosocial needs of the parents were neglected in the hostile environment of the early neonatal units. It is not surprising that parent-infant relationships and subsequently the quality of parenting were adversely affected. (Yu, 1983, p. 58)

Yu comments that,

even the perceived competence of the neonatal unit staff can enhance the parents' sense of failure and increase their lack of confidence in assuming caretaking responsibility. (Yu, 1983, p. 52)

A recommendation of this paper from Hospital 4 is that 'parents are allowed to develop a relationship at their own pace' (Yu, 1983, p. 56). Of the hospitals reviewed, Hospital 4 appears to have the clearest idea of how to support a vulnerable parent.

5. SERVICE PROVISION AND SOCIAL CLASS

These four studies appear to indicate variability in the way clients are perceived at different hospitals, although all hospitals recommended social work or counselling intervention. As one author commented 'Most studies support the opinion that any single woman under 20 years of age is in the "at risk" category' (Normoyle, 1983, p. 79).

It is of some concern that a research methodology should actively seek out single parents, an activity which should technically be in breach of the marital status provisions of the Anti Discrimination Act.

In retrospect, the outcome of such procedures was the identification and control of deviance, and by accepting referrals based on these methods other health and welfare organisations were prepared to accept the criteria of 'risk' developed at these hospitals.

It is possible, for example, that the relationship between low birth weight and social class may be a confounding factor in the interpretation of the 'at risk' mother and infant.

Table 3 is derived from the New South Wales Maternal/Perinatal Statistics Collection in 1986, and relates socio-economic status or class, as defined here, to very low birth weight (less than 1500 grams) low birth weight (less than 2500 grams), congenital abnormalities and Apgar score at five minutes. An Apgar score is derived from three possible scores: 0, 1, or 2 for infant heart rate, colour, respiratory effort and signs of adequate oxygenation of the nervous system such as reflex response to a nasal catheter (e.g. none, grimace or sneeze/cough) and muscle tone (e.g. limp, some flexion of the extremities, or the infant is active). The maximum score is ten. It is usually recorded at one and five minutes after birth (Berkow and Fletcher, 1987).

As there are no clear indicators of socio-economic status in this data base, the following six indicators are used for preliminary purposes.

1. Births at private hospitals.
2. Births to all married women (this includes all private and public hospitals).
3. Births to all mothers in the State.
4. Births to all single non-Aboriginal mothers.
5. Births to all single mothers from a non-English speaking background.
6. Births to all Aboriginal women.

These categories are not mutually exclusive. Table 3 indicates that, generally, those from more disadvantaged social classes have proportionally more very low and low birthweight infants, lower Apgar scores, longer times to establish respirations and more congenital abnormalities. To set this information (Table 3), which could be said to indicate risk status into a social context, the following table (Table 4) indicates the percentage of interventions, forceps delivery and Caesarean sections incurred by the same groups of women. Tables 3 and 4 indicate that, generally, those with the **highest** risk status receive the **least** forceps deliveries and Caesarean sections, and are most likely to have their births commence spontaneously. Those women with the lowest risk status were the most likely to receive Caesarean sections and forceps deliveries and were least likely to have their births commence spontaneously.

The results suggest that there is a relationship between low social class, and poorer infant outcomes, including low birthweight. This information may have led to confounding factors in the first three studies, as the authors may not have been aware of low social class, its relation to low birthweight, as well as its relationship to notification to child welfare agencies. If these factors are considered, it may not be so surprising to find in the Tudehope study that, 'Approximately 30 per cent of battered children are premature yet the overall incidence of prematurity is 6.5 per cent' (Tudehope, 1983, p. 69).

