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Social Policy and Northern Australia: National Policies and Local Issues

Proceedings of a Joint Conference
with the Centre for Social Research,
Northern Territory University
28 October 1994

edited by
Peter Saunders



THE UNIVERSITY OF
NEW SOUTH WALES

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Foreword

This report contains the proceedings of a one day Conference held in Darwin on 28 October 1994. The Conference was organised jointly by this Centre and the Centre for Social Research based at the Northern Territory University (NTU). As with other similar interstate conferences organised by the SPRC, the main aim of the Darwin Conference was to act as a focus for a discussion of social policy issues from both local and national perspectives.

In his Opening Address, Bill Gray, Chief Executive Officer of the Office of Northern Development, gave an overview of social policy developments in Northern Australia. Peter Saunders' paper addresses issues of welfare and inequality in Australia in the current decade, with particular reference to the policy responses to movements in the economy. In his paper, Bill Tyler, the Director of the Centre for Social Research at NTU, examines the work of the Australian Bureau of Statistics in constructing indexes of social inequality and the particular case of replication of that methodology to apply to North Australia. Anthony King, from the SPRC, reviews the case for a regional dimension in the provision of income support. Michael Fine, also from the SPRC, describes innovations and changes in long-term care and the challenges they present. In her paper, Rebecca Orr of Mental Health Services in Darwin, describes community care and accommodation models developed in the Northern Territory and looks critically at the situation of people suffering from mental illness in the wake of the release of the Burdekin Report.

A seventh paper was presented to the Conference by Jill Huck, Regional Director of Human Rights and Equal Opportunity Commission in the Northern Territory. Her paper was primarily concerned with issues of inequality in the Northern Territory. Unfortunately, a final version of this paper was not prepared for publication and so could not be included in the Report.

Notwithstanding this, the papers which are included address a broad range of current issues in social policy, apply a diverse range of research techniques to them and contain a mix of different forms of empirical evidence and theoretical argument. Together, they illustrate the scope and complexity of contemporary social policy concerns in both the Northern Territory and Australia as a whole.

A final word of thanks is due to Julia Martin, Bill Tyler and Sue Harlow for their efforts in organising the conference, to Diana Encel for her editorial role and to Jackie Comer for her excellent word processing skills.

Peter Saunders
Director

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Introductory Address: Social Policy and Northern Australia

Bill Gray, AM
Office of Northern Development

Ladies and gentlemen, I thank Dr Tyler and the other organisers for their invitation to open this conference and the opportunity to speak with you today. Your conference was originally to be opened by the Hon. Mary Crawford in her capacity as parliamentary secretary to the Hon. Brian Howe, the Deputy Prime Minister and Minister for Housing and Regional Development. Ms Crawford has a particular interest in the matters of this conference as one of her specific responsibilities is the important area of social justice in Northern Australia. However, she was unavoidably called to other business of government and cannot be here with you today. She has asked that I pass on to you her best wishes for a successful conference and she has requested of our office, some feedback on the discussions occurring throughout the day.

Your conference will be addressing areas that are of special interest to the Office of Northern Development (OND). Although many people upon hearing the term 'development' may be inclined to focus on its economic dimension, our work is concerned with both the social and economic dimensions. Unless the social and economic dimensions are considered and advanced concurrently, we believe, it is unlikely that development will be sustained. This complementary approach reflects recent major policy statements from the Commonwealth Government. For example, the initiatives in *Working Nation*, the recently released White Paper on Employment and Regional Development, emphasise the need for a collaborative, inclusive approach to development within regions to ensure the achievement of both economic and social strength.

The final report of the North Australia Social Justice Strategy (NASJS) Taskforce complements the initiatives in the White Paper and its content and recommendations were considered during the preparation of *Working Nation*. The work of the taskforce and its report is very relevant to the program and discussions that have been planned for today. The OND was heavily involved with this work including the preparation of the final report. This was considered by Federal Cabinet and released by us in June and I know some of you made contributions to the process leading-up to the preparation of this report and many of you are aware of it and have read it.

I would like to briefly outline what the NASJS report is about and the processes involved in its preparation. The North Australian Social Justice Taskforce was originally convened following the Commonwealth Government's 1991-92 Social

Justice Statement. Its purpose was to analyse relevant policy issues and make proposals leading to improved delivery of services in Northern Australia consistent with the government's announced social justice agenda and access and equity principles. The process leading up to the report involved extensive consultations across the communities and regions of Northern Australia. Major workshops were held in Derby, Mt Isa and Katherine to enable consultations with a wide range of people involved in the planning and delivery of community services. These workshops were co-sponsored by state and territory governments and were designed and conducted to ensure the regional voice of the people of Northern Australia was heard and incorporated into the final report. There were also numerous one-on-one discussions across North Australia between officers of OND and local communities, organisations and individuals.

The report highlights factors and locational disadvantage in Northern Australia, the need for innovative models of service planning and delivery and the need for co-operation across all spheres of government to enable improvements in the way services are provided. One of the recommendations of this report was to develop a more co-ordinated approach to social research in Northern Australia through the establishment of a North Australia Social Research Institute, or NASRI. The Office of Northern Development supported a proposal for the affiliation of three Northern institutions to establish this Institute for which approval and Commonwealth funding of \$250,000 was subsequently obtained.

You may have noticed in your program that one of the co-sponsors of today's conference is the Centre for Social Research at the Northern Territory University. The Centre is in fact the Northern Territory member of the North Australia Social Research Institute and today's conference represents the first major activity of the Northern Territory Centre. Congratulations are in order to the Director, Dr Tyler and his staff for their work in successfully getting this project underway. The other member centres of NASRI are located in James Cook University in Townsville and the Community College in Port Hedland.

Another of the North Australia Social Justice Report's recommendations was for the establishment of pilot projects in Northern Australia to investigate and trial alternative and more appropriate models of service delivery and planning in some of the diverse locations that exist. By way of example, some seven pilots have been established under the auspices of the Department of Human Services and Health at various locations across the North and each project, not unexpectedly, has presented unique circumstances requiring innovative and specific solutions to address the local issues that have arisen. A report of a recent evaluation of these projects is now available from that department and would be of relevance to those with a further interest in this program.

As I mentioned, the NASJS report also highlighted the need for the three spheres of government to work more closely together to effect improvements in service planning and delivery. I think most people here today will be well acquainted with the specific and important roles played by each sphere of government in the

provision and delivery of services but may also have had occasion to reflect on the quality of co-operation between their various agencies. There are many people from all levels of government working to improve this co-ordination and at the Office of Northern Development we are involved in a number of projects where inter-governmental and agency co-operation is being specifically pursued to facilitate social and economic development in regions. I will mention just a couple of examples.

Under the Commonwealth's integrated local area planning program we have funded a co-operative of six communities in Central Australia who are working in partnership to more efficiently utilise the roads funding currently allocated to the separate communities.

In Far North Queensland we have two projects under this program assisting local government. One project is facilitating the co-operation of neighbouring shires towards the improvement of land planning processes and environmental management while the other project will facilitate co-operation between a shire council and an Aboriginal council to achieve better management of resources and delivery of services where previously uncertainty and interface problems have existed.

The NASJS report has comprehensively documented the type of issues that projects such as these are attempting to resolve. Federal Cabinet has considered the Report and has referred it to the relevant Commonwealth agencies as a guide to developing policies on Northern Australia. It is a useful reference for people involved in service delivery and if there is anybody who requires a copy of this important document please do contact our office or make yourself known to our representatives here today.

Your conference will also give special attention to the unique social, cultural and economic characteristics of Northern Australia and in particular, the needs of the people who live in the North. I would like, before I conclude to briefly look at the social profile of Northern Australia. Northern Australia is an area that covers 48 per cent of the Australian landmass. It is usually defined to be all of that area north of the 26th parallel, that is, all of the land north of a line between points just south of Carnarvon in Western Australia and Maryborough in Queensland. So we comprise about 5.4 per cent of Australia's population and we occupy almost half the land. Seventy five per cent of the population of Northern Australia live in Northern Queensland while around 17 per cent are from the Territory and the balance live in Western Australia.

The relatively low population density of Northern Australia presents special challenges to those of us attempting to deliver services consistent with the principles of access and equity. Just over 100,000 Aboriginal people live in Northern Australia. This means around 40 per cent of Australia's indigenous population live north of the 26th parallel. Proportionately, Aboriginal people make up about 11 per cent of the population of the north compared to the national figure of about two per

cent. In some areas the proportion is much higher, with, for example some 45 per cent of the Kimberly population being Aboriginal.

The 1991 Census tells us that the residents of Northern Australia are also more transient than the residents of Australia as a whole. About 55 per cent of Australians resided at the same address in 1986 and 1991 while in Northern Australia only 47 per cent of residents were at the same address between these times.

The population of Northern Australia is also younger than that of Australia. For example, the median age of the population of the Northern Territory is 28 years compared to 32 years for Australia overall.

While we talk of Northern Australia I know you are aware, however, that the development of policies and the delivery of services into Northern Australia requires a regional and community perspective. There is great diversity within and across the north such that flexibility and responsiveness to particular circumstances will be important in successfully addressing the needs of all communities.

I am sure this will be a very interesting forum and that the issues of how to assess needs and deliver the best services to the people of the North will be comprehensively addressed today. The conference program includes an interesting range of speakers and I expect there will be opportunities for lively discussion of the issues and information exchange.

I wish you every success. It is now my very great pleasure to declare this conference open. Thank you.

Welfare and Inequality: Australia in the 1990s

Peter Saunders¹
Social Policy Research Centre
University of New South Wales

1 Introduction

Economic developments over the last decade have highlighted the importance of cyclical movements in the economy and the policy responses to them. After a period of very strong growth in the late 1980s, tight monetary policies sent the Australian economy into deep recession in 1990 from which it has only recently begun to emerge. Now, the economic commentators are discussing when monetary policy should be tightened again, and by how much, so as to prevent the economy from over-heating. The 'stop-go' economic cycle which characterised earlier decades remains with us in the 1990s and governments still face problems deciding how and when to fine-tune the economy so as to achieve non-inflationary growth within a strict balance-of-payments constraint. Experience since the mid-1980s illustrates the sensitivity of the Australian economy to cyclical movements in the world economy and points to the potency of fiscal and monetary policies in mediating (or exacerbating) those movements.

After being virtually totally discredited a decade or so ago, the use of discretionary macroeconomic policy for stabilisation purposes has re-emerged as the 'main game' in the 1990s. The game is, of course, played somewhat differently now than it was in the 1960s. Far more attention is now paid to the longer-term and supply-side impacts and consequences of policies whose more immediate impact is on the level of aggregate demand. What was previously rejected as inappropriate and irresponsible from a demand perspective can now be justified because of its beneficial supply-side consequences. The 'new view' of public infrastructure spending is probably the best example of this, although the increased emphasis given to labour market programs can also be cast in the same light. Short-run policy is also now formulated with far greater awareness of its medium-term consequences -

1 Helpful comments on an earlier version of the paper were provided by Bruce Bradbury, Lynelle Briggs and Anthony King, although none of them is responsible for the views expressed in the paper. The analysis contained in Section 4 of the paper is developed further in Saunders (1995), to which interested readers are referred.

for the public finances, for the growth of monetary aggregates and for trade and competitiveness.

In terms of political perceptions, responsibility has become the key requirement of government policy formulation: fiscal responsibility, monetary responsibility and overall economic responsibility. Gone are the days of the monetarists and the supply-siders, while even the influence of the economic rationalists appears to be on the wane. John Maynard Keynes, who must have spent a very uneasy two decades turning in his grave, must now be resting peacefully again.

The irony of all this, from an economic as well as from a social policy perspective, is that it took the most severe post-war recession to remind governments that economic performance is ultimately their responsibility - in the long-run, but also in the short-run. The experience of the 1990-93 recession has highlighted 'market failure' in the traditional Keynesian macroeconomic sense and provided the basis for a more interventionist role for the state. This is illustrated by the scope (and cost) of the reforms announced earlier this year in the *Working Nation* White Paper which contains a blend of supply-enhancing policies whose immediate effect was to inject a considerable demand-side fiscal stimulus into the economy (Commonwealth of Australia, 1994). Now as the economy picks up, there is talk, not of the expenditure cost of these initiatives, but of what to do with the unexpected increase in revenues flowing from the automatic stabilisers triggered by the growth in output and employment.

Understandably, much of the debate during the recession focused on economic issues and identification of the appropriate economic responses. Reference has been made to the social implications and personal hardship caused by unemployment, particularly long-term unemployment, but this has been articulated as primarily an **economic problem** (of inappropriate skills and unused capacity) requiring an **economic response** (in the form of increased training and labour market flexibility). The social problems faced by the unemployed were subsumed within the economic problem of unemployment, while measures to assist the unemployed were justified on an economic calculus which emphasised benefit-cost ratios, human capital investment, under-utilised potential and labour productivity.

It is against this background of experience and debate that this paper was written. It attempts to assess some of the impacts of the recession from a perspective which gives more emphasis to social policy considerations, specifically to those relating to living standards and inequality.

By way of introduction, the following section briefly reviews the main features of labour market experience in the years leading up to the recession and highlights some of their implications for social policy. This is followed, in Section 3, by a discussion of how some of these trends are likely to have influenced inequality and poverty in Australia in the 1990s. The absence of comprehensive and reliable data inevitably makes any conclusions preliminary and somewhat speculative, although it is possible to discern some of the key trends. Section 4 gives consideration to the social security reforms announced in the White Paper and provides a brief

assessment of some of them as a response, both to the recession itself, as well as to longer-run socio-economic trends. The main conclusions of the paper are summarised briefly in Section 5.

2 Labour Market Developments

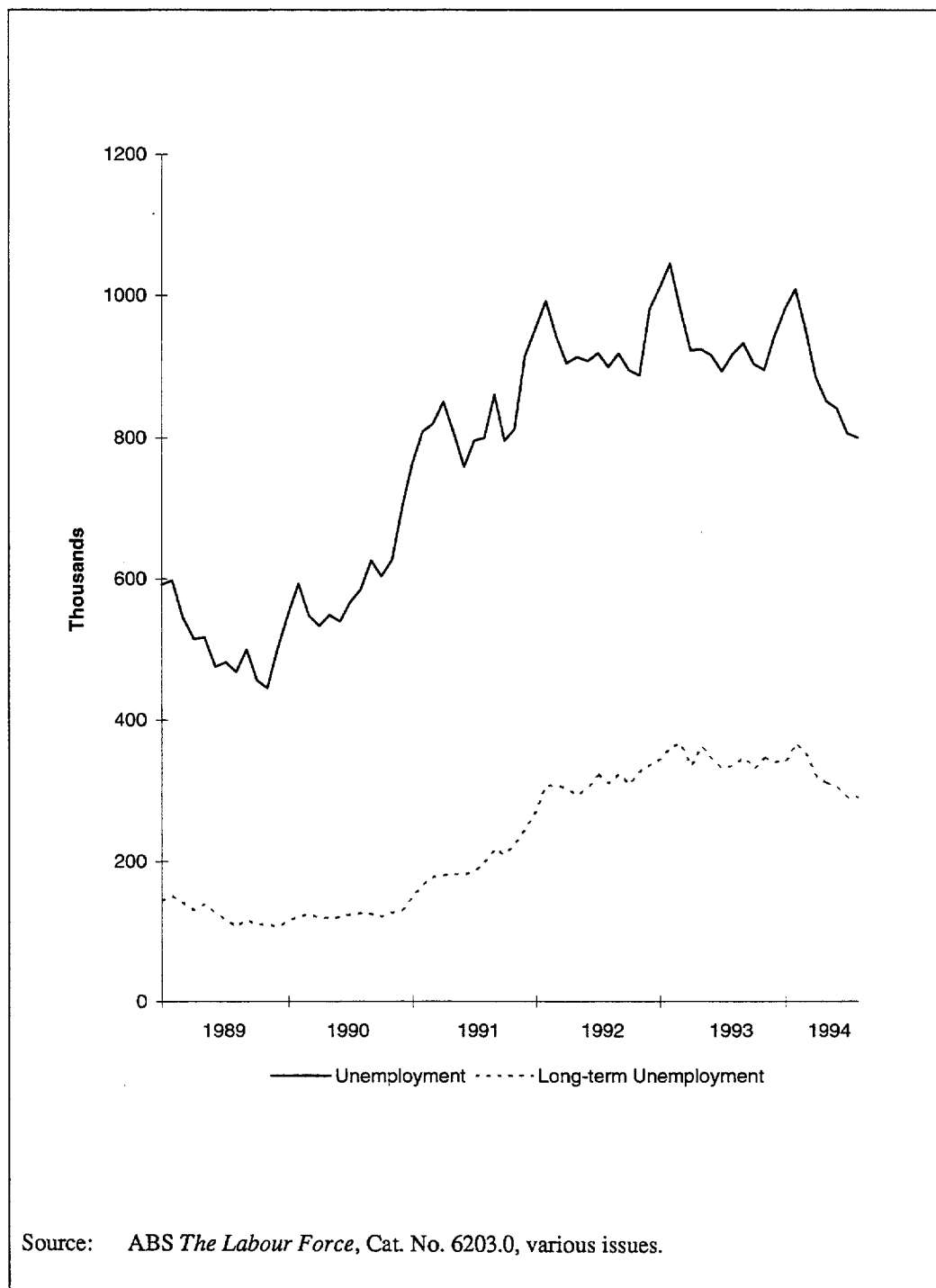
The labour market is of critical importance for social policy. Most people receive the largest proportion of their incomes from paid work and the labour market is one of the most significant arenas within which economic and social relations are experienced. More and more people are joining the labour market, although the average age of entry is rising (reflecting increased post-compulsory education enrolment levels) and the average age of exit is falling (reflecting early retirement, generally enforced). On average, working Australians are thus spending fewer years of their lives in paid work, but far more of them are joining the ranks of the labour force.