TABLE 3: BIRTH OUTCOMES AND CLASS

	Birthweight		Apgar Score	Respiration	Congenital Abnormality
	Very low ≤1500 grams %	Low ≤2500 grams %	≤ 7 %	Time ≥ 5 mins %	%
Private Hospitals	0.5	3.8	2.8	0.8	2.5
All Married Women	1.1	5.4	4.5	1.7	3.7
All Women (NSW)	1.1	5.8	4.8	1.9	3.7
Single Parents (SP)	1.4	8.1	6.7	2.7	3.7
NESB Single Parents	1.6	9.2	7.3	2.7	5.5
Aboriginal Women	1.6	9.2	7.9	2.8	3.2*

* Indicates where the trend was not followed.

Apgar is a score given to newborn infants, usually at one and five minutes after birth. It is derived from three possible scores 0, 1, or 2 for heart rate, colour, respiratory effort and signs of adequate oxygenation of the nervous system such as reflex response to a nasal catheter (e.g. none, grimace or sneeze/cough) and muscle tone (e.g. limp, some flexion of the extremities, or the infant is active). The maximum score is ten (Berkow & Fletcher, 1987, p. 1856).

TABLE 4: COMPARISON OF TYPE OF DELIVERY AND CLASS

	Low Forceps %		Mid Forceps %		Spontaneous %		Caesarean %	
	<25yr	All	<25yr	All	<25yr	All	<25yr	All
Private Hospitals	16.3	11.5	13.8	11.5	51.3	57.0	16.9	18.4
Married	8.7	8.0	7.1	7.0	67.8	65.8	13.7	16.1
All State	8.4	7.9	6.9	6.9	69.0	66.5	13.1	15.8
Single Parent (non-Aboriginal)	8.2	8.2*	6.8	6.9	71.0	69.2	11.6	13.0
Single Parent (NESB)	6.1	6.6	7.6	8.5*	71.4	66.1*	11.4	15.9*
Aboriginal Women	5.0	4.9	4.0	4.1	74.5	73.1	13.6*	14.8*

* indicates where the trend was not followed.

The final table (Table 4) raises a number of questions about risk status and interventions at birth, not the least of these being: why does the 'most well' population receive the most forceps and Caesarean sections? These interventions are related to poor patient outcomes, as forceps deliveries are associated with, at the least, soft tissue trauma; as well, the effect of epidural anaesthesia on foetal heart rate has not been assessed with appropriate clinical trials (Bennett et al., 1987). A number of other questions arise: how appropriately are the interventions being used; how does the funding of the health care system contribute to their use; and is prevention more appropriate than 'treatment'?

6. RELEVANCE OF THESE STUDIES TO SOCIAL POLICY

Within health services, there appears to be a certain ambivalence in service delivery, with informal notification to the social worker of 'at risk' parents, noting that risk is defined variously, and that certain practices develop where some mothers are under surveillance, and where the criteria for the detection of 'deviance' appear to be normatively created. The hospitals' perception of the 'at risk' mother appears to have created a scenario far removed from the broader perspective of access to resources which was created in the initial analysis of the single mother and her relationship to class, capital, work and family. The methods of intervention used by the service providers, which they believe to be a form of prevention, focus on the 'at risk' mother and detract attention from a broader perspective where the provision of adequate resources and children's services would be much more effective in reducing any such 'risk'. The data in Table 4 also suggests that the variability in the levels of interventions in obstetric practices has a class bias as well. In that aspect, too, the possibility of redirecting resources towards other children's services does not appear to be considered.

The practices described herein appear at times precarious and at least ambivalent and will no doubt continue to remain so at the health and welfare interface unless the value positions of service providers are carefully examined. Service providers have a considerable access to the creation of issues and problems associated with deviance, its perception and control. There could be a valuable interchange at this health and welfare interface, and conferring on welfare clients the rights of informed consent, such as, if you play with your infant or use this baby sling, I will be less likely to notify your child as being 'at risk' to the State welfare department, a pyrrhic progress perhaps.

However, studies that promote the identification of the 'at risk' mother, due to their methodological failures, contribute to the confusion and stigmatisation of such women. Yet, this idea appears to maintain a current fascination, as identifying the 'at risk' mother in the labour ward and the maternity hospital is a recommendation of the review in Maternity Services in New South Wales and early intervention teams have already been established by some Area Health Services (The Ministerial Task Force on Obstetric Services in New South Wales, 1989, pp. 216-222, Appendices 5.5 and 5.6, 1989, pp. 89-93). The role of science, as it is perceived in a number of these maternity hospitals from the studies conducted in them, takes on a new form which ethnomethodologists might describe as science as enchantment, dominating, defining and classificatory in action. The methodologies used might appear to be scientific but the unstated assumptions on which the methodologies are developed are normative, with an historically and culturally inherited bias against single parenthood, cultural diversity and, above all, poverty. Thus, in retrospect, the arbitrary 'scientific' methodology is frail and fragile, dancing out the worn steps of inequality.

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COMMUNITY BASED AND WORK RELATED CHILD CARE: THEIR RELATIVE ECONOMIC MERITS

Russell T. Ross

1. INTRODUCTION

The provision of formal child care for children of pre-school age has grown rapidly in the last decade, and is continuing to do so. Even so, by mid-1986, of the 1.27 million children aged six or under who did not attend school, only 414,000 (or 32.6 per cent) were in some form of formal child care and of these the majority (236,400, or 57.1 per cent) used only short-hours, pre-schools or kindergartens; ABS (1989), Table 6.4.

Formal child care covers any form of child care which is provided in a formal environment which satisfies all Commonwealth and State regulations governing child care provision. As is discussed in Lyons (1989, pp. 2-4), the main forms of formal child care are:

Pre-schools and Kindergartens: In most States and Territories, these provide educational-orientated care in a Centre based environment but only for children in the year immediately before entry to primary school. Attendance is for half day sessions (of 2-3 hours duration), with individual children only being permitted to attend one session per day. New South Wales is the exception, where individual children attend for six hours per day, and can attend from age two-and-a-half.

Long Day Care: Care is provided for pre-school aged children for a full day (e.g. eight hours or even longer) in either family day care, i.e. where a carer can look after up to four children in the carer's own home, or a child care centre, i.e. where a larger number of children are cared for in an environment which is governed by an array of Commonwealth and State regulations. Child care centres are provided by community organisations, not-for-profit organisations, local councils, and commercial, for-profit organisations.

Occasional Care: This is available to families in which one parent is not in the labour force but occasionally requires child care, typically for only a few hours at a time. Occasional care is usually provided in neighbourhood centres, or other special purpose centres, but is also available in some long day care centres.

Outside School Hours Care: This is provided for primary school aged children, covering the hours before and after school. Typically provided by community groups, parent groups, local councils, and some State education departments.

Vacation Care: This is provided for primary school aged children, during school vacations. Typically provided by community groups, local councils, long day care centres, State recreational departments, and commercial interests.

Note that child care does not include attendance at primary school. The emphasis in this paper is solely on child care for children who are not old enough to attend primary school; i.e. it does not cover Outside School Hours Care and Vacation Care.

The demand for places in formal child care still far outstrips supply. Lyons (1989) presents figures which indicate that the potential demand for formal child care is more than twice the demand that is currently being met (Lyons, 1989, pp. 9-11). In the 1988 Budget, the Commonwealth Government announced a plan to increase the number of formal (full-time equivalent) child care places by 30,000 over four years. This appears to be a substantial increase, given that in mid-1988, the total number of (full-time equivalent) long day care places in Australia was estimated to be 102,800 (Lyons, 1989, p. 9). However, 20,000 of the 30,000 new places are to be in after school care for school-aged children, and the planned increase in formal places for pre-school children is only 10,000, of which 4,000 places are for long day care centres.

Among the most important aspects of the child care debate is the appropriate role of the government sector in the provision of child care. A number of relevant issues have been canvassed in recent times in the child care industry, and they have received considerable attention in the electronic and print media. These issues include:

- parent versus society responsibility for child care
- the links between labour market behaviour of parents and access to child care
- when resources are scarce, is child care a priority item for government?
- what would happen if government reduced its involvement in child care provision?
- how is child care to be financed? Should child care fees be subsidised, should they be tax deductible, or should vouchers be used?