Between 1970 and 1993, the Australian labour force grew by close to three million to around 8.5 million, equivalent to an average annual growth rate of around two per cent. Much of this growth reflected the increase in population and that, in turn, reflected the net rate of immigration, although the contribution of immigration to population growth varied considerably from year to year. The other main factor causing labour force growth was the increase in labour force participation, particularly among married women (Committee on Employment Opportunities, 1993, Chapter 1).

With involvement in paid work now so widespread and employment fulfilling both financial and social functions, to be denied access to paid work by unemployment is to be forced into both financial distress and social isolation. When such access is denied for long periods of time, these problems become cumulatively more severe; bills become harder and harder to pay and many of the items which are taken for granted in the population at large, such as owning a telephone or a car, or having an occasional night out become unaffordable. These can add to the sense of isolation and loss of self-esteem, whilst also making it all the more difficult to maintain contact with the workforce and to find work. Time becomes a burden when it is forced on someone, not chosen, and to describe the 'free time' of the unemployed as leisure in the sense in which those in paid work understand it is a total misnomer, if only because, as Gary Becker observed many years ago, to convert leisure into pleasure requires the input of both time **and** money (Becker, 1965).

The increase in unemployment during the recession was, on any account, dramatic. As Figure 1 illustrates, after declining to around 450 thousand during the latter half of 1989, the level of unemployment rose sharply from 550 thousand in January 1990 to 763 thousand a year later, and sharply again to 907 thousand by January 1992. Over this same period, the number of long-term unemployed (those out of work for a year or more) more than doubled, from 121 thousand to 271 thousand. Analysis undertaken by the Committee on Employment Opportunities revealed that the

Figure 1: Trends in Unemployment and Long-term Unemployment: January 1989 to August 1994



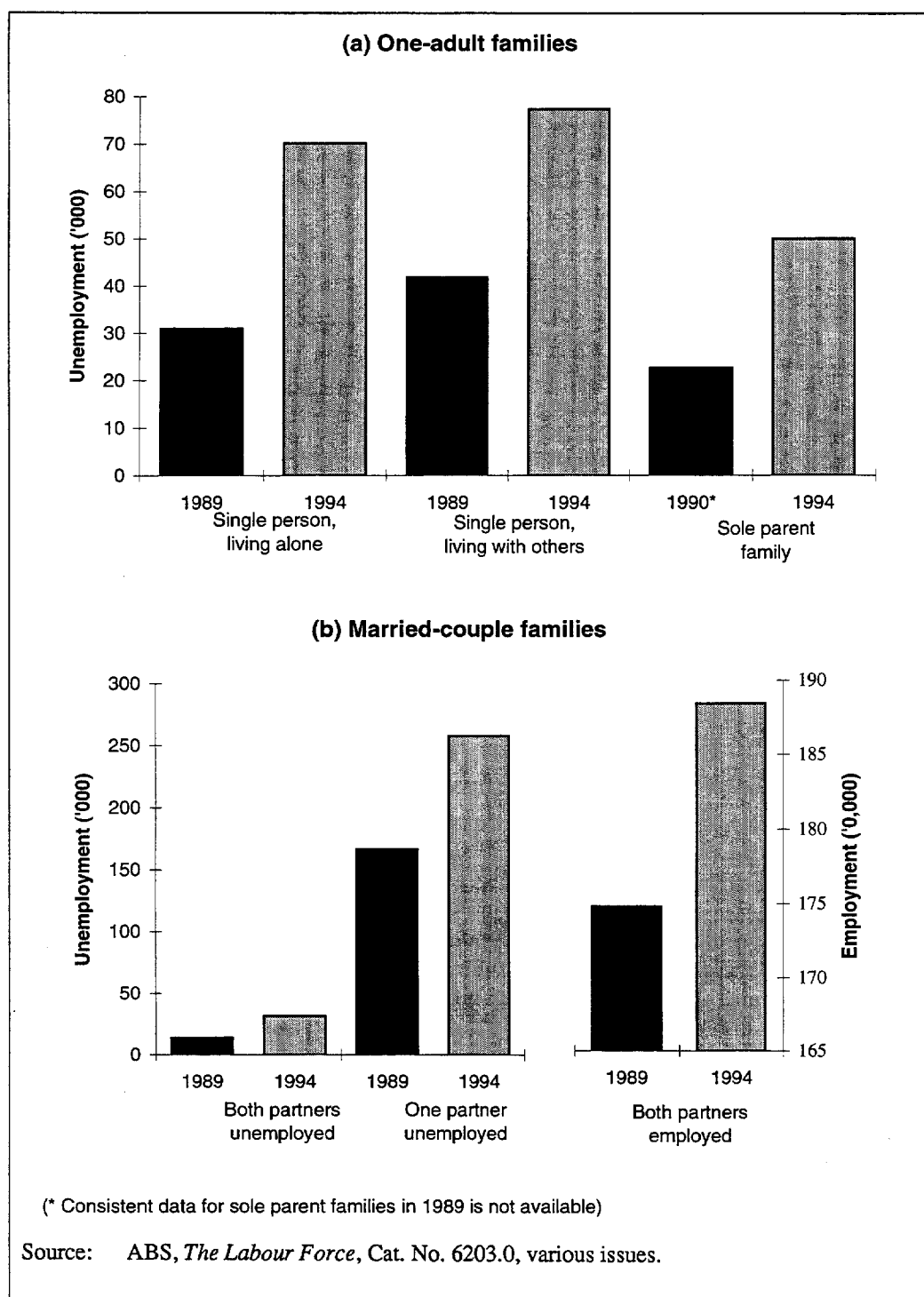
unemployment rate was highest amongst those aged under 30 (particularly people aged under 20) and amongst those aged 55 and over; it was also higher amongst those born overseas, particularly amongst those born outside the main English-speaking countries, than amongst the Australian-born population; finally, unemployment was much higher amongst those without post-school qualifications. Despite these differences, even people aged in their 30s, born in Australia and with post-school qualifications, experienced unemployment rates in excess of nine per cent in the middle of 1993 - a rate which would have been virtually unthinkable for this group of Australian workers two decades earlier.

Aside from the adverse financial and other consequences for the **individuals** affected by unemployment, the impact of unemployment on living standards and inequality depends upon the **family** characteristics of those out of work. This reflects the conventional practice in studies of living standards and income distribution to define the family (or a similar concept) as the appropriate unit of analysis, on the assumption that income and resources are shared within the family for the benefit of individual family members. This assumption has been challenged by feminists and others, and there is evidence that financial behaviour within families does not always conform with this assumed pattern (Glezer and Mills, 1991). But neither does the evidence conform to any other simple patterns, for example that adult family members arrange their financial affairs completely independently of each other.

As long as there is some degree of resource-sharing within families, the living standards of individual family members will to some degree be independent of their own individual income. For this reason, in order to investigate the **welfare** consequences of the rise in unemployment during the recession, account must be taken of the family circumstances of those who were or became unemployed over the period. Figure 2 addresses this issue by classifying the changes in unemployment between 1989 and 1994 by the family status of those who became unemployed.

The data used to construct Figure 2 reveal that between July 1989 and July 1994, unemployment among single people increased by just under 75 thousand, with over half of this increase (53 per cent) occurring among people living by themselves. Among sole parent families, unemployment increased by 27 thousand between July 1990 and July 1994.² Among married couple families, the number of families with both partners unemployed rose by 18 thousand, while the number of couples with only one partner unemployed rose by over 91 thousand in the five years to July 1994. Yet at the same time, the number of married-couple families with both partners in paid employment continued to grow strongly, increasing by over 136 thousand or eight per cent between 1989 and 1994.

2 Consistent data on the labour force trends for sole parent families prior to 1990 are not available in the ABS *Labour Force Surveys*.

Figure 2: Change in Unemployment by Family Status: July 1989 to July 1990

Thus it would appear that the incidence of unemployment during the recession was by no means concentrated on individuals living in families where another adult member remained in work. Even if all of the 91 thousand extra married-couple families with one unemployed partner were previously two-earner couples, that increase would still be less than the combined increase of at least 102 thousand in unemployment among one-adult families.³

There is thus little comfort in these statistics for the argument that the rise in unemployment during the recession had only a modest impact on poverty because of the existence of other earners in the families affected by unemployment. On the other hand, there almost certainly have been instances where the decline in family income caused by unemployment has been buttressed in this way. But this is little comfort for the extra 120 thousand families who found themselves with no adults in paid employment between 1989 and 1994. For these families, the rise in unemployment during the latest recession will have forced them below the poverty line, just as it did to many other families in previous recessions.

The increase in the labour force participation of married women has already been mentioned. Between 1981-82 and 1989-90, that increase resulted in the percentage of couples aged 25 to 54 with two-earners increasing from 49 per cent to 64 per cent, and the contribution of wives' earnings to family income rising from 23 per cent to 26 per cent (Saunders, 1993a, Table 1). The increased number of two-earner couples has challenged conventional analyses of both the labour market and social policies in several different dimensions.

In addition to weakening the link between labour market status and financial status, the rise of the dual-earner family has also raised questions about the appropriate unit of eligibility for social security payment purposes and focused attention on the incentive structures resulting from any particular definition of the unit of eligibility and entitlement (an issue explored in more detail in Section 4). Finally, it has brought into question the whole viability of a wage earners' welfare state which, as Castles (1994) has recently observed, is now appropriately described as a wage earners' welfare state - both plural and un-gendered.

Accompanying the increased participation rate of married women has been a trend towards part-time employment. These two developments are closely related but not identical; part-time employment has been increasing amongst men and unmarried women as well as amongst married women. Between 1978 and 1993, the proportion of part-time jobs more than doubled, from 10 per cent to 24 per cent. In August 1993, 10 per cent of all jobs held by men were part-time as were 42 per cent of all jobs held by women (Committee on Employment Opportunities, 1993, Table 1.5). Sloan and Wooden (1994) have recently noted that the trend towards part-time employment continued during the recession, when the level of part-time employment (unlike full-time employment) actually increased. Whilst this was probably in part a

3 This estimate incorporates the increase in unemployment among sole parent families between 1990 and 1994.

demand-side response to the recession itself, the trend has not been reversed in 1994 as might have been anticipated if it had just been a response to the recession (Sloan and Wooden, 1994: 16). The growth in part-time employment thus appears to be permanent and in line with the preferences of the majority of those working part-time.

Another related, but again separate, labour market trend concerns the increase in casual employment. Using the Australian Bureau of Statistics (ABS) definition of casual employment as those workers who are not entitled to either annual leave or sick leave, Dawkins and Norris (1990) estimate that casual employment accounted for around 16 per cent of all employees in 1984 but around 20 per cent by 1989.

According to updated estimates by Norris (1993), the percentage increased again to 24 per cent in 1990.⁴ Casual employment in 1989 was more than twice as common amongst females (29 per cent) than males (13 per cent), although it grew faster among males during the 1980s. It was also most prominent among younger workers (aged under 25), this group accounting for 42 per cent of all male casual workers and 31 per cent of all female casual workers.

The study by Dawkins and Norris reveals that about half of all casual workers in 1986 preferred casual work, while 42 per cent wanted permanent work and were thus, in some sense, constrained to accept casual work. In contrast to this, almost a third of casual employees in 1989 were working full time and case study results reported by Dawkins and Norris reveal 'a remarkable stability of casual employment' (1990: 168) over a two-year period.

Despite this latter finding, the casualisation of the workforce reflects employer demands for more flexibility and this has inevitably meant that job mobility has increased along with the growth in casual employment. In 1990, the proportion of total employees who changed jobs was the same (22 per cent) for both males and females. It had increased steadily for both groups since 1983 when the corresponding figures were 15.6 per cent for males and 13.7 per cent for females (Norris, 1993, Table 2). By 1992, labour mobility had declined sharply (by around two percentage points for both males and females) before it rose back to around 22 per cent in February 1994 (ABS, *Labour Mobility*, Australia, Cat. No. 6209.0). Although paid work has thus become more commonplace, this has occurred in a context where the security of employment has been declining, both in terms of the kind of work available and the tenure of job appointments.

The changes described above reflect variations in the probability of different groups of Australians, defined by gender, age, birthplace, education and experience, finding a job, the kind of job they are likely to find, and the length of time they are likely to keep it. These changes have implications for the assumptions and processes built into social policies generally, and into the social security system in particular. These

4 Comparisons beyond 1990 which are consistent with the figures for earlier years are made difficult because of a change in the procedures used by the ABS; see Norris (1993).

need to be consistent with the realities of the labour market if the system is to provide support when, how and to whom it is needed and in ways which do not impede labour market choices or adversely affect behaviour. Before addressing this issue, the following section considers another aspect of labour market change which has received a good deal of recent attention - its role in contributing to the increases in inequality and poverty experience over the 1980s.

3 Inequality and Poverty

Income Distribution

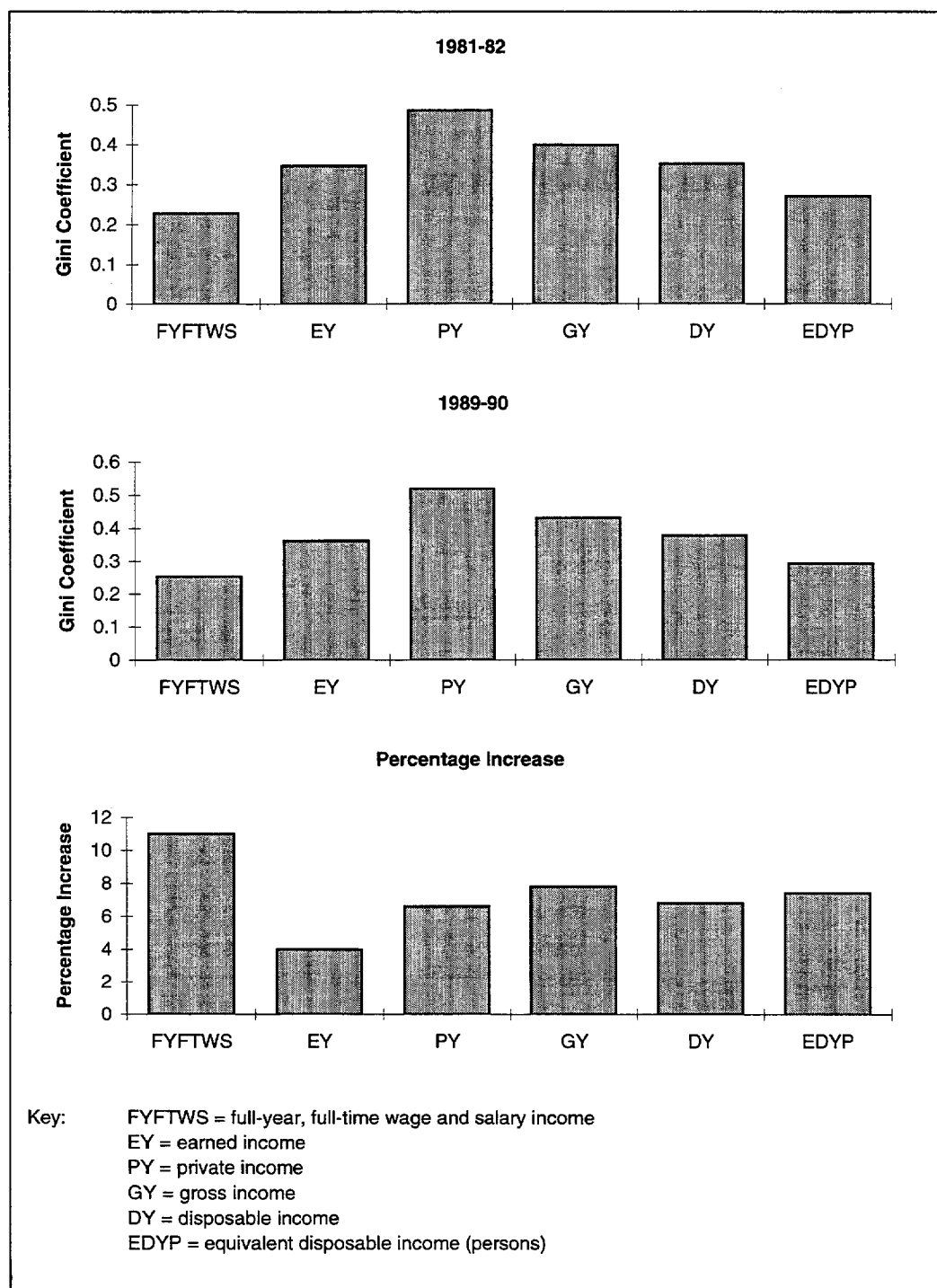
The distribution of income in Australia became considerably more unequal during the 1980s. A similar trend was experienced by many, though not all, other countries (Atkinson, 1993; Gardiner, 1993) including most of the countries belonging to the former Eastern-European communist block (Atkinson and Micklewright, 1992). The fact that the trend to inequality has been so widespread suggests that its origins are probably international. However, the fact that the extent of the change in inequality varies so much between countries also suggests that government redistributive tax, transfer and incomes policies are effective and can reduce inequality (or increase it, for that matter!). This is brought out by comparative studies using data from the Luxembourg Income Study (LIS) including those by Fritzell (1993) and Jänti (1993).

The extent and nature of the change in income inequality in Australia between 1981-82 and 1989-90 is shown in Figure 3, which is based on data from the ABS household income surveys undertaken in 1982 and 1990. The top two panels show the degree of inequality (as measured by the Gini coefficient) of various components of the income distribution in 1981-82 and 1989-90, respectively, while the bottom panel shows the proportionate change in each measure of inequality between the two years.