The central issue in this paper is the appropriate role of government in the provision of child care, and conversely, what role should the private sector have? Should government's role be regulatory, financial, direct or none? If the government is to be involved, what mix of regulation, financial and direct provision should there be? The rest of this paper addresses these issues. In Section 2 is a discussion of the current role of Federal and State governments in child care. Section 3 evaluates the economic arguments for and against the involvement of governments in child care, while Section 4 presents a brief outline of a new development in child care, the provision of child care by employers specifically for their own employees.

2. THE CURRENT ROLE OF GOVERNMENT IN CHILD CARE

Governments in Australia are heavily involved in the child care sector. The Commonwealth and all State governments have legislation related to formal child care, and the current Commonwealth government's annual expenditure on child care services is in excess of \$230 million. The Commonwealth's main vehicle is the Children's Services Program (CSP) administered under the auspices of the Department of Community Services and Health. Through CSP, the Commonwealth provides three forms of funding for child care; funds towards the capital expenses of building for approved child care centres; an operational subsidy to the child care provider; and the fee relief scheme through which parents' fees are subsidised on a sliding scale set relative to family income. All centres which receive any of these forms of funding must be not-for-profit organisations, with the balance of their operating expenses being recouped through fees levied on parent-users.

Thus, the Commonwealth subsidises the costs of child care to all parent users by lowering the costs of setting up child care centres and by lowering the expenses incurred in operating them. As of the 1st January 1990, the operational subsidies were \$19.60 per week per child aged under three and \$13.20 for children aged three or more. Through the fee relief scheme, there is a further, means tested, subsidy to low income families who use child care facilities. The level of family income at which this subsidy cuts out is currently \$32,500 per annum (see Lyons, 1989, pp. 4-6 for further detail). The Commonwealth's financial commitment to child care can be seen in Table 1, which shows the aggregate level of annual expenditure on these three forms of funding for the period 1983 to the present. Despite a decline in expenditure in 1988-89, the most recent completed year, the level of real (i.e. after allowing for inflation) annual expenditure has more than doubled during this period; see the final column of the Table. Most of this expansion in real expenditure has been as a result of increased child care places, very little is due to increases in funding per place.

The various State governments have a more direct regulatory role, in that they set standards relating to safety, health and building standards, staffing levels and minimum acceptable qualifications for child care workers, but they also contribute some operational subsidies. The State regulations vary considerably from State to State, especially in relation to staffing levels and qualifications; see, e.g. OSW (1989, Table 2) and Ross (1989, Section IV.3). The regulatory role of local governments is more restricted, but they are important direct providers of child care, often with subsidies from the other two levels of government but also providing their own additional subsidies. The level of expenditure on child care by State and local governments is impossible to estimate as much of the expenditure is not itemised in State budgets and because of the use of cross-subsidies from the Commonwealth.

**TABLE 1: COMMONWEALTH EXPENDITURE ON THE CHILDREN'S SERVICES PROGRAM
1982-83 TO 1989-90
(Annual Expenditure, \$millions)**

Financial Year	Current Prices	Expenditure 1988-89 Prices
1982-83	65.2	101.3
1983-84	80.2	113.2
1984-85	119.8	163.2
1985-86	146.5	184.9
1986-87	181.3	209.6
1987-88	215.4	230.9
1988-89	213.1	213.1
1989-90	236.7 ^e	NA

Source: **Budget Statements, Budget Paper No. 1, various years.**

Notes: 'e' Budget forecast estimate.
'NA' not applicable.

As a vehicle for examining the impact of government involvement, two forms of child care provision are discussed here; community-based child care and work-related child care. Community-based child care is the generic term covering all types of child care which attracts government subsidy. Work-related child care, on the other hand, does not typically attract government subsidies. Work-related child care is not synonymous with private sector child care, although they do share many common elements. Private sector child care, or commercial child care, is provided on a for-profit basis by licensed operators who charge fees set on a commercial basis; i.e. they cover the full costs of providing the service. By assessing the relative merits of work-related child care and community-based child care, the appropriate role of government in child care provision can be examined. Table 2 indicates the essential differences between community based and work related child care.

The central difference, for this paper, is that in community based child care, the employer/employee relationship is completely divorced from child care provision, whereas in work related child care this relationship is central. It should be noted that Table 2 is intended to be schematic only; in the 1988-89 Budget, the Commonwealth Government announced the **Children's Services Program - Industry Initiative**, which offered financial and resource incentives to employers setting up work related child care centres. Under this initiative, it is hoped to provide up to a maximum of 1,000 additional child care places nationally. The employer will be required to provide the capital facility, i.e. the physical buildings and equipment, while the government will provide staff to assist in development work and will also provide access to fee relief scheme for eligible parents. Response to the program has been slow so far. The first Centre to be set up under the **Initiative** was announced in September 1989, to be located at Sydney's Flemington Markets. However, a long lead time for such a scheme is not too surprising as the average lead time for a new centre is over two years.

3. SHOULD THE GOVERNMENT BE INVOLVED IN CHILD CARE?

There are two strands to the arguments as to why there should be a strong public sector involvement in child care provision; **economic** arguments, and **equity** arguments. The **economic** arguments rely on the inter-related considerations of market failure, loss of human capital, externalities, and distortions in the tax/welfare interface. The **equity** arguments focus on matters such as affirmative action and equal opportunity, as well as income redistribution considerations. The equity arguments are not canvassed here as they are more well known; see Brennan and O'Donnell (1986) and Ainstee et al. (1988).

Economic Arguments in Favour of Government Involvement

Market failure occurs if, in the absence of government intervention, there would be an inadequate level of child care provision. To answer this, the question must be asked: would adequate child care be provided if the government was not involved? In the current climate this is the counterfactual situation. Given that there is a considerable degree of excess demand (at least for places in formal child care centres) it is tempting to say that market failure is occurring even with government intervention, and that therefore without such intervention there would be even less child care provision, and hence a greater degree of market failure. However, the question is: what would demand be in the absence of subsidised child care? Would waiting lists still be as long as they are currently? Or would many parents no longer demand child care on the grounds that it is too expensive? In answering this question, it can not simply be said that provision would be total current provision minus that which the government is now providing. The reaction of the private sector to withdrawal of all government financial support to what is now community-based child care, but with no changes to the existing array of State health, safety and building regulations, would need to be ascertained. If child care fees reflected the real cost of a child care place of about \$160 per week, would demand be sustained at or near current levels?

There are arguments to suggest that demand for formal child care is likely to be fairly inelastic; i.e. many parents would still demand child care even with much higher fees as they would see it as a necessary expense lasting only a limited time (2-4 years) after which the net - of child care expenses - take home wage would rise. This argument is

TABLE 2: COMMUNITY BASED AND WORK RELATED CHILD CARE

Community Based Provision

Provision is based in residential areas, in Centres which meet regulatory guidelines, and therefore attract the relevant State and federal funding. Centres are built with federally funded capital works programs. Centres are required to break even, with parent fees making up the short fall between government subsidies and recurrent expenditure; eligible parents receive fee relief through the Federal Government's fee relief scheme (based on family income).

Work Related Child Care

Provision is based at or near the work place with the direct involvement of employers. Although Centres must be built to State regulations on health, safety and staffing levels, no federal or State subsidies are available to either the employer or to parent users; i.e. no subsidies are available to the employer to contribute to capital or recurrent expenses, nor are parents eligible for fee relief or subsidies. Operating costs are legitimate business expenses to the employer, and attract taxation relief at the company rate of tax.

most applicable to those users who would not be eligible for fees relief. To many users who pay near or full fees, i.e. those who do not qualify for the fees relief scheme, the use of relatively highly priced child care can be viewed as a necessary component of minimising the interruption to their career path. Faced with two choices - stay at home until the pre-schooler is able to go to lower cost care (e.g. school at age 5, or perhaps kindergarten at 3) or make use of formal child care in order to go back to paid employment sooner - it can be rational to decide to use 'expensive' child care.