The distributions shown, beginning from the left-hand side of Figure 3 are: the distribution of wage and salary income amongst full-year, full-time workers (FYFTWS); the distribution of earned income among all individuals with positive earnings (EY); the distribution of private (pre-transfer, pre-tax) income among income units (PY); the distribution of gross (post-transfer, pre-tax) income among income units (GY); the distribution of disposable (post-transfer, post-tax) income among income units (DY); and the (person-weighted) distribution of equivalent disposable income unit income among individuals (EDYP), adjusted using the detailed Henderson equivalence scale.⁵ Moving rightwards in Figure 3 thus involves expanding the scope of the population under consideration (from full-time workers, to all earners, to all income units) and of the income measure itself (from wages to earnings, to private income, to gross income, to disposable income, and finally to equivalent disposable income).

5 The detailed Henderson equivalence scale is explained in Appendix F of the Final Report of the Commission of Inquiry into Poverty (1975) and in Whiteford (1985).

Figure 3: Changes in the Distribution of Income as Measured by the Gini Coefficient: 1981-82 to 1989-90



Two main features emerge from Figure 3. First, whichever income measure is used, the distribution of income was less equal in 1989-90 than in 1981-82. Second, the increase in inequality was largest for the wage and salary incomes of the full-year, full-time workforce (FYFTWS), even though the degree of inequality amongst this group at a point in time is less than for any of the other measures shown in Figure 3. The increase in disposable income inequality was a good deal less than the increase in wage inequality, but was still positive. The tax-transfer system thus managed to stem the rising-tide of inequality which was greatest among the primary (full-time) labour force, but could not reverse it.

Assessing the extent of changes in the distribution of income beyond 1989-90 is a difficult exercise. There is an enormous number of factors to take into consideration, including changes in employment and unemployment, in the distribution of earnings, in the level and impact of interest rates (which affect unearned incomes), as well as changes in the level and structure of taxes and transfers, in demographic structure and in household composition. The distributional consequences of each of these taken in isolation is difficult to ascertain *a priori*. Trying to account for the combined effects of all of them is a massive and complex task.

In the case of the increase in unemployment since 1990, for example, the impact on the distribution of income depends on where the incidence of the increase in unemployment fell. If it was mainly higher-paid individuals or modestly-paid individuals in two-income, high-income families who become unemployed, then an increase in the level of unemployment could actually result in a decline in the overall degree of income inequality. Within the context of the contemporary Australian labour market described earlier, even the **direction** of these effects cannot be determined solely on *a priori* grounds.

In a recent attempt to gauge the size of the impact of increasing unemployment on the degree of inequality of gross family income, I used regression analysis to identify the relationship between the level of unemployment and the distribution of income (Saunders, 1992). I then used the estimated relationship to calculate that each percentage point increase in the average annual unemployment rate is associated with an increase in the Gini measure of inequality of about 2.6 per cent compared with its value in 1989-90 (when the average unemployment rate was 6.2 per cent).⁶ Assuming no change in the underlying relationship, the average unemployment rate of 10.9 per cent experienced over the course of both 1992-93 and 1993-94 would have caused inequality to increase by more than 12 per cent compared to 1989-90. It needs to be emphasised that the method provides only a very approximate estimate of the size of the effect, but even so the above estimate suggests that the change in inequality experienced between 1989-90 and 1993-94 as a consequence of the increase in unemployment is very large when compared with the increase actually experienced between 1981-82 and 1989-90 (Figure 3). The logic of the reasoning

6 The methodology employed was unable to identify any clear and systematic relationship between unemployment and income inequality among individuals, which explains why this discussion focuses solely on families.

underlying this estimate also suggests that the recent recovery will have had a substantial impact on reducing income inequality, at least among families.

Some support for these general findings is provided by recent research undertaken by Ann Harding at the National Centre for Social and Economic Modelling (NATSEM) (Harding, 1994a). Using sophisticated techniques of microsimulation, Harding estimates the combined impact of changes in demographic structure, household composition and the labour market on income inequality between 1990 and 1993. Her analysis suggests that changing household structure resulted in an increase in inequality, but that more substantial disequalising effects are likely to have resulted from the rise in unemployment and from the decline in full-time male employment since 1990 (Harding, 1994a: 18).

The fact that the same general conclusion is arrived at by both the regression and microsimulation methods does not necessarily mean that inequality has definitely increased during the recession, although there is a strong implication that this is the case. This conclusion is strengthened by the likelihood that the move away from centralised wage determination towards enterprise bargaining will have further increased inequality in the distribution of earnings. To be absolutely sure of the combined impact of these effects, we will have to await the release of new ABS data on household incomes. That will probably be at least a year away, by which time data from the 1993 Household Expenditure Survey should be available.

Poverty

In order to provide a quantitative measure of the extent of poverty and how it is changing over time, a poverty line is required. How to define such a line and adjust it over time are issues which still arouse considerable controversy in Australia. Having played a part in that controversy myself, I do not want to re-visit that debate here, except to say two things. The first is that any poverty line involves judgements and it is important that those judgements be derived from, and tested against, community opinion. If validated in this way, a poverty line can be an important vehicle for identifying the extent and nature of poverty and for mobilising action designed to assist the poor. Those judgements must also be based on assessment of the **needs** of the poor and of the resources required to meet those needs.

Income benchmarks such as those expressed relative to mean or median income are useful in identifying the extent of **inequality** at the lower end of the income distribution, but they do not measure **poverty** because they are not based on the measurement of need and the assessment of resources relative to needs. This is why it is misleading to refer to the estimates recently produced by Ann Harding and Deborah Mitchell as estimates of poverty rather than indicators of inequality (Harding and Mitchell, 1992; Mitchell and Harding, 1993). It also helps to explain why the poverty estimates derived from their low income benchmarks differ in size and direction from those derived using the poverty line developed by the Poverty Commission (Saunders and Matheson, 1993).

The second point I want to make is that the Henderson poverty line (HPL) is the **only** poverty line we currently have in Australia which meets the above criteria. It reflects the considered judgements of Ronald Henderson, his co-researchers at the University of Melbourne and his fellow Poverty Commissioners regarding what level of income was necessary to meet basic needs in Australia in the 1960s and early 1970s. The HPL methodology also contains a method for determining how the poverty line should be adjusted over time as community incomes change.

It may now be time to re-consider the relevance to Australia's current circumstances of judgements which were, after all, made almost three decades ago. I would support such an exercise and I am sure that Ronald Henderson himself would also. But until we have embarked on such a course, we should not abandon the Henderson poverty standard. It has its limitations, as anyone who has worked with it will acknowledge. But so too will any other poverty line. Until we have an alternative that is clearly superior - in the view of the **community as a whole**, not just poverty researchers, policy-makers or the government - it would be a retrograde step to abandon the poverty line that we already have.

What does the ABS household income survey data used to derive Figure 3 reveal about the extent and structure of Henderson poverty in 1989-90? George Matheson and I have recently used the HPL framework to estimate that 16.6 per cent of all income units, containing 15.6 per cent of individuals, were in poverty in 1989-90 (Saunders and Matheson, 1993, Table 2). The incidence of poverty was highest among three groups: sole parent income units, and single people, both above and below pension age. These three groups also had the highest poverty rates if we use the family (rather than the narrower income unit concept) as the unit of analysis. Two of the three groups (sole parent families and non-aged single people) continue to have the highest poverty rate if the Henderson poverty line is replaced by a half-median equivalent income benchmark, while sole parent families and (to a lesser extent) non-aged single people had the highest poverty rates when a range of different equivalence scales were used (Saunders and Matheson, 1993, Table 3).

We also know that the high estimated poverty rate among single people over pension age is somewhat illusory, as many single pensioners were in Henderson poverty, but only just so. Moving the poverty line by a few percentage points causes very substantial changes in the poverty rate of this group (Saunders, 1993b, Table 11) reflecting the proximity of the single rate of pension to the poverty line in 1989-90. Thus, this body of research indicates that the two groups most prone to poverty prior to the recession were sole parent families and non-aged single people, with single older people probably coming next.

Despite disagreeing with our estimates of the trends in poverty over the 1980s, the 1989-90 poverty estimates presented by Ann Harding and Deborah Mitchell tell much the same story (Harding and Mitchell, 1992). They find that poverty is highest amongst sole parent families, followed by single adults (aged and non-aged) and couples with children (Harding and Mitchell, 1992, Figure 3). The latter finding reflects their use of the OECD equivalence scale, which assigns a high value to the

cost of children - too high a cost in the view of many European poverty experts, who now use a 'revised OECD scale' which assumes a lower value for child costs. The evidence that sole parent families and single people were most in need of further assistance in 1989-90 is thus clear-cut. This finding is robust and does not depend on any particular method for identifying and measuring poverty, illustrating Tony Atkinson's claim that these measurement issues are not always decisive (Atkinson, 1987).

As in the case of income distribution, the impact of labour market changes on poverty is now not as clear-cut as it once was. The increased prevalence of part-time and casual work and the growth in importance of two-earner couples have meant that the labour market status of any one **individual** is less important than before in determining the poverty status of the **family** (or income unit) to which they belong.

This point is reinforced by the fact that labour market status is measured at a point in time, while poverty status is normally assessed over a period of time, generally a year. It was given empirical support in a study which, using microsimulation techniques, estimated that the growth in employment over the 1980s had only a modest impact on poverty (Saunders, 1991). The counterpart to this finding is the possibility that declining labour market performance and increasing unemployment in the 1990s may have caused poverty to rise by less than in earlier periods when each family generally had only one (full-time) worker.

Despite this, a strong association between labour force status and poverty status is apparent in the existing ABS household survey data. Paul and Podder (1992), for example, have estimated the relationship between Henderson poverty and labour force status using data from the 1984 Household Expenditure Survey. They use regression techniques to determine how the probability of a household being poor is affected by the labour force status of the head of household. They show that where the head of household is self-employed, unemployed or not in the labour force, there is a positive, substantial and statistically significant increase in the probability of the household being below the poverty line.

For a male-headed household with two children, for example, the probability of being poor if the household head is a wage or salary earner is less than one per cent if they are not renting their home, or over five per cent if they are renters. The corresponding probabilities if the household head is unemployed are 38 per cent and 79 per cent, respectively (Paul and Podder, 1992, Table 2). The precise effects vary with household size and composition, but the general pattern is the same. While these estimates indicate that unemployment increases the probability of being poor, they also reveal that the probability of being poor is not zero for wage and salary earners, nor is it 100 per cent for the unemployed. Once again, the links between labour force status and poverty status are not absolute.

Amongst the unemployed, the probabilities estimated by Paul and Podder vary considerably, not only with housing tenure, but also with the gender of the head of household and with the number of children. This highlights the fact that labour force status is not the only factor influencing the trend in poverty beyond 1990. Of

particular significance here are changes in household composition and in social security payments. The latter have been increased since 1990 for many families with children, particularly those receiving rent assistance, even before taking account of the introduction of home child care allowance and the other measures announced in the White Paper (Harding, 1994b).

The Social Wage

The analysis in the previous two sub-sections has focused on trends in inequality and poverty assessed on the basis of changes in money incomes. This ignores the role of the social wage in providing noncash income in the form of subsidised provision of welfare, housing, health and education services. Previous research has highlighted the important contribution of these aspects of the social wage to family living standards (ABS, 1987; 1992; Office of EPAC, 1987) and the size of that contribution increased over the 1980s, reflecting the growth in spending on the social wage negotiated under the Accord (Saunders, 1994).

Whilst there are a number of methodological issues to resolve before the benefits associated with the social wage can be included in the analysis of inequality and poverty, it can be argued that omitting these benefits is misleading because the income taxes which pay for them are already deducted in calculating disposable income. Consistency thus requires that social wage benefits should also be included as an element of income, notwithstanding the difficulties involved in imputing a precise monetary value for these benefits. There is more to this than just the technical problem of valuing benefits for which there is no observable market price. Questions of choice also arise and how choice (or lack of it) affects welfare. Unlike cash income, people cannot choose how to allocate noncash social wage benefits so as to maximise their well-being (except in the most indirect way through the political process).

Before social wage benefits can be included in income, it is necessary to identify the beneficiaries of social programs and value the benefits they receive. The social wage studies referred to above identify the beneficiaries as the users of services and by equating total benefits with total costs, value each groups' service benefits in line with their proportion of total service usage. It is easy to criticise these methods, but far harder to come up with better ones, particularly given the limitations of existing data. It is nonetheless important to be aware of the problems associated with the valuation methods and how these are likely to influence the results.

A key assumption is that the use of most services depends on a range of socio-demographic variables other than income or social class. This means, for example, that someone of a given age, gender and location is assumed to receive the same level of health benefits, irrespective of their income level or occupational status. If low income groups use health services less than middle or higher income groups, or use them less **relative to their health needs**, then health benefits will be over-estimated for low income households and under-estimated for middle and higher income households. In some areas, the way services are allocated will overcome

some of these problems. In the case of public housing, for example, eligibility is restricted to lower income groups, who are thereby identified as the only beneficiaries. But problems remain in relation to the universal services such as health and education - and average household benefits are far larger in these areas than where benefits are restricted to particular groups (ABS, 1992).

Once the value of each social wage benefit has been determined, they are added to money income and treated as if they are identical to a cash payment of the same amount. This is an assumption which, as noted earlier, takes no account of the value which the recipients themselves place on the benefits they receive. Furthermore, when cash and noncash income are aggregated and adjusted for need using an equivalence scale, no allowance is made for the different opportunities which exist within the household for sharing cash and noncash income.

Despite these qualifications, it is useful to assess the impact of the social wage on inequality and poverty, if only in a preliminary way. The data which have been used for this purpose were produced by the 1988-89 Household Expenditure Survey, the unit record file for which includes the social wage benefits estimates derived by the ABS itself (ABS, 1992). Figure 4 compares the distributions of household (cash) disposable income and final (cash plus noncash) income, before and after adjusting for differences in need using the (detailed) Henderson equivalence scale.

Whether or not an equivalence adjustment is made, the social wage reduces inequality, with the income shares of the lower income households increasing and those of the higher income households declining. Restricting the analysis to households with a positive disposable income, the social wage causes the Gini measure of inequality of actual income to decline from 0.344 to 0.303 (or by 12 per cent). If equivalent income is used as the basis for comparison, the Gini coefficient declines by almost twice as much (23 per cent) from 0.271 to 0.208. In aggregate terms, the average household value of social wage benefits is estimated to be \$110 a week, or almost 22 per cent of average household disposable income. The social wage thus provides benefits which not only raise the average living standards of households by more than a fifth, but also cause a significant decline in inequality among households.

Figure 5 illustrates the difference that inclusion of social wage benefits makes to estimates of the incidence of poverty among various groups in the population in 1988-89. The Henderson poverty line has been used to derive these estimates, despite the fact that it was originally designed specifically to measure poverty on a (cash) income basis. The upper panel of Figure 5 shows that the social wage causes the overall poverty rate to decline substantially from 14.7 per cent to 1.9 per cent, corresponding to a fall in the number of poor households from around 710 thousand to less than 95 thousand.

The structure of poverty among different household types also changes dramatically, with very significant declines for households headed by aged people and households with children. The reason for this is that older people benefit disproportionately