Consider the following. If the parent stays out of the work force until the child can go to primary school, job skills have deteriorated and a job as good as the previous one, at least in the sense of pay, job security and access to fringe benefits, will be harder to obtain. Not only has five years work experience been lost, but pay and other working conditions will be lower than before. This is the core of the argument discussed at length in Beggs and Chapman (1988). Faced with this choice, the seemingly high cost of child care becomes more affordable in the sense that child care expenses will only be high for several years (i.e. until school age) after which income will return to more customary levels. In every year, income (net of child care expenses) will be higher than if the parent had stayed at home until the child was at school. Table 3 sets out this information. It shows that the parent's future income stream is lowered not just while the child is a pre-schooler but more permanently. Even though child care expenses are high in the pre-school years, employment earnings (after paying for child care) are still higher than the zero income from not working.

To illustrate this, consider Figure 1. For illustrative purposes only, suppose that a parent of a new-born baby on maternity leave is faced with two options. She can return to her existing job after the legally permitted period of maternity leave or she can resign from that job and leave the labour force until the child is old enough to go to school at age five. Of course, these are not the only options; e.g. the parent could seek a different job with fewer hours, less responsibility, or (s)he could seek to return to paid employment at some intermediate time. The two options discussed serve to highlight the essential issue faced by many parents of very young children. This woman's earnings in her present job are \$400 per week, and are expected to grow at 5 per cent per annum. If she returns to her job, she will need to pay \$125 per week for child care. If she does not return to this job, the best she can do is obtain a job in five years with earnings of \$380 per week (growing at 5 per cent per annum). Suppose she decides to return to her current job after maternity leave. In financial terms, she is still ahead by some \$200 (after paying about \$80 in tax), and she has maintained her position in the employment market. However, once the child gets to school age, the child care expenses decline, and effective net pay (i.e. after paying child care expenses) is much closer to net of tax pay. In addition, this person is better off as she is in a better job than she would be if she were re-entering the employment market after a five year break. Child care expenses decline after the child reaches school age but they might not disappear as there may be expenses associated with outside school hours care and vacation care if these services are utilised. Note that although child care expenses are to some extent replaced by school-related expenses once the child reaches school age, these later costs are incurred irrespective of the parent labour force participation while the child was of pre-school age; they therefore affected the wages received in both options equally.

The scenarios presented in Figure 1 suggest that there are three critical elements in this decision. First, the availability of child care; if there is unmet demand, then it is possible that some families willing to pay the higher fees might not be able to secure a child care place. Second, the person's current earnings; the higher these are, the greater the potential for paying higher child care fees. Third, the person's own expectations about their ability to find a suitable job in five years time and the wage in that job; the more pessimistic the person is of their ability to secure a suitable job then, the more likely it is that they will wish to minimise the disruption to their present employment.