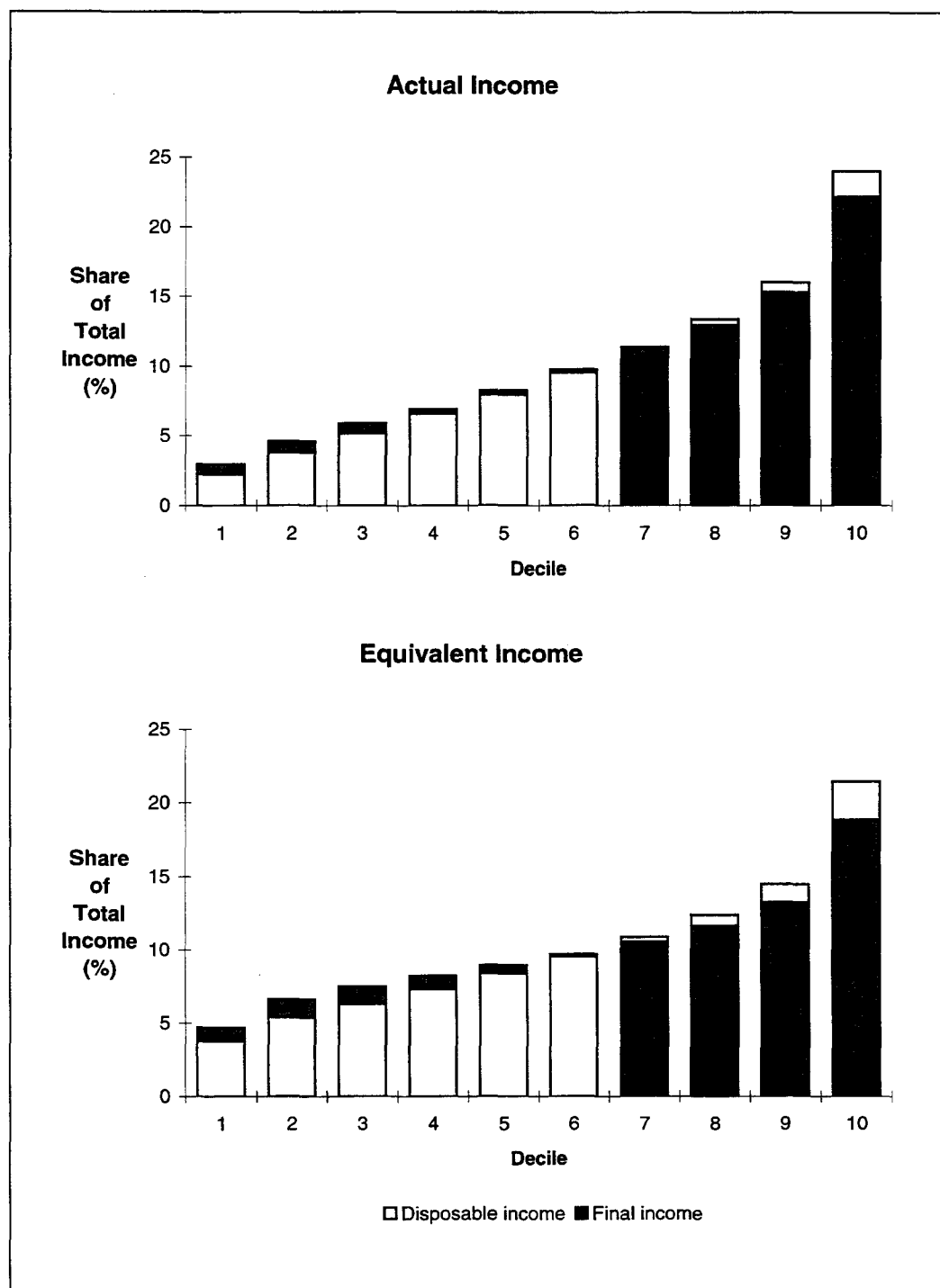
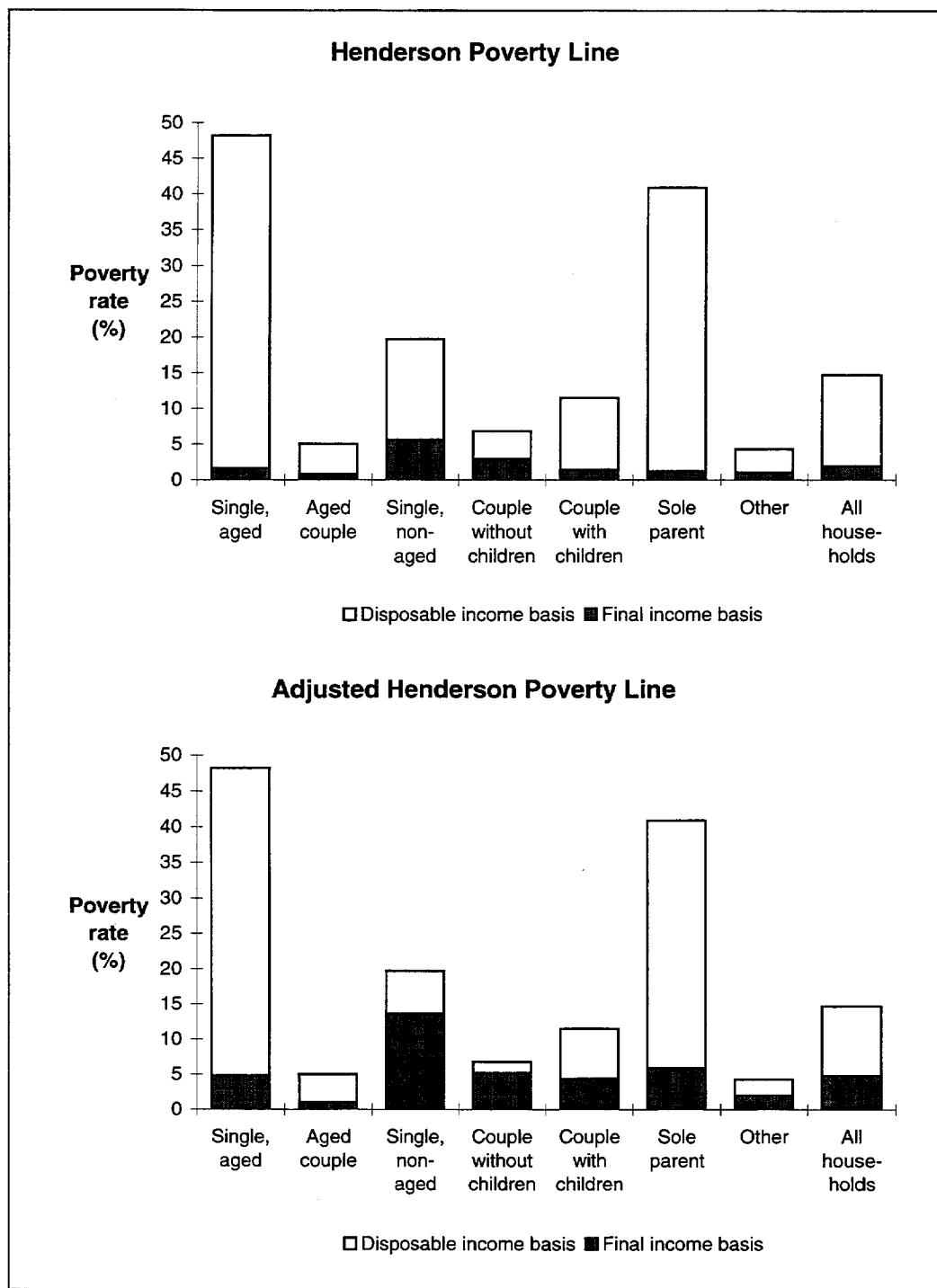
Figure 4: Income Distribution and the Social Wage: 1988-89

Figure 5: Poverty and the Social Wage: 1988-89



from health (and welfare) benefits, while most of the benefits from education (and housing) provisions go to households with children. In both cases, these benefits are received **because the households need them**. Whether or not it is valid to consider that their poverty is reduced when poverty is, after all, concerned with having sufficient resources to meet need is a question which strikes at the heart of this entire exercise.

The estimates shown in the upper panel of Figure 5 show an inevitable decline in poverty - inevitable because the social wage adds to income but does not affect the poverty line. In order to correct for this, the lower panel of Figure 5 makes an upward adjustment to the poverty line to reflect the increased scope of the income measure used to assess poverty status.⁷ This moderates the estimated impact of the social wage on poverty, but it remains substantial. The poverty rate now declines from 14.7 per cent to 4.8 per cent, reflecting the fact that the ratio of social wage benefits to cash income is greater for poor households than on average for all households. The poverty rates of each household type are also higher now than in the initial set of estimates, but the structure of poverty between household types remains generally unchanged.

The above results indicate that, in 1988-89, social wage benefits raised average household living standards, whilst reducing inequality between and poverty among Australian households. Clearly, any account of changes in living standards and inequality in the 1980s which does not take account of the social wage (if only imperfectly) will be incomplete. Considerable resources have been devoted to improvements in the social wage since 1983 and these changes have been generally well-received amongst the population. Questions remain, however, over the extent to which cash and noncash incomes are substitutable - in both economic and political terms.

4 The White Paper Social Security Reforms

Although the major focus of the *Working Nation* White Paper was on unemployment, the social security reforms were designed to assist the unemployed while bringing income support arrangements more into line with changing realities in the labour market. The increased level and duration of unemployment was one of these, but so too were the other labour market trends outlined in Section 2. Yet those same labour market changes also formed the basis for the 'active society' reforms of the unemployment benefit system which were introduced, following the Social Security Review, in July 1991.

The Social Security Review had argued in relation to the system of income support for the unemployed that:

7 The poverty line for each household is adjusted upwards by the ratio of final income to disposable income for **all** households.

The challenges to this program of income support include a restructuring economy, changing patterns of men's and women's labour force involvement through the life cycle, changing patterns of employment overall, in particular an increase in part-time work, greatly increased rates and durations of unemployment and the diversity of demographic groups affected at some stage of their lives by joblessness. (Cass, 1988: 78)

Despite the subsequent reforms, the Committee on Employment Opportunities, reporting only five years later, began its discussion of income support arrangements with the claim that;

The basic structure of income support for the unemployed has been largely unchanged since it was introduced in 1945 ... it is time to consider major changes to the social security system so that it fits better with current and emerging labour market trends and social changes. (Committee on Employment Opportunities, 1993: 163)

The implication appears to be either that the earlier 'active society' reforms had not gone far enough, or that further issues needed to be addressed, or that the dramatic rise in unemployment after 1990 (Figure 1) warranted further reform. Whatever the reasons, the extent of social security reform introduced in the last decade highlights the flexibility of the Australian categorical, means-tested, tax-financed system - a feature looked at with envy in some other OECD countries.

The main aim of the White Paper social security reforms is to increase the financial incentives for the unemployed to seek and accept paid employment, but to do so in ways which are consistent with the labour market trends described earlier: increased part-time and casual employment, declining low wages, increasing wage inequality and an environment in which the two-earner couple is becoming the norm. On the face of it, measures designed to **increase labour supply** seem a somewhat perverse response to the problem of unemployment - a situation where supply already exceeds demand, at least in aggregate. Such supply-side measures are, however, consistent with improving overall labour market flexibility, thereby contributing to a lowering of the 'natural' (or equilibrium) rate of unemployment, which, as Nevile (1993) indicates, is one of the main aims of the White Paper package as a whole.

Despite this macroeconomic rationale, the White Paper social security reforms addressed an aspect of the system which has been of concern for some considerable time - the high effective marginal tax rates which characterise the poverty trap (Office of EPAC, 1988; Whiteford, Bradbury and Saunders, 1989). One set of problems faced by the government was how to ease the poverty trap so as to facilitate acceptance of paid work (part-time and full-time) amongst the unemployed without at the same time being either very expensive, adding greatly to the system's complexity or reducing the disposable incomes of many benefit recipients. A second problem concerned the need to widen the gap between the income from benefits and

from full-time work (the replacement rate) which had narrowed during the 1980s as a result of two reinforcing trends: the increase in real benefit incomes, particularly for families, and the decline in real wage incomes, particularly amongst the lower paid (Figure 6).

Here, the White Paper proposals represent a new and imaginative approach to a familiar problem. The thinking behind them can be explained in the following way: the areas where the disincentive effects of the existing poverty trap were perceived to be of greatest concern were for all beneficiaries seeking part-time work, for single-income married beneficiaries seeking full-time work at low wages and for the partners of unemployed men seeking part-time (or even full-time) work.

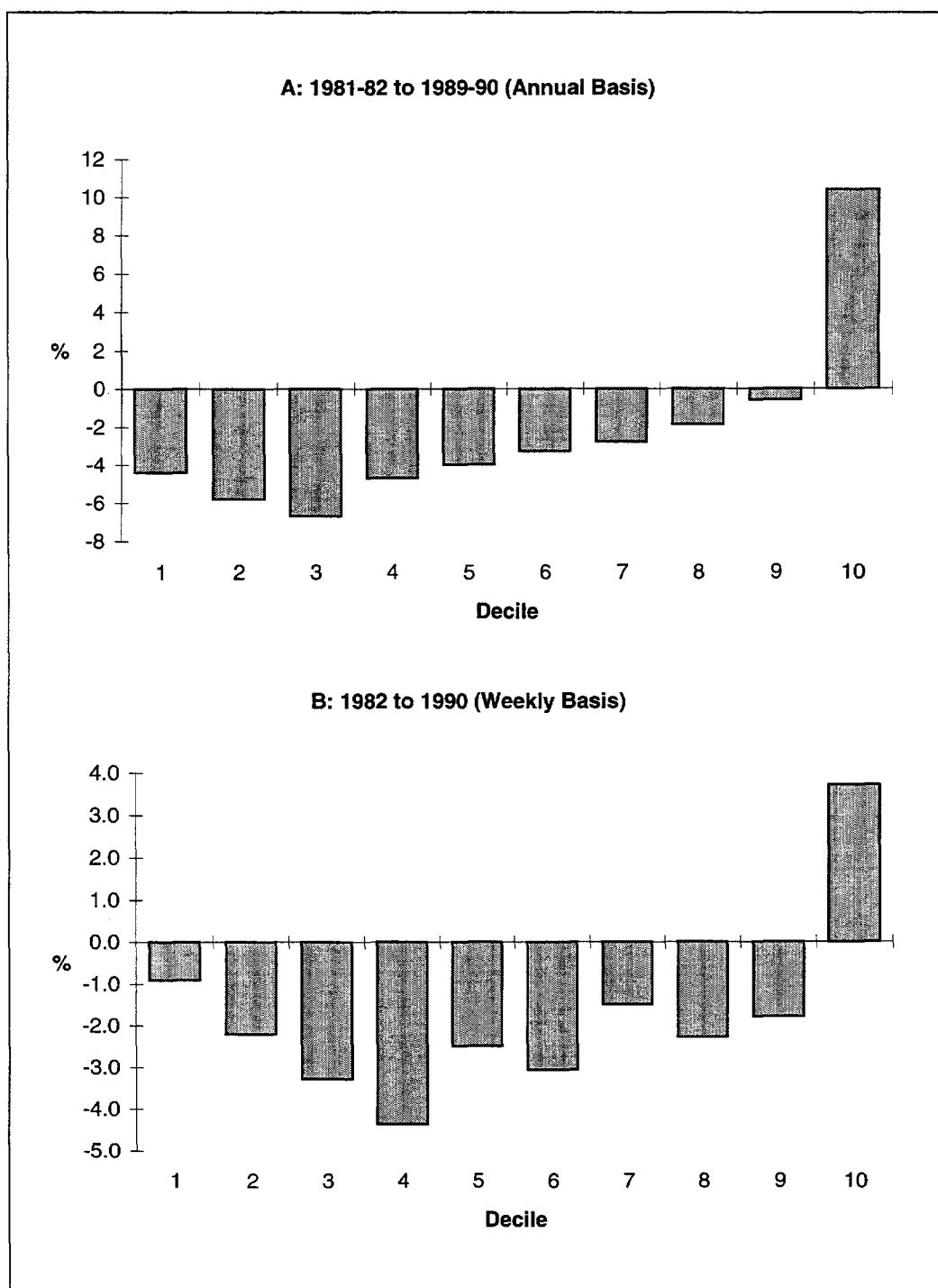
No single reform of the income test could address all three concerns without being prohibitively expensive or extremely complicated. A targeted strategy was required which involved restricting entitlement through an easing of the income test over some (but not all) income ranges, combined with changes in benefit eligibility conditions. The latter changes add the 'stick' of a harsher activity test to the 'carrot' of an easier income test. These latter changes will reduce costs - the modification of the income test and the introduction of individual entitlement are estimated to save around \$95 million a year (Australia, Prime Minister, *Working Nation*: 184) - but are also intended to ensure that the revised income test structure encourages work incentives in the right areas.

If it does, then the income test reforms can impact on **equality** (by encouraging more beneficiaries back into work) even though their initial focus is on **efficiency** (specifically on work incentives). But can it work? The answer depends partly on whether jobs are available to meet the increase in labour supply, but also on whether the supply of labour will itself increase, i.e. on whether beneficiaries will respond to the changed financial incentives facing them by working more.

On this latter point, the evidence is surprisingly thin. A comprehensive review of the Australian and (some) overseas literature undertaken by the Department of Social Security (DSS) in its submission to the Committee on Employment Opportunities failed to uncover clear evidence of disincentive effects associated with the **replacement rate**, the level of benefits (relative to earnings), except possibly in a slight extension of benefit duration among the short-term unemployment (DSS, 1993: 47).

In relation to the effects of **the income test**, the DSS report cited OECD claims that:

... the comparatively high unemployment and 'non-activity' rates among partners of unemployment payment recipients is at least partly due to the operation of the income test. (DSS, 1993: 52)

Figure 6: Changes in Real Wage and Salary Incomes for Full-time Workers

The Committee itself was even more explicit, identifying as one of four specific problems with the existing system the fact that:

... the social security income test discourages unemployed people from seeking and accepting part-time and casual job opportunities as there is a large range of income over which unemployment payments are withdrawn on the basis of one dollar for every dollar of earned income. (Committee on Employment Opportunities, 1993: 183)

It is difficult to disagree with the proposition that a 100 per cent withdrawal rate produces disincentive effects, particularly when account is taken of the costs associated with work. But whether or not lower withdrawal rates applied on a family unit basis discourage paid work activity among the partners of unemployment payment recipients is less clear-cut. The argument assumes, for example, that the financial arrangements and labour market behaviour of partners living together are fundamentally inter-dependent. These are aspects of intra-household decision-making and behaviour about which we currently know very little.