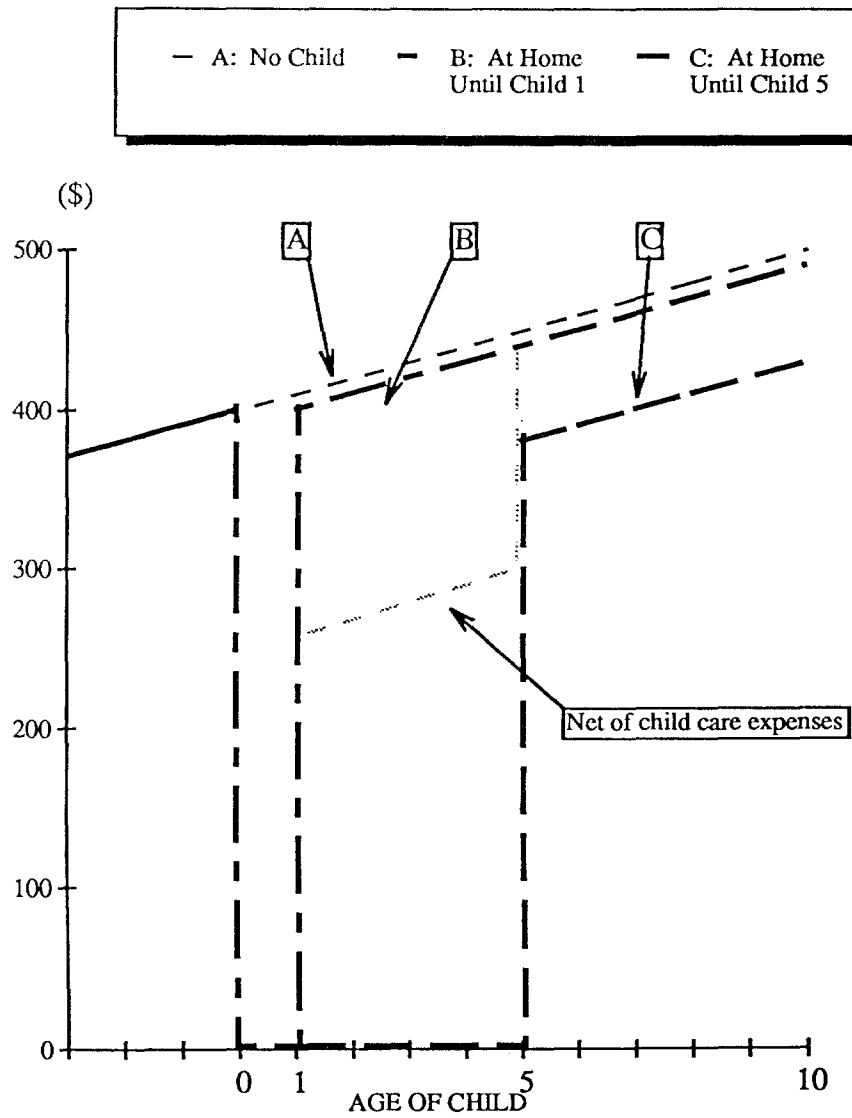
Faced with the above choice, it is likely that many women would decide to remain in the labour force. The women least likely to remain in employment would be those with earnings so low that their net pay (after paying for child care) would be negative. While it would still be rational for some of these women to remain employed, it is more likely that most people faced with an immediate negative cash flow would leave the labour force, at least temporarily.

This analysis overstates the impact on demand of the hypothesized withdrawal of CSP. If CSP was withdrawn, there would almost certainly be some other form of subsidy in its place. The most likely forms would be to make child care expenses tax deductible, or to introduce tax rebates on child care usage, as was proposed by the Federal Opposition Coalition parties in their tax policy package announced in October 1989. However, their policy would maintain CSP, including the fee relief scheme. If this was done, the impact on demand would likely be slight, although a major difference between CSP and tax deductibility would presumably be that under tax deductions, parents would pay the

TABLE 3: INCOME STREAMS FROM TWO SCENARIOS

	Scenario	
	Stay at Home until Child is 5	Go Back to Work Soon After Birth
Child Aged		
0 - 4	no income from work	career path earnings
5 +	reduced earnings	career path earnings

FIGURE 1: EARNINGS PATTERNS FROM THREE SCENARIOS
(GROSS, DOLLARS PER WEEK)



full cost of child care at the time of provision and then at the end of the tax period either claim a portion of these expenses against their annual income or claim a rebate against their assessed income tax. The impact of this would be felt most by lower income families, families who might not have the financial resources to be able to pay child care fees up front and wait until the end of the tax period for their rebate.

In a paper prepared for the Department of Community Services and Health, researchers at the Centre for Economic Policy Research at the Australian National University have argued that there are a number of other economic issues which support the provision of government funded care; see Ainstee et al. (1988). The arguments they detail include

- distortions in the tax-welfare system which favour home provision of child care (i.e. the effective marginal tax rates faced by sole parent pensioners, and the dependent spouse rebate for one-worker couples)
- many of the benefits of education accrue to society and any loss of human capital imposes a cost to society (in this case, the loss of human capital occurs via the de-skilling which occurs through interrupted employment spells); resulting in lost output through lower productivity and/or placement in lower skilled jobs
- society's interest in the proper upbringing of children

Ainstee et al. provide compelling reasons why each of these benefits has significant economic value and is more important (i.e. has greater economic value) in the long run. They are likely to be less apparent in the short run. Based on fairly conservative assumptions, Ainstee et al. estimate that CSP could be cost-effective, i.e. the program could in fact result in more money being received by government than is actually laid out under CSP.

As Ainstee et al. emphasise, it is society which benefits from CSP. All of the benefits which accrue do not accrue to the providers of child care and so the private sector is not going to be able to reap them all. Therefore the private sector will not provide child care at the appropriate level. That is, market failure occurs.

In addition, there are clear multiplier effects. Jobs created in the child care industry are new jobs, and as such they have relatively high multipliers and also higher tax revenue. For example, it has been estimated that, based on award rates of pay and staffing regulations relevant to a child care centre in New South Wales, around 20 per cent of gross salaries paid to the centre's staff will be received by the federal government as personal income taxation; see Ross (1987, p. 17).

4. WORK RELATED CHILD CARE

The arguments in favour of public financing of child care indicated that market failure would otherwise occur. A corollary to this is that for the private sector to provide child care, it must be able to reap a substantial portion of the economic benefits accruing. This could only be done if the provider of child care was also a prime beneficiary of the parent's employment productivity, i.e. if employers provided child care for their own employees. The Office of Status of Women, [OSW] (1989), provides a number of compelling economic reasons why employers should be interested in providing work related child care. These include

- lower labour costs, associated with a lower labour turnover as the retention of workers negates the need to hire new staff. The cost of replacing an employee is, on average, equivalent to fifteen per cent of annual salary. This figure tends to rise with the salary level;
- the costs of operating the Centre are legitimate costs for tax purposes (subject to reasonable provisos);
- in the context of fringe benefits, work related child care centres are specifically exempt from the Fringe Benefits Tax (again subject to proviso that the centre is only for employees' children); and
- there are a number of depreciation allowances which can be claimed.

However, the main problem with work related child care is that employers typically do not have the expertise needed for setting up and running a child care centre, and so need to buy in the expertise (although there are well established

and good networks of advice at the various stages of government). A further problem is that employers will see the initial and recurrent costs as being immediate, obvious and directly quantifiable, whereas the benefits are less immediately apparent and less readily placed in a profit and loss statement.

Although the Government does not directly subsidise work related child care, this form of child care would be heavily assisted by governments through the taxation system. As the costs of operating an employer funded child care centre, including depreciation allowances, are legitimate business expenses they can be used to reduce taxable income. Given the rate of company taxation is currently a flat 39 per cent, this is equivalent to a subsidy of the same per cent. For a 40-place Centre with annual operating costs of say \$250,000, this is equivalent to a subsidy of \$97,500 per annum. By comparison, a typical 40-place community based Centre could expect to receive from CSP operational subsidies of between \$27,500 and \$40,800 per annum depending on the ages of the children. Thus, in terms of government finances, the main difference between community based care and work related care is that the former involves expenditure outlays via the CSP whereas the latter involves reduced taxation inflows.

5. CONCLUSION

This paper has summarised the economic arguments concerning the provision of child care services for pre-school aged children. The traditional form of this provision has been through community based centres which attracted significant levels of Federal and State subsidies, and in which there are no links between an individual's place of employment and the place of child care. In the last year or so, there has been considerable attention given to the promotion of an alternative form of provision in which the employment relationship is central to child care provision, viz. work-related child care. Given that Governments are attempting to curtail growth in their expenditures on child care, especially the Children's Services Program, the importance of work-related child care will undoubtedly grow over the next few years.

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