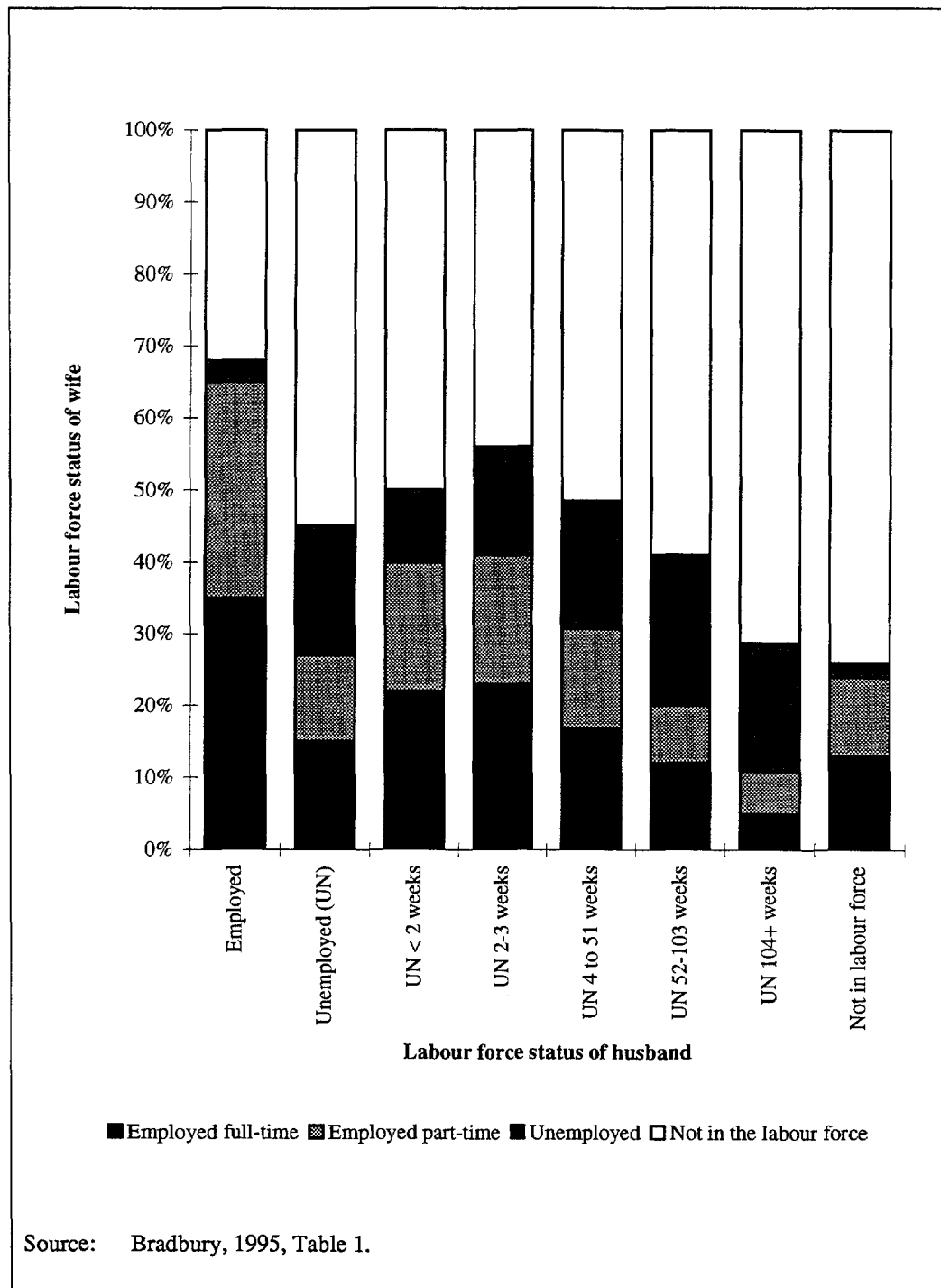
There is, however, evidence recently presented by my colleague Bruce Bradbury which has some relevance in this context (Bradbury, 1995). Bradbury argues that the fact that employment amongst the wives of unemployed men is lower than employment amongst the wives of employed men does not, of itself, imply that the operation of the joint income test is the reason for the difference. Other alternative, or additional explanations include **location effects** (both husband and wife may suffer from the same lack of localised job opportunities), **skill effects** (both partners may have similar skills and levels of education and thus suffer from the same lack of job opportunities) and **gendered role effects** (values and attitudes may prevent the wife from seeking paid employment because it undermines the husband's role as main breadwinner) (Bradbury, 1995: 1-2).

These arguments suggest that the wives of unemployed men (like the men themselves) are not representative of the wives of employed men (or of employed men themselves). This implies that the observed differences between the two groups may have no necessary implications for the operation of the benefit income test.

One way of evaluating this hypothesis is to compare the behaviour of the wives of those men who have **just become unemployed** with that of the wives of employed men and of the wives of men who have been unemployed for some time. If the benefit income test has an important effect on behaviour, one would expect to observe some common patterns amongst all the unemployed, irrespective of the duration of their unemployment. If, on the other hand, the other factors mentioned above are most important, one would expect to observe a diversity of behaviour amongst the unemployed which varies systematically with unemployment duration.

The evidence presented in Figure 7 sheds some light on this issue. It uses unpublished ABS labour force data to explore the labour force behaviour patterns of

Figure 7: Labour Force Status of Married Women Aged 20 to 59 by Labour Force Status and Duration of Unemployment of the Husband: 1991



husbands and wives, classified by the duration of husband's unemployment. The first two columns indicate that the employment rate of the wives of all employed men (65 per cent) is more than twice that of all unemployed men (28 per cent). However, the third column reveals that the employment rate of the wives of those men who have been unemployed for less than two weeks is 40 per cent. Thus, 25 of the 37 percentage points difference (almost two-thirds) between the employment rates of the wives of employed and unemployed men exists even before they have had any significant experience with the benefit system and the income test (assuming that none of them have any previous experience of the system).

Although Figure 7 also indicates that the wives' employment rate declines steadily as the husband's unemployment duration lengthens, even this cannot be attributed to the operation of the income test without further investigation. In summary, this evidence does not unambiguously support the notion that the income test leads to serious disincentive effects, even amongst one of the groups of benefit recipients where such effects have long been regarded as most serious. If the previous income test cannot be shown to have caused serious work disincentive effects among those receiving unemployment payments, then easing the test can be expected to be of only marginal (I use the term deliberately) significance.

There is another element in the social security system which has the potential to have major consequences for work incentives and disincentives. This is **the activity test**, or the work test as it was previously known. The activity test establishes whether a person is eligible to receive unemployment assistance, as distinct from the income test which determines their benefit entitlement. The two basic conditions which have to be satisfied under the activity test are that the person has to be **actively seeking and willing to undertake** suitable paid work.⁸

The DSS submission to the Committee on Employment Opportunities explains how these conditions are determined in practice:

Determining whether a person is 'unemployed' involves an assessment of their commitment to obtaining 'suitable paid work', defined as work a client is able to perform and which provides no less than the award wage and standard conditions for the type of work. While such work may include casual, temporary or part-time work, it is generally considered to be full-time work during the day. (DSS, 1993: 20)

Interpreted literally, these provisions mean that someone working part-time who wishes to remain so does not strictly satisfy the income test because they are not available for full-time work. Neither would someone who chooses to work casually,

8 There are other aspects of the activity test but these do not affect the current discussion. These additional aspects are described in *The Independent Social Security Handbook* (Welfare Rights Centre, 1994).

even though (as noted earlier) casual jobs can be of long duration - sometimes of longer duration than full-time jobs.

The DSS noted that these difficulties are normally avoided in practice by those clients who are working part-time indicating that they would accept any other suitable work offer. The provisions do, however, sit uncomfortably with the White Paper's desire to integrate the benefit system more effectively with a labour market characterised by increasing part-time and casual work. Its practical interpretation runs the risk of giving rise to inequities in the treatment of benefit recipients who are induced to accept and continue in part-time work while maintaining a part-rate benefit, as compared with those working part-time who have had no contact with the benefit system but may also be technically entitled to a part-rate benefit. (The changes to the income test and introduction of individual benefit entitlement announced in the White Paper may result in the number of married women in this latter situation increasing substantially.)

Because of these concerns, the DSS itself recommended that the activity test be reformed so as to give recognition to the concept of 'underemployment' and to expand the definition of 'suitable paid work' to include part-time and casual work and other forms of atypical employment. Bradbury (1994) has argued similarly that the activity test; '...will have to be changed in order to make sense of the proposed income test' and warned that: 'Unless this is done, major tensions will appear between the income and availability tests' (Bradbury, 1994: 3). The kind of change required to avoid these problems would involve extending to all of the unemployed the activity test as it currently applies to those aged over 50 receiving Newstart allowance, who are not required to establish that they are seeking full-time work in order to satisfy the activity test (DSS, 1993: 20-1; Welfare Rights Centre, 1994: 275).

Despite this, no specific changes to this aspect of the activity test were announced in the White Paper. Changes were foreshadowed, designed to encourage unemployed people to undertake a broader range of activities while remaining eligible for social security payments (Australia, Prime Minister, 1994: 156), but these do not specifically refer to part-time employment. However, in its earlier discussion of the Job Compact, the White Paper notes that while the obligation on a Job Compact participant will be to accept any reasonable job offer:

A case manager may also decide that people who have substantial part-time work or regular temporary work may be best to continue if the work is likely to lead to further, more substantial opportunities. (Australia, Prime Minister, 1995, *Working Nation*: 126)

Such changes would not, of course, effect those unemployed people who are not eligible to receive assistance under the Job Compact. For these people at least, the situation appears to be that if they are working part-time and receive an offer of full-time work, they must either accept the offer or lose their benefit eligibility, even if part-time work is their preferred choice. In this sense, the White Paper reforms fall

some way short of their stated intention to encourage part-time work amongst the unemployed. The activity test 'stick' seems more binding than the income test 'carrot'.

The above discussion has focused on only that aspect of the White Paper social security reforms relating to their impact on work incentives. This might seem to be something of a side issue, particularly given the very significant changes to benefit entitlement and the introduction of the parenting allowance which lie at the heart of the White Paper reforms.

At one level, these reforms can be seen as a logical extension of the changes to the income test described earlier, designed to address the specific work disincentives facing couples. The changes also have considerable merit in their own right - in philosophical as well as equity terms. They have been welcomed enthusiastically by most commentators including ACOSS who have described the reforms in the following terms:

The bold social security reforms are the most visionary elements of the package. At last we are marching more in step with the realities of personal lives and the labour market of the 1990s. They introduce a flexible income support system, which recognises that more people have no choice but to continue part-time or temporary work with social security payments. They also recognise the changed nature of social relations between men and women and the communal value of parenting. While there is a need for fine-tuning, overall the government has hit the right note in this area. (ACOSS, 1994: 1)

In light of such enthusiastic support, it might seem rather pedantic and inconsequential to focus on and take issue with the incentive effects of the reforms. It might also seem somewhat obtuse to discuss incentive issues here, given the broader themes of inequality and poverty which have formed the core of this paper.

The response to both comments lies in the fact that the incentive question was seen as central to the White Paper reforms by its authors. Indeed, the chapter on social security reform is headed 'Income Support Incentives' and the Introduction to that chapter notes that:

Greater financial incentives can markedly improve the desire of some unemployed people to work, increasing their motivation and employers (sic) perceptions that they will be effective members of the workforce ... If income support recipients have greater incentive to get work, they will as a group receive a greater share of the available jobs. There will be improved labour market matching and the economy will be able to grow more quickly without inflationary pressures emerging. (Australia, Prime Minister, 1994, *Working Nation*: 145)

In light of this emphasis on the incentive issue, this discussion has tried to highlight the fact that while we have a good deal of information about how the income and activity tests influence **incentives**, we know far too little about how these translate into actual **behaviour**.⁹ It is difficult to deny the general proposition that the structure of the social security system can give rise to serious disincentive effects. The practical issue, however, is not whether this **can** occur, but whether it **does** occur. Whatever their other merits, the impact of the White Paper social security reforms on work incentives remains, at best, an open question.

5 Summary and Conclusions

Social and economic policies during the first half of the 1990s have been dominated by the recession and its aftermath. Experience has shown that discretionary economic policy has an important role to play in managing the economy, but that if used unwisely or inappropriately it can have disastrous consequences, for the economy and for its people. The changing nature of the labour market is a response to variations in the socio-economic landscape, as well as to changes in values, choices and preferences.

Paid employment now plays an increasing role in more people's lives and their living standards and those of their families are crucially dependent on labour market performance. In these circumstances, large-scale unemployment can have catastrophic economic and social consequences for the unemployed. When it becomes long term, these problems become cumulative, making it even harder for the unemployed to cope.

This paper has ranged over a wide terrain, exploring how the issues of inequality and poverty are related to economic developments in general and to labour market performance in particular. New realities have made previous relationships redundant and old notions no longer relevant. For the increasing number of dual-earner families, their standard of living and risk of poverty no longer depend so critically on the labour force status of a single family member. The earnings of wives make a substantial contribution to family income, while also reducing income inequality between families.

The social wage also plays an important (and increasing) role in the determination of living standards, poverty and inequality. Results presented in Section 3 highlight some of these features, albeit in only an approximate way. More research and improved data are required before any firm conclusions can be drawn, but the general picture which emerges illustrates the quantitative importance of the effects of the social wage.

9 This claim is reinforced once account is taken of how the income and activity tests are actually administered and the knowledge that benefit recipients have of them. A number of recent measures have been designed to make the move from benefits into work easier and less risky, but whilst they are a welcome response to the increase in job mobility discussed earlier, their impact on behaviour is not known at this stage.

The final section of the paper discussed the social security reforms announced in the *Working Nation* White Paper from the point of view of their impact on work incentives. The improvement of incentives was the main objective articulated in the White Paper motivating the reforms, although most commentators have tended to give more emphasis to other aspects. The discussion, though brief, highlights the imaginative and innovative nature of the reforms, but questions whether or not they will have a major impact on work incentives. Even if they do, further reform of the activity test will probably be needed if its operation is not to undermine the improvement in work incentives associated with the changes to the income test.

The reforms announced in the White Paper attempt to bring the social security system in line with the changing Australian labour market. They are a significant step in a process which is likely to require further changes.

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Constructing Indexes of Social Inequality for North Australia: A Regional Replication of the SEIFA Methodology

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1 Introduction

One of the more useful contributions that social science methodology can make to social policy is the production of valid and reliable indicators. In the area of regional policy it is the dimensions of socio-economic inequality which hold immediate appeal both for the relative ease with which data can be collected and the power of the techniques which are now available to generate measures. In Australia this field is dominated by the Socio-Economic Indexes for Areas or SEIFA (ABS, Catalogue No.2912.0, 1994), produced in electronic data base form for every collection district (about 31,400 for all Australia), roughly equivalent to 250 dwellings in urban areas though fewer in rural and remote areas. These unit values are then weighted by population to produce scores for larger units of aggregation, up to Statistical Division (State and Territory) level to produce a set of comparable and standardised indices of social and economic development.

The SEIFA scales, first produced from the 1986 and now from the 1991 Census data, represent a considerable advance in the thinking of the ABS in areas of social inequality, with obvious consequences for the precise formulation of strategies of social justice. The five scales of SEIFA are Relative Socio-Economic Disadvantage, Urban and Rural Relative Advantage, Economic Resources, Education and Occupation). These were standardised to have a mean value of 1000 and a standard deviation of 100 to provide a quick and intelligible reference for those responsible for social and health policy (Jain, 1994) as well as for targeting services and retail outlets. They have also provided researchers with a handy tool for comparing the economic resources available at the local level in matters of Aboriginal development (Gray and Tesfaghiorghis, 1991: 26-7) and the socio-spatial distribution of health outcomes (Glover and Woollacott, 1992).

2 Socio-Economic Indicators and Regional Variations

While there are strong reasons for using something like the SEIFA scores to account for the great spatial variations in socio-economic inequality within Australia, it is clear that the methodology deserves close scrutiny. Not least are the problems which arise when the scales are used in such a manner as to obscure intra-regional differences when the weightings employed on each variable have been developed from national samples. One example, widely cited within NT Government circles (and repeated by the NT Minister of Education, Fred Finch, in an interview on the ABC 7.30 Report, 30-11-94, is the instance of a higher score, on a scale of disadvantage employed by the Commonwealth Government for educational allocations, of a fairly affluent Darwin suburb (Parap) than that of remote communities (Papunya, Croker Island). The reason for this seems to be that there is a higher proportion of professionals and paraprofessionals among those in the workforce as human service personnel in the remote locality. Examples like this are not merely of academic interest, since such nationally based measures are employed by over 60 State and Commonwealth departments (such as the Department of Employment, Education and Training and the Department of Human Services and Housing). Their most prominent use is by the Commonwealth Grants Commission which uses the SEIFA measures as a framework for redistributing tax revenues to the States and Territories on the basis of a range of socio-economic disability factors.

The need for regionally appropriate socio-economic indicators for North Australia for example was emphasised in the recent Final Report of the Office of Northern Development's North Australia Social Justice Strategy (Office of Northern Development, 1994). This report recommends that: 'to assess social justice, social need and social development, a framework of socio-economic indicators needs to be established for Northern Australia' (1994: 34). This report draws attention to the

dangers of using aggregated data, particularly at a regional or even subregional level, the question of choice of particular variables, the simplicity of measures and the link between social indicators and need. (Office of Northern Development, 1994: 34)

The shifting and variable nature of development in the more remote and non-settled areas of Australia raises serious questions as to the universal applicability of scales which are devised for settled, metropolitan populations. The continuing use of national scales would appear then to run the risk of failing to discriminate within remote regions, as well as of distorting social justice goals and outcomes by obscuring the enormous variability within complex societies such as Australia.

These localised patterns of inequality and disadvantage - in terms of access to resources and services, differing pathways to development and regional patterns of inequality in terms of ethnicity, race, class and gender - assume greater importance in light of the tendency of nation states to fragment under the pressures of global economic restructuring. While constructed in the nineteenth century out of

compromises between capital and labour, peripheral nation states such as Australia and New Zealand are now feeling the push and pull of the dynamics of global capital flows and the new international division of labour (Wallerstein, 1974).

Against this background of global integration and national fragmentation, local communities and regions position themselves within a global environment. As a consequence the spatial dimension has re-entered into social analysis in new ways. These are not so easily embraced by the macro-level approaches of traditional political economy or its Marxist critique (Friedland, 1992; Harvey, 1989; Soja, 1989). In the tensions and dilemmas of this 'postmodern' condition (Bauman, 1992), the globalised frameworks offer only partial indications as to how regions will respond to the local contingencies of employment, community and organisation. As Thorns argues, in *Fragmenting Societies?*: 'The impact of uneven regional development over the past decades has brought with it quite marked differentiation between local areas' (Thorns, 1992: 49). Thorns' comparative analysis of the regionalisation of economy, polity and culture in Britain, Australia and New Zealand hold important lessons for the construction of a single unitary set of indicators which perpetuate a view that nation states are socially stable, homogeneous and internally integrated.

The implications of the 'fragmenting societies' approach to social development, has particular resonances for Northern Australia. The social and demographic characteristics of this region set it apart from the more populous south. This region, north of the 26 parallel South, has over half the land mass of the continent but less than seven per cent of the national population. As pointed out in the excellent review of these characteristics in the North Australia Social Justice Strategy report, this region is distinguished by:

- high exposure to international trends in commodity markets;
 - demographic dispersal and high rates of growth in more remote locations;
 - distinctive patterns of need since it contains about a half of the indigenous peoples of the continent, whose rates of natural increase, socio-economic and health profiles are complicated by the locational disadvantages typical of the region as a whole;
 - higher rates of unemployment and lack of access to educational, welfare and medical services;
 - a tertiary sector workforce, dominated by community, commercial and public services; and
 - an economic and employment-driven dynamic of growth (particularly in mining, tourism, defence and public sector industries), preceding or anticipating the development of social infra-structure.
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While each of these characteristics provides points of contrast with urban Australia, one could also cite at the extremes the often Third World levels of physical infrastructure (housing, water and electricity supply, sewage) in Aboriginal townships and communities (e.g. over 25 per cent have substandard water supply, 30 per cent have no electricity). The question of regional sensitivity of socio-economic scales recalls a similar situation encountered by the writer while constructing a 'Level of Living Scale for the Prairies' as part of a UNESCO-funded project in Canada in the early 1970s. It appeared in that context that piped water was a fundamental item of development since a significant number of remote communities in Northern Alberta relied on water drawn from the lake - even in winter). A less dramatic contrast between urban and remote areas might be whether the number of bedrooms per person represent advantage or disadvantage in communities that do not highly value private space - or perhaps whether owning your present dwelling is important when you are on a one year posting or limited contract ? A more detailed look at the SEIFA methodology raises these and other issues of interpretation that go to the heart of the tensions that appear when social and economic social justice strategies are forced to confront contexts where assumptions of the material accoutrements of advantage and disadvantage are ordered by differing conditions and contingencies.

3 Replicating the SEIFA Methodology for North Australia

As North Australia appears therefore to be maximally exposed in the national context to the fragmenting effects of global forces and local differences - in terms of economic change, cultural and spatial dislocations, high rates of growth, development and population turnover - how can we approach the development of socio-economic indicators for this region? How might they reflect the different tensions and contradictions of postmodernity which one may find in relation to 'settled' Australia? This paper explores these questions by building on the SEIFA experience as a model of how one might or might not proceed. The paper will:

- Review the SEIFA methodology for constructing their five socio-economic indicators, setting out the main principles behind the selection of items, exclusion of individual Collection Districts (CDs) and index standardisation.
 - Replicate this methodology for all the Collection Districts in North Australia, and compare the results for North Australia and those for Total Australia in terms of: (a) raw score - averages and standard deviations; (b) the identification of items of advantage and of disadvantage from an initial analysis; and (c) the five derived indices of the SEIFA (three of advantage/disadvantage) and two specific indices (Economic Resources and Education and Occupation).
 - Correlate the scores of North Australia collection districts based on: (a) the original loadings of the same socio-economic variables based on the Australian population; and (b) the new loadings derived from the North Australia sample. This final and telling stage of the analysis will therefore attempt to discover whether the five SEIFA measures produced by the ABS have any relation at all with the scores derived from a more context-sensitive
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analysis, even when they are based on the same set of variables and derived from an identical analytical method?

- Discuss the implications of this analysis for the construction of a more context-sensitive set of socio-economic indicators for North Australia.

3.1 Constructing Socio-Economic Indicators for Areas

Over the past three decades there has been considerable debate about the usefulness and methodologies for producing indicators of standards of living, quality of life and associated outcomes. While the measures used have a considerable face validity to the uninitiated, it must be remembered that the constructors of indicators have to choose between two rather unsatisfactory alternatives. They may use on the one hand raw measures of social development - income, housing, health and educational outcomes, material conditions - or on the other they may rely on a statistical strategy which attempts to estimate scores on induced derived factors which underlie the observed variations in the raw measures. The latter strategy owes much to the science of psychometrics, and is analogous to the derivation of a score on an underlying general intelligence factor ('g') from a set of intelligent behaviours. Since it is this latter or factorial strategy which is employed by the constructors of the SEIFA measures, it is important to explain it in more detail before moving on to its replication for North Australia.

The SEIFA Methodology

The methodology for producing the five summary indices, on the analogy of the IQ testing strategy, treats every collection district as the unit of analysis, that is a separate person. In suburban areas this would be roughly equivalent to 250 households, in rural areas considerably fewer. The constructors of the indices used a combination of variables which were assigned different weights (or loadings) by means of a well-known method of data reduction, Principal Component Analysis or PCA (which extracts, by mathematical means) a few components or factors from a large number of related variables. The unobserved score for each individual is computed as a linear composite of the original variables (Kim and Mueller, 1978). In this case, the variables are the percentages of each collection district on some socio-economic variable such as the number of persons with incomes over \$60,000 per annum or the number of males or females unemployed. After a principal component has been extracted, each collection district is assigned a score on the basis of the weightings which best predicted its contribution to the unobserved and underlying component. Since these scores are not so easy to interpret (or to compare across the various sets of variables which constitute a scale or index), they were all artificially assigned a mean of 1000 and a standard deviation of 100 in order to standardise their values and facilitate comparisons between districts on different measures, in much the same way that an IQ scale may be assigned a mean of 100 and a standard deviation of 15.

For the original construction of the SEIFA scales, variables were in the first place chosen subjectively or taken from previous experience with this kind of scaling and then gradually winnowed out (informed by expert advice and local knowledge). In addition, if variables appeared to be measuring much the same as another variable (i.e. they were redundant), or if they had low correlations with the final index, they were not used. While the Principal Component Analysis (PCA) often yields more than one (uncorrelated) significant component or factor (in this case there were five), only the first component was used in this case to derive the final set of weights. A small proportion (just over a hundred) CDs were dropped from the analysis as well because of high instability 'due to sparsity of responses' in key variables such as labour force participation (ABS, Cat. No. 2912.0, 1994: 25).

An initial PCA procedure for all Australia, based on the final group of 59 variables, yielded a preliminary grouping of measures of relative advantage (that is those that correlated positively with the underlying component) and of relative disadvantage (based on those that correlated negatively). The relative advantage scale was further split by conducting separate analysis on urban (CDs in centres with populations over 1,000) and rural areas which produced Urban and Rural Indexes of Advantages respectively. Specific indices were subsequently constructed for Economic Resources (which reflect the profile of economic resources available to families within CDs such as income, mortgage and home ownership, dwelling size and number of cars) and of Education and Occupation composed of variables which were purported to be 'related to the educational and occupational structure of communities' (ABS, 1994: 24) but which are more apparently to do with the socio-economic and educational attainments of individuals.

3.2 Replicating the SEIFA Methodology for North Australia

The methodology as set out above was carried out on the total Australian file of SEIFA variables to yield precise factor weights (not available in official publication), and then repeated for the much smaller sample of North Australia CDs. The North Australia districts were identified in terms of their position as north of latitude 26 degrees South, yielding a sample of just under 2,200 units, some of which overlapped slightly the boundaries set up under the standard geographical classification (employed by the Office of Northern Development). The two stages of the SEIFA analysis, general and specific, were followed, using the original SAS data file acquired through ABS (Carson, 1994, Research Note). Faithful to the ABS methodology, the analysis involved a split of the sample between rural and urban districts for the two scales of relative advantage on both data sets. Because the two data sets are very large and virtually enumerate the population which they represent, the analysis and reporting of results (Appendices) did not require the normal criteria of significance testing. Their interpretation has primarily descriptive, comparative and analytic rather than inferential and predictive value. However, it may be pointed out that the standard error of the mean for the North Australia sample was never above about 0.6. Observed mean percentage differences of 1.5 or greater may be

taken generally as indicating a highly significant difference between the mean of the North Australian sample and that of the Australian population.

This procedure produced two sets of measures and coefficients (means and standard deviations, and component loadings). The first set were yielded from a direct repetition of the original SEIFA analysis for all of Australia, the second from a replication based entirely on the North Australia CDs. No attempt was made to aggregate these to higher levels of analysis. The result was a precise comparison of the North Australia profile with that of all Australia (not Southern Australia, although where these were run, results proved as expected to be practically identical). These analyses followed each of the stages of the SEIFA procedure :

- 1 After means and standard deviations were produced for each data set, an initial PCA procedure identified variables of advantage and disadvantage (positive and negative weights) for each set.
- 2 Using the identical subsets of variables for each of the SEIFA indices, PCA weights were extracted for each data set.
- 3 These procedures yielded two sets of SEIFA scores for the North Australia CDs. First, when they were considered as part of the all Australia sample and second when they were considered as a unique sample.
- 4 These two sets of scores were then correlated (Pearson's r) to obtain some initial idea as to how much deviation if any there might be between the ordering of CDs when they are scored against national patterns of association and when they are scored in terms of their own regionally-specific configurations.

4 Results of the Comparative Analysis

Individual Variables: Averages and Standard Deviations

The comparisons of means, standard deviations and initial polarisation of all 59 variables into those of advantage and disadvantage between North and Total Australian data sets presents some interesting contrasts (Appendix One). It may be seen from the results that the North Australian districts have higher averages on the indices of disadvantage (especially income, occupation and resources, except most notably for car ownership), although unemployment rates are a little better for males. As a whole, North Australians seem to be less qualified (except in trade qualifications), less affluent, have lower status occupations and fewer economic resources than do Australians taken as a whole. While the demographic characteristics make it difficult to argue from grouped data at the CD to the individual level, it would appear that the greater percentage of school age children in the North would account for these differences in community percentages.

It is notable that a comparison of the spread or dispersal of these characteristics (from the standard deviation columns) indicates that the variability of Northern populations (i.e. between CDs) on these measures is considerably greater. This may in some part be attributable to the higher percentage of indigenous peoples in the North (ten per cent of the total as against fewer than one per cent of the south), the effects of geographic dispersal and heterogeneity of industry and occupations are also an influence. The result is that while there are pockets of high affluence in the North (e.g. median household incomes in the mining towns is over \$50,000 per year, in Darwin over \$40,000), there are also areas of high disadvantage, which render the blanket generalisation of the remote locations very problematic. The ABS index of Relative Socio-Economic Disadvantage produced in the OND report (ABS, 1994: Map 8) presents a rather depressed picture of remote Australia is therefore to be qualified in the face of this greater dispersal around a generally lower average. It may be noted as well that family structure indicators of disadvantage such as the percentages of one parent families with dependants or of persons separated or divorced are almost identical for both data sets.

Comparing Patterns of Association

While these indicators are interesting in themselves, they tell us little about their interconnectedness or their contextualised effects. For this kind of interpretation we have to go to the correlational technique of PCA. On the global level, the individual variables tend to fall into the same general classification of advantage or disadvantage. Here too, however, there are some noteworthy exceptions, as indicated by the items in bold type in Appendix One. Renting from government authorities, employment as tradespersons, having no car, living in one parent families with dependants or being separated or divorced appear to lose their negative associations when one travels north, as does a lack of fluency in English. By the same token, southern status symbols such as having dwellings with four or more bedrooms or living in households with three or more cars lose their association with socio-economic advantage. The contextualised associations of the family structural and other variables therefore throws into relief the deceptive similarity in their average values.

The SEIFA Scales Revisited

If we now take each of the SEIFA indexes in turn, we see that, with the exception of the Rural Index of Relative Socio-Economic Advantage, the match between the indices in both contexts is far from perfect, judged both from the pattern of loadings (the correlations of each variable with the underlying component) as well as the correlations between each pair of derived measures (Appendix Two).

a) For the first index of **Relative Socio-Economic Advantage**, it would appear that unemployment (male and female) is less important in the North than in Australia as a whole, that Aboriginality is a far greater socio-economic disadvantage as are the numbers of improvised and multiple family dwellings. In this scale, having no car

does count as a distinct disadvantage, as does not going to school, as these are more heavily weighted than for the total Australian component. The lower status occupational categories change their polarity here, as it appears that male tradespersons, female sales and personal workers and male clerks indicate areas of advantage rather than the opposite for Australia as a whole.

b) The two indexes of **Relative Advantage** (developed for urban and rural districts respectively) provide a far more consistent pattern of association across the two data sets. In the case of the Urban Index, the loadings present a comparable profile with high weights for percentages of educated and professional persons, both male and female. The notable exception is the change of sign of loading to a negative value for ownership of dwelling in the North, a change which is more modestly repeated in the case of owning or purchasing dwelling. The loading for the percentage of males in para-professional occupations changes its sign for North Australia districts on this scale as well, from a slight negative to low to moderate positive, while this contrast is even more marked in the case of persons with trade or other qualifications (from moderately negative to low positive).

The scale which produces the most similar profiles for each set is the Rural Index of Socio-Economic Advantage. Here the weighting of effects runs in almost identical directions and values, with exceptions being for the slight negative effect for the concentration of very high incomes, perhaps reflecting the contrast between large pastoralist incomes and that of the surrounding population. This inference is backed up by the large negative loadings for percentages of managers and administrative persons, most of whom are farmers or pastoralists (ABS, 1994: 25) for both data sets. Dwelling ownership, perhaps counter-intuitively, comes out with a negative loading, as does the percentage of dwellings with four or more bedrooms for both populations (the loading in the latter case for the North is quite strong, -65), as does the possession of three or more cars. Presumably rural poverty is often not accompanied by an absence of tangible assets.

c) **The Index of Economic Resources** presents an interesting if slightly bemusing lack of consistency across the two sets of data. This is particularly worrying since the index has been used for estimating the material conditions available to Aboriginal communities (Gray and Tesfaghiorghis, 1991). Several of the variables represent strong contrasts in their pattern of correlation with the underlying component and the effect of this change of sign is so great that the overall polarity of the scale changes for the North Australia sample as it stands to being, in terms of face validity, a scale of **lack** of resources. This bipolarity of the scale does not present any particular logical or theoretical problem for comparison with the Total Australia index if the signs of the loading values are reversed (as they have been in Appendix Two). The contrast is pronounced in the case of several variables which intuitively we might assume would have consistently positive values across the sets. The average number of bedrooms, of percentages owning (or owning or purchasing) and possessing three or more cars change from moderate to high positive to moderate to high negative values, reflecting the rural character of the North in a way that is consistent with the general loadings of these variables on the Rural Index.

Contrasts for some of the other variables are more difficult to explain. Group dwellings are positive in the North while negative for all Australia, which may reflect retirement residence options along the Queensland coast, while renting from a government authority in the North assumes an almost mirror image of its moderately negative value in Australia as a whole. Purchasing dwellings comes up positive on both sets, however, while improvised dwellings has consistently negative weightings, although rather low.

d) Fairly consistent results are suggested by the comparison of the profiles of the two data sets on the **Index of Education and Occupation**. Here however a contrast seems to be centred around the negative values given in the North to managers and administrators where most are farmers, and a corresponding positive weighting in this region to tradesmen (though not to tradeswomen) as well as the generally more positive weighting to the lower status occupations such as clerks (male and female), sales and personal service workers (male and female) and to para-professionals (particularly males). The pattern here suggests that while higher percentages of tertiary level education and professional status confer advantage to districts in both sets, there is considerable inconsistency in the lower socio-economic status groupings. The relationships between education and occupation are presumably strong, but they reflect a higher valuation in the North of the more applied and practical crafts, as well as of the relative advantages of TAFE study rather than at CAE or University. The higher salaries which tradespeople can command in the North, as well as the higher skill content which go with the specialist work in mining and other industries no doubt are reflected in these contrasts.

Correlating the Component Scores for North Australia

The most telling test of whether we may be dealing with two distinct populations in socio-economic terms is the level of association or correlation between the two sets of PCA scores (Appendix B). The question comes down to this : when North Australian Districts are scored in two ways on the same set of variables, first according to a set of weights given to them when they are considered as part of a wider, Australia-wide population and second, when these variables are weighted according to their associations with other variables in the North Australia context, how closely are these sets related? Are the districts which come to the top of one set to be found in the middle or towards the bottom of the other, or are they in fact closely related, falling along the same line of a scattergram? The coefficient of correlation (Pearson's r) provides some indication of the strength of this relation. It also has a unique statistical property in that the square of its value indicates the total amount of variance that one variable shares with another.

The correlation values of the two sets of underlying component scores for the two analyses hold few surprises in light of the description of the relative weighting of the variables above. The highest correlation is that for the Rural Index of Relative Socio-Economic Advantage at +0.93. This correlation indicates that the rank order of collection districts on one set of weights will be similar to those on the other.

However this scale only has this property for rural districts. Moderately strong values are found for both the Urban Index of Relative Socio-Economic Advantage and the Index of Education and Occupation (0.71 and 0.68 respectively). It must be remembered that even with these values, we are only explaining an overlap or shared variance of about 50 per cent. What is most revealing is that those two indexes which appear to attract most attention, the Index of Relative Socio-Economic Disadvantage and the Index of Economic Resources have only moderate correlation values across the two scoring systems, 0.48 and 0.47 respectively (all values have been scored to give positive relationships). This means that their degree of overlap is only about a quarter of the variance of each set of scores.

5 Conclusion: Implications for Social Policy

This analysis has shown that the distinctiveness of the North is not necessarily best revealed through the inspection of mean scores or even their variations within regions. The SEIFA strategy, despite its defects in some aspects in its unidimensionality and lack of context-sensitivity, has shown that the analysis of the associational patterns of these measures can yield a great deal of information. This is particularly true if one is trying to find out what are deeper structures of poverty and disadvantage in any particular area, be it national or regional. The diagnostic and developmental value of the SEIFA methodology, if expanded into a more elaborate and self-critical research and policy tool, could be immense.

It would seem however in the light of this analysis that the continuing uncritical use of the national scales for North Australia raises a number of methodological and substantive issues. Apart from the Rural Index which seems to fit the North Australian rural regions well, what should be the most valid method of measuring socio-economic disadvantage in the pursuit of social justice strategies and applying the policies which flow from these. Should we devise a completely new set of measures which perhaps draw on different variables and which are unique to North Australia? Should we continue to use the national measures in the belief that equality of treatment should supersede local differences, should we go back to the drawing board and invent indices which use only those variables and weights which maximise homogeneity and reliability across regions?

These are more than simply methodological issues since the pursuit of social justice demands that there be some trade-off between the principles of equality and difference. Certainly within the intra-regional context, it does not make sense to continue to use a set of positive weights when the local context indicates that they should receive negative loadings and vice versa. Concentrations of families renting from government authorities, trades and sales occupations or of separated or divorced persons, for example, are not indicators of disadvantage in North Australia. Higher concentrations of families owning their own dwellings, or of households possessing a number of vehicles or having a large number of bedrooms are conversely not indicators of material advantage.

It does not make methodological or moral sense to perversely allocate funds on contradictory indicators of need or disadvantage. While this is particularly true within regions, the same must to some extent hold up when one is forced to treat equals unequally in order to pursue the goals of equity and social justice. What may be a desirable social and educational policy in the Southern Australian context may be disadvantageous in the North, where perhaps the payoffs in terms of social development may not be so obvious. The relevance of TAFE, trades and para-professional training is a good example here, since they appear to produce more highly valued occupational groupings in the North. The strategy of difference if pushed too far will produce great inequalities on a national basis however, and may only force the pace of undesirable aspects of the fragmentation process mentioned earlier. To systematically build in lower rates of attainment in some areas, and to deny access to the routes to prestigious positions on the basis of difference, would be only to magnify and compound the all too visible disadvantages of remote location.

Appendix One

Comparisons of Socio-economic Variable Values : All Australia vs North Australia (ABS Collection Districts)

		Mean Aust	Mean NA	St.D.Aus	St.D. NA
% Aboriginal and Torres Strait Islanders	ABORIG	2	8	7	19
% Aged 15+ still at school	ATSCH	5	4	3	3
% Aged 15+ at CAE or University	CAEUNI	4	2	4	3
% Persons with degree or higher	DEGREE	15	10	9	6
% Families one parent+ deps/income <=\$12,000	F1INC12	29	31	23	28
% Families one parent+ deps/income >\$25,000	F1INC25	22	16	23	21
% Families two parent + deps/income <=\$25,000	F2INC25	30	39	18	21
% Families two parent + deps/income >\$60,000	F2INC60	16	11	16	11
% Families couples only /income <=\$16,000	F3INC16	27	28	14	18
% Families couples only /income >\$50,000	F3INC50	20	18	15	16
% Families other structure /income <=\$25,000	F4INC25	26	31	15	19
% Families other structure /income >\$70,000	F4INC70	16	13	13	14
% Employed females classified as clerks	FCLERK	27	23	9	9
% Dwellings <=1 bedroom	FEWBED	6	8	9	10
% Families with income <=\$16,000	FINC16	18	20	10	12
% Families with incomes > \$60,000	FINC60	17	13	13	11
% Families other structure/incomes >\$70,000	FINC70	11	8	11	8
% Employed females managers/administrators	FMGR_ADM	11	15	13	16
% Employed females para-professionals	FPARA_PF	7	6	4	6
% Employed females classified professionals	FPROF	13	11	8	7
% Employed females sales and personal serv.	FSALE_PL	21	21	8	10
% Employed females tradespersons	FTRADES	4	5	3	6
% Females unemployed	F_UNEMP	11	11	7	7
% Households renting from Govt. authorities	GRENT	6	8	14	14
% Group households	GROUP	5	5	5	4
% Dwellings with => 4 bedrooms	HIGHBED	20	20	14	12
% Households with => 3 cars	HIGHCAR	13	14	9	10
% Households in improvised dwellings	IMPDWEL	1	5	4	10
% Employed males classified as clerks	MCLERK	6	4	4	3
% Employed males managers/ administrators	MMGR_ADM	18	19	15	16
% Households mortgages > \$1,000 per month	MORT1000	17	14	16	20
% Employed males classified as para-profs	MPARA_PF	6	7	4	6
% Employed males classified as professionals	MPROF	12	8	9	6
% Employed males sales or personal services	MSALE_PL	9	7	5	5
% Employed males classified as tradespersons	MTRADES	21	21	8	9
% Dwellings with two or more families	MULTFAM	1	2	2	6
% Males unemployed	M_UNEMP	13	12	8	9
% Households renting from non-government	NGRENT	19	24	14	18
% Dwellings with no car	NOCAR	13	13	12	14
% Persons aged 15+ with no qualifications	NOQUAL	65	70	10	10
% Persons aged 15+ who did not go to school	NOSCH	1	2	2	4
% One parent fams. dependent offspring only	ONEPARDP	9	9	6	6
% Families owning dwelling	OWNING	41	37	15	19
% Families owning or purchasing dwelling	OWNPUR	66	53	19	22
% Families with parental income <=\$16,000	PINC16	24	25	13	15
% Families with parental income >\$60,000	PINC60	12	10	12	11
% Employed persons classified as labourers	PLABOUR	14	19	7	9
% Employed persons classified as manag/admins	PMGR_ADM	15	17	13	16
% Employed persons classified professionals	PPROF	13	9	8	6
% Persons lacking fluency in English	PRFLUEN	2	1	4	1

		Mean Aust	Mean NA	St.D. Aus	St.D. NA
% Households purchasing own dwelling	PURCHAS	25	17	14	12
% Recent migrants non-English countries	RECMIG	2	1	4	1
% Households with rent <\$78 per week	RENT78	31	51	28	30
% Households with rent > \$227 per week	RENT227	7	3	15	6
% Persons aged 15+ separated or divorced	SEPDIV	8	8	4	3
% Persons aged 15+ who left school <= yrs	SHRTSCH	40	49	12	11
% Persons aged 15+ still at TAFE	TAFE	3	2	2	1
% Persons aged 15+ with trade or other quals	TRADEQUAL	15	15	5	6
Average no. of bedrooms per person	AVEBED	1.04	0.98	0.11	0.14

Note: Bold = Change of sign for North Aust i.e. advantage shows as disadvantage and vice versa
 Italic = Denotes disadvantage in initial analysis

Appendix Two

Individual Index Loadings Comparisons: Comparison of Weightings on First Principal Component (Standard Coeff.): Five Indices - All Australia vs North Australia

Index of Relative Socio-Economic Disadvantage		Total Aus.	North Aus.
% Families with parental income <=\$16,000	PINC16	0.82	0.77
% Males unemployed	M_UNEMP	0.77	0.25
% Females unemployed	F_UNEMP	0.76	0.22
% Families with income <=\$16,000	FINC16	0.73	0.68
% Persons aged 15+ with no qualifications	NOQUAL	0.70	0.66
% Employed persons classified as labourers	PLABOUR	0.67	0.58
% One parent fams. dependent offspring only	ONEPARDP	0.66	0.37
% Dwellings with no car	NOCAR	0.65	0.70
% Persons aged 15+ separated or divorced	SEPDIV	0.59	0.04
% Households renting from Govt. authorities	GRENT	0.56	-0.02
% Persons aged 15+ who left school <= yrs	SHRTSCH	0.50	0.20
% Persons aged 15+ who did not go to school	NOSCH	0.39	0.66
% Dwellings <=1 bedroom	FEWBED	0.33	0.41
% Aboriginal and Torres Strait Islanders	ABORIG	0.33	0.75
% Persons lacking fluency in English	PRFLUEN	0.33	-0.11
% Employed males classified as tradespersons	MTRADES	0.25	-0.32
% Households renting from non-government	NGRENT	0.22	0.06
% Employed females tradespersons	FTRADES	0.21	0.22
% Dwellings with two or more families	MULTFAM	0.21	0.64
% Households in improvised dwellings	IMPDWEL	0.19	0.50
% Employed females sales and personal serv.	FSALE_PL	0.13	-0.27
% Employed males classified as clerks	MCLERK	-0.01	-0.26

Correlation (r) between scores of North Australian CDs = 0.48 (ABS vs NA weights)

Urban Index of Relative Socio-Economic Advantage		Total Aus.	North Aus.
% Persons with degree or higher	DEGREE	0.93	0.91
% Employed persons classified professionals	Pprof	0.91	0.86
% Employed males classified as professionals	Mprof	0.89	0.82
% Families with parental income >\$60,000	PINC60	0.84	0.61
% Families other structure/incomes >\$70,000	FINC70	0.84	0.66
% Employed females classified professionals	Fprof	0.81	0.66
% Employed males managers/ administrators	MMGR_ADM	0.75	0.52
% Employed persons classified as manag/admins	PMGR_ADM	0.73	0.44
% Aged 15+ at CAE or University	CAEUNI	0.58	0.52
% Employed females managers/administrators	FMGR_ADM	0.5	0.17
Average no. of bedrooms per person	AVEBED	0.42	0.11
% Employed males sales or personal services	MSALE_PL	0.41	0.21
% Households with => 3 cars	HIGHCAR	0.2	0.2
% Families owning dwelling	OWNING	0.23	-0.29
% Employed females para-professionals	Fpara_PF	0.21	0.19
% Families owning or purchasing dwelling	OWNPUR	0.1	-0.13
% Aged 15+ still at school	ATSCH	0.06	0.08
% Employed males classified as clerks	MCLERK	0.01	0.18
% Employed males classified as para-profs	Mpara_PF	-0.01	0.28
% Persons aged 15+ still at TAFE	TAFE	-0.02	0.3
% Employed females classified as clerks	FCLERK	-0.04	0.11
% Households purchasing own dwelling	PURCHAS	-0.1	0.19
% Persons aged 15+ with trade or other quals	TRADEQUAL	-0.3	0.2

Correlation (r) between scores of North Australia CD's = 0.71 ((ABS vs NA weights)

Rural Index of Relative Socio-Economic Advantage		Total Aus.	North Aus.
% Employed males classified as professionals	MPROF	0.74	0.64
% Employed persons classified professionals	PPROF	0.71	0.66
% Employed males classified as tradespersons	MTRADES	0.68	0.62
% Employed females sales and personal serv.	FSALE_PL	0.68	0.62
% Households purchasing own dwelling	PURCHAS	0.66	0.35
% Employed females classified as clerks	FCLERK	0.65	0.55
% Employed females sales and personal serv.	FSALE_PL	0.58	0.59
% Persons aged 15+ with trade or other quals	TRADEQUAL	0.57	0.48
% Employed males classified as clerks	MCLERK	0.55	0.51
% Employed females classified professionals	FPROF	0.45	0.42
% Persons with degree or higher	DEGREE	0.42	0.34
% Aged 15+ at CAE or University	CAEUNI	0.37	0.3
% Families with parental income >\$60,000	PINC60	0.33	-0.15
% Families other structure/incomes >\$70,000	FINC70	0.32	-0.22
% Employed females para-professionals	FPARA_PF	0.31	0.43
% Persons aged 15+ still at TAFE	TAFE	0.27	0.42
% Aged 15+ still at school	ATSCH	0.26	0.21
% Families owning or purchasing dwelling	OWNPUR	0.21	-0.17
% Persons lacking fluency in English	PRFLUEN	0.11	-0.05
% Dwellings with => 4 bedrooms	HIGHBED	-0.13	-0.65
Average no. of bedrooms per person	AVEBED	-0.22	-0.47
% Families owning dwelling	OWNING	-0.4	-0.45
% Households with => 3 cars	HIGHCAR	-0.43	-0.73
% Employed males managers/ administrators	MMGR_ADM	-0.84	-0.84
% Employed females managers/administrators	FMGR_ADM	-0.88	-0.87
% Employed persons classified as manag./admins.	PMGR_ADM	-0.88	-0.68

Correlation (r) between scores of North Australia CDs = 0.93 (ABS vs NA weights)

Index of Economic Resources		Total Aus.	North Aus.
% Families other structure /income >\$70,000	F4INC70	0.76	0.48
% Families two parent + deps/income>\$60,000	F2INC60	0.68	0.67
% Families couples only /income >\$50,000	F3INC50	0.66	0.76
% Dwellings with => 4 bedrooms	HIGHBED	0.62	-0.32
% Families owning or purchasing dwelling	OWNPUR	0.6	-0.54
% Households with rent > \$227 per week	RENT227	0.56	0.29
% Families one parent+ deps/income >\$25,000	F1INC25	0.53	0.52
% Households purchasing own dwelling	PURCHAS	0.49	0.3
% Households mortgages > \$1,000 per month	MORT1000	0.41	-0.1
% Households with => 3 cars	HIGHCAR	0.37	-0.34
% Families owning dwelling	OWNING	0.25	-0.8
Average no. of bedrooms per person	AVEBED	0.15	-0.2
% Group households	GROUP	-0.12	0.43
% Households in improvised dwellings	IMPDWEL	-0.22	-0.21
% Households renting from non-government	NGRENT	-0.26	0.55
% Dwellings <=1 bedroom	FEWBED	-0.35	-0.05
% Families one parent+ deps/income<=\$12,000	F1INC12	-0.35	-0.2
% Households renting from Govt. authorities	GRENT	-0.47	0.41
% Households with rent <\$78 per week	RENT78	-0.5	-0.34
% Dwellings with no car	NOCAR	-0.54	0.1
% Families couples only /income<=\$16,000	F3INC16	-0.62	-0.71
% Families other structure /income <=\$25,000	F4INC25	-0.67	-0.55
% Families two parent + deps/income<=\$25,000	F2INC25	-0.7	-0.75

Correlation (r) between scores of North Australia CDs = .47 (ABS vs NA weights)

Index of Education and Occupation		Total Aus.	North Aus.
% Employed persons classified professionals	PPROF	0.92	0.74
% Aged 15+ at CAE or University	CAEUNI	0.66	0.5
% Employed males sales or personal services	MSALE_PL	0.45	0.61
% Persons aged 15+ still at TAFE	TAFE	0.18	0.57
% Employed males classified as para-profs	MPARA_PF	0.21	0.45
% Employed females para-professionals	F PARA_PF	0.31	0.36
% Employed males classified as clerks	MCLERK	0.27	0.58
% Employed females classified as clerks	FCLERK	0.21	0.58
% Aged 15+ still at school	ATSCH	0.13	0.27
% Employed males classified as tradespersons	MTRADES	-0.45	0.57
% Employed females tradespersons	FTRADES	-0.29	-0.2
% Males unemployed	M_UNEMP	-0.44	0.16
% Females unemployed	F_UNEMP	-0.46	0.16
% Persons aged 15+ who left school <= yrs	SHRTSCH	-0.8	-0.48
% Employed persons classified as labourers	PLABOUR	-0.74	-0.54
% Persons aged 15+ with no qualifications	NOQUAL	-0.86	-0.74
% Persons with degree or higher	DEGREE	0.93	0.6
% Persons aged 15+ with trade or other quals	TRADEQUAL	-0.07	0.51
% Persons aged 15+ who did not go to school	NOSCH	-0.18	-0.13
% Employed males managers/ administrators	MMGR_ADM	0.05	-0.7
% Employed females managers/administrators	FMGR_ADM	-0.13	-0.77
% Employed persons classified as manag/admins	PMGR_ADM	-0.03	-0.76
% Employed males classified as professionals	MPROF	0.9	0.73
% Employed females classified professionals	FPROF	0.81	0.48
% Employed females sales and personal serv.	FSALE_PL	-0.08	0.6

Correlation (r) between scores of North Australia CDs = 0.68 (ABS vs NA weights)

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The Case for A Regional Dimension in Income Support

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1 Introduction

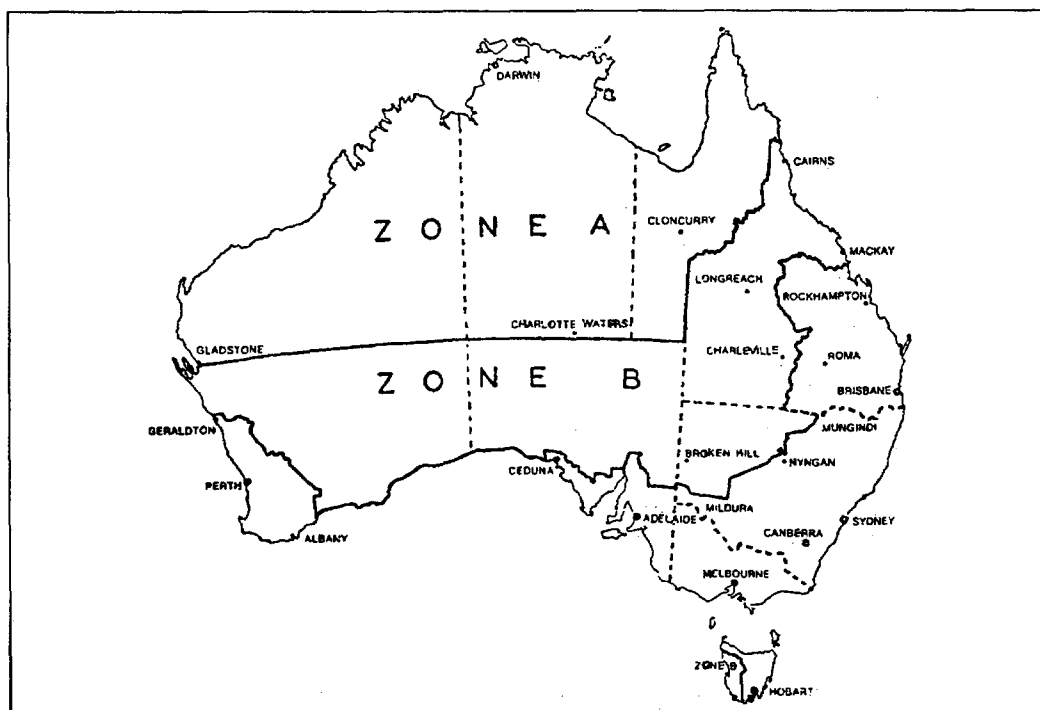
Income support in Australia is primarily a responsibility of the Commonwealth Government, rather than the States, and the provisions of the main vehicle of income support, the programs of the Department of Social Security, apply in a manner which is by and large uniform across the country. There is no distinction according to where people live. The exception is Remote Area Allowance, a small supplementary payment which adds a little over five per cent to the value of pensions or allowances for people who live in designated areas of Australia: namely, people living in Zone A and the more remote parts of Zone B shown in Figure 1. Between one and two per cent of people receiving pensions and allowances from the Department of Social Security also receive Remote Area Allowance.¹ Besides Remote Area Allowance, the income support provisions of the Department of Social Security are uniform across the country in terms of maximum rates of payment, means tests and updating mechanisms.

- The same maximum rates of payment apply to people across the country, irrespective, for example, of whether they live in Sydney, Tennant Creek or Launceston.
- The benchmark used by the government as a guide in assessing the level of pension is a national figure of average earnings.
- The automatic indexation of social security payments is undertaken with reference to the national Consumer Price Index (CPI).
- The means tests, including assets tests, with their variants for home-owners and non-home-owners, have the same limits across the country.

At issue here is the degree of equity provided by an essentially uniform system of income support. People in different parts of the country have entitlements to the

1 Zone rebates are a counterpart in the income tax system.

Figure 1: Remote Zones



same level of income support, though this does not necessarily mean that they have entitlements which will provide the same basic standard of living. The two will diverge to the extent that it costs different amounts for people in different places to attain the same standard of living. A first purpose of this paper is, accordingly, to consider the available evidence about any regional variations in the cost of living. The existence of any such variations should condition our judgement about how well the Australian income support system provides a basic standard of living. Is it enough to have a system based on uniform entitlements across the country, or are there variations in costs which should be reflected in the income support system?

2 Assistance with Rent

While the Australian income support system can be broadly characterised as uniform in its application across the country, it does include one important element which is sensitive to the level of costs faced. This is assistance with rent which is sensitive, to some extent, to the marked and widely recognised variations in the rent faced by people living in different areas. Assistance with rent is provided in two main ways: either through the supplementary payment of Rent Assistance to private renters who are receiving other forms of income support, particularly from the Department of Social Security; or through the rent rebates for renters in public housing which are

administered by the State and Territory housing authorities. In different ways, both forms of assistance have some sensitivity to the level of housing costs and, indirectly, to the regional variations in the cost of living.

In line with the general description of the income support system presented above, the payment of Rent Assistance is governed by thresholds and maximum rates of assistance which do not vary from one part of the country to another. However, within the range of rents defined by the threshold at which Rent Assistance becomes payable and the level at which the maximum amount of assistance is payable, the level of entitlement varies according to the amount of rent paid. There is thus some provision for people living in higher rent areas to receive a higher level of housing-related income support than people living in lower rent areas. This sensitivity, though, only operates over a modest range of rent levels. For example, in late 1994 the maximum level of Rent Assistance was received by a couple with two children when their rent was \$111 per week. In most parts of the country, a couple with two children would be lucky to find accommodation of reasonable quality for \$111 per week or less. The effect of the rent related element of Rent Assistance entitlements is more to reduce the level of assistance for those paying very low rents than to vary the level of assistance for those paying medium or higher rents.

The rent rebates to tenants in public housing, on the other hand, provide a more general mechanism for relating the level of assistance to the level of rent. While there is some variation in the rent rebate formulae used by the different State and Territory housing authorities, they tend to have a common central element whereby actual rents paid are set to equal somewhere between 20 and 25 per cent of family income. Thus, people with the same income will pay the same level of rent irrespective of the rental value of their accommodation. The rent rebate absorbs all the variation in rental values. Setting aside any other differences that there may be in the characteristics of dwellings, public housing tenants living in higher rent areas receive higher levels of assistance than those living in lower rent areas.

Clearly there is some recognition of the variations in housing costs faced by people in need of income support and, while neither of these forms of housing assistance has an explicit regional dimension, to the extent that areas can be characterised by different levels of housing costs, they do have an implicit regional dimension. Indeed, the provisions of Rent Assistance for private renters and rent rebates for public renters provide two examples of ways in which the income support system can reflect variations in actual costs faced; albeit with respect to just one component of costs and in only a limited fashion by Rent Assistance. Further consideration of these mechanisms comes in the latter part of this paper, where the policy options for enhancing the regional dimension in the Australian income support system are canvassed. Before that, however, we need to look at the evidence about regional variations in costs other than the cost of housing.

3 Regional Variations in the Cost of Living

The first purpose of this paper is to consider the available evidence about regional variations in the costs of living across Australia, with an emphasis on costs other than housing since variations in the latter are well-documented and recognised. Firstly, the direct empirical evidence is surveyed. This is followed in Section 4 by consideration of three indirect types of evidence which may throw some light on the question: internal migration, public disquiet, and measures of the adequacy of incomes.

What do we know about regional variations in the costs of living? While most people have some notion of such variations, at least across areas with which they are familiar, the systematic empirical evidence is sketchy.

When people think about statistics on the cost of living, most probably first think about the Consumer Price Index (CPI). CPI figures are produced quarterly by the Australian Bureau of Statistics, but separate indexes are only provided for each of the six capitals and for Canberra and Darwin. Far greater regional detail has been available in an annual ABS publication containing price indexes for about 200 cities and towns, though only covering a common basket of food items (*ABS Indexes of Relative Retail Prices of Food, Australian Cities and Towns*, Cat. No. 6404.0). The series was, however, discontinued in 1993 due to the high cost of data collection and the relatively low level of use of the data. All the same, even if such price index data was available for the range of consumption items and across the range of Australian localities or regions, it would not provide information on regional variations in the cost of living. Price indexes tell us about price changes, which are important for updating rates of income support, but do not tell us anything about differences in the absolute levels of costs.

Some information on the actual prices of consumption items is produced by the ABS; notably in the quarterly publication entitled *Average Retail Prices of Selected Items: Eight Capital Cities* (ABS Cat. No. 6403.0). That publication provides information on the prices for a range of grocery items and petrol for the six State capitals, Canberra and Darwin. The June quarter 1994 issue, for example, reveals that the price of a one litre carton of milk ranged from \$0.94 in Darwin to \$1.05 in Brisbane and Canberra, the price of a kilogram of fresh tomatoes ranged from \$1.82 in Brisbane to \$3.40 in Darwin, and the price of one litre of unleaded petrol ranged from \$0.61 in Brisbane to \$0.74 in Hobart. For this type of information to be translated into costs of living, however, a set of weights is needed to specify the relative importance of particular items. Perhaps, the household expenditure surveys (HESs) which are undertaken by the ABS every five years or so would provide a basis for doing so. After all, the fundamental motivation for undertaking the HESs has been to provide information to determine the pattern of weights for the CPI. The difficulty with using HES data for these purposes, however, is that the HES provides information on what people spend, not on what they need.

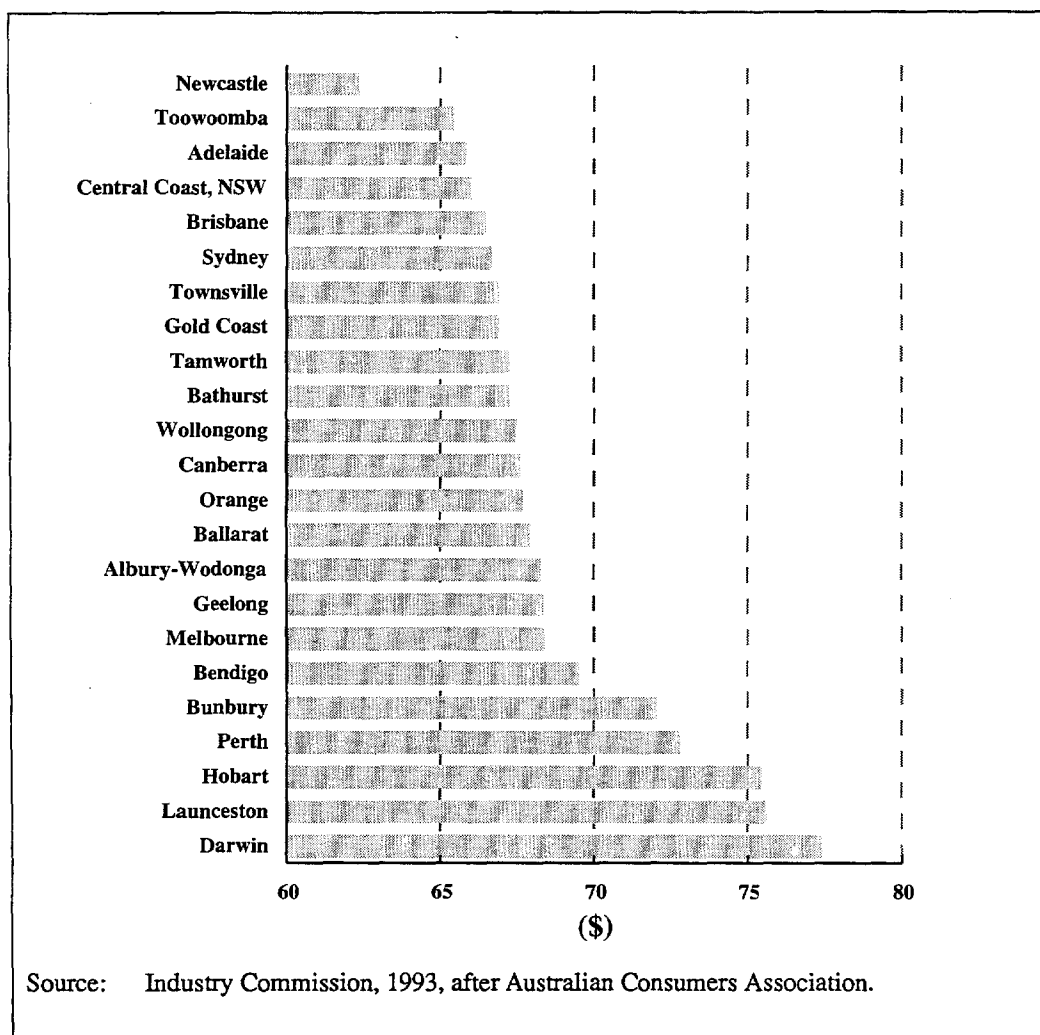
What is needed is budget information: how much does it cost in different places to purchase a specified basket of goods and services. The first step in doing this is, of course, to define what should go into the basket of goods and services and this is not an easy task, particularly when it is recognised that the composition of a basic basket of goods and services will vary for households with different characteristics: for example, according to household composition, the activities of household members and, of particular relevance here, according to location. Locational differences would influence the composition of the basket of goods and services through matters such as variations in transport needs and variations in needs related to climate. Defining comparable baskets of goods and services is a fundamental problem encountered in the so-called budget standards approach to assessing the adequacy of incomes, with the intricacies of such an exercise well illustrated by reference to Bradshaw (1994). These difficulties are undoubtedly one important reason why, as noted by the Office of Economic Planning and Advisory Council (EPAC) (Ferry, 1991: 84) and by the Industry Commission (1993c, C7), there is no comprehensive data on regional variations in the cost of living in Australia.

We do, nevertheless, have some partial information on regional variations in budgets. The Australian Consumers Association (ACA) has compiled the costs of grocery baskets of 'brand name' and 'cheapest' products for 23 cities in 1993, reported in Appendix C of Industry Commission (1993c). The total costs for the baskets of brand name products are shown in Figure 2 and reveal little variation between most of the cities. For 17 of the 23 cities, the total price ranges between \$65 and \$70. Outside this range, Newcastle emerges as a notably cheap city for groceries though the most striking feature of Figure 2 is the greater expense observed for the cities in Western Australia, Tasmania and the Northern Territory. These are, of course, the regions most remote from the population and production centres of the eastern and southeastern seaboard, Tasmania's remoteness stemming from the sea barrier, rather than physical distance.

The Industry Commission (1993c) used the ACA figures as one of two pieces of evidence in an appendix regarding regional variations in the cost of living. The other piece of evidence was data on median house prices in selected cities. For those cities which appear in both the ACA and house price data presented by the Industry Commission, the rank scores for the cost of a basket of groceries and for median house price are compared in Table 1. The 13 cities are first ranked by median house price with the ranks of grocery prices then shown in the second column. There is some indication of an inverse relationship between house and grocery prices, but it is at best a loose relationship. For example, while Perth, Hobart and Launceston show low house prices and high grocery prices, Darwin has high prices for both houses and groceries, and Adelaide and Toowoomba have low prices for both houses and groceries.

The picture is obviously complicated. Moreover, comparison of the ranks shown in Table 1 does not show the extent to which the relative expense of groceries or housing might outweigh or compound each other and there are, furthermore, other

Figure 2: Cost of a Grocery Basket of Brand Name Productions, Various Cities: February 1993



elements of the cost of living besides house purchase and groceries. Some work which has attempted to cover a broader range of goods and services has been undertaken by the Office of the Economic Planning and Advisory Council (Ferry, 1991). The Office of EPAC combined information on the costs of housing, groceries, electricity and petrol to produce relative costs of living in the six capital cities and Canberra in the June quarters of 1988, 1989 and 1990. The cost relativities were presented separately for renters, home-buyers and home-purchasers, and summary results for June 1990 are shown in Figure 3. The figure shows estimated living costs with a range of around seven per cent of the average for renters and for home-owners, and of around 15 per cent of the average for home-owners. Also

Table 1: Ranks of Median House Prices and of Cost of a Grocery Basket of Brand Name Products, Selected Cities: 1993 (1 = highest; 13 = lowest)

	Rank of Median House Price	Rank of Cost of a Grocery Basket of Brand Name Products
Sydney	1	9
Canberra	2	6
Gold Coast	3	7.5
Darwin	4	1
Melbourne	5	5
Brisbane	6	10
Newcastle	7	13
Townsville	8	7.5
Adelaide	9	11
Toowoomba	10	12
Perth	11.5	4
Hobart	11.5	3
Launceston	13	2

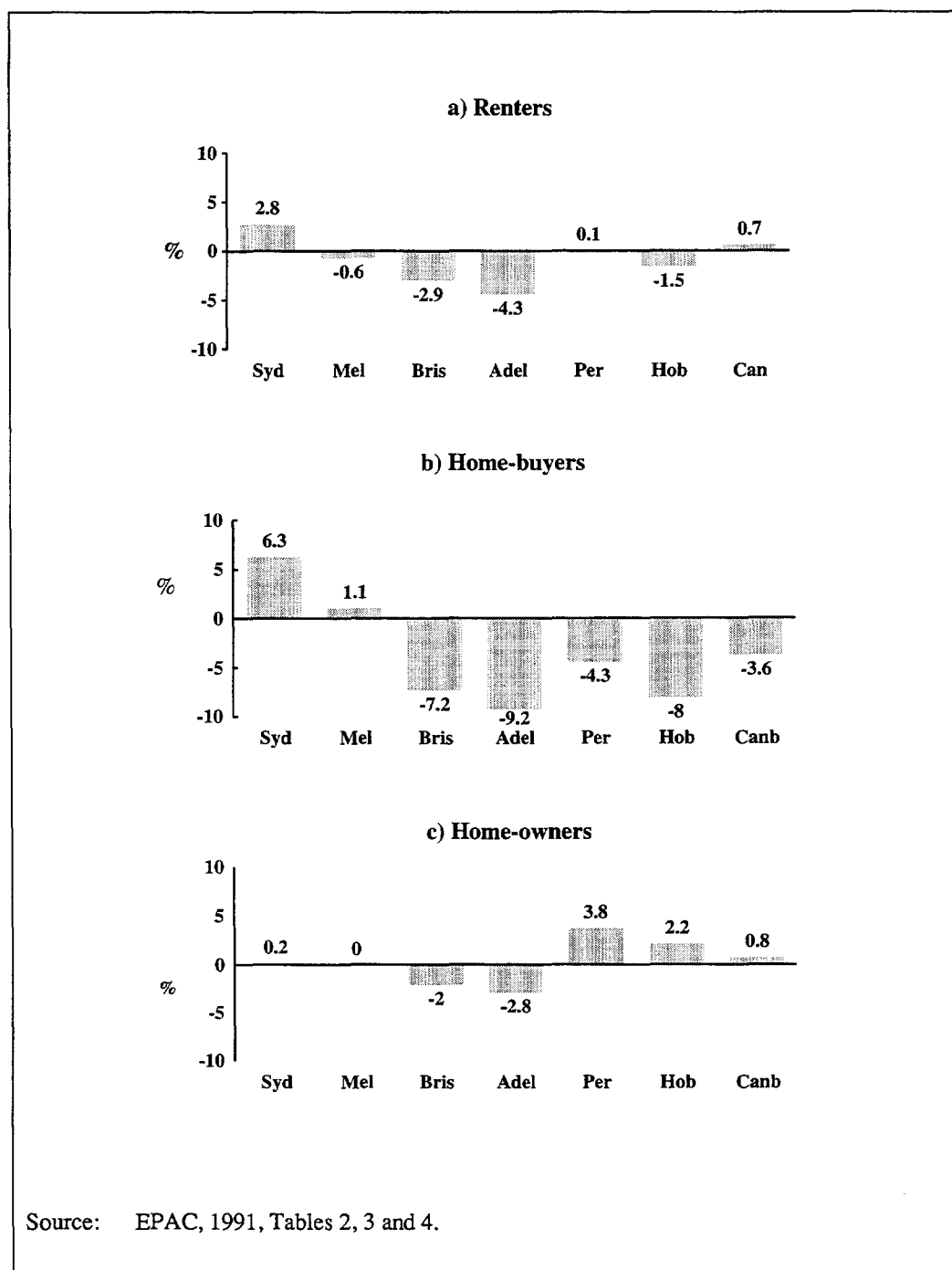
Source: Compiled from Tables C4 and C5 of Industry Commission (1993c) using data provided by the Australian Consumers Association, the Real Estate Institute of Australia Ltd and the Real Estate Institute of Queensland Ltd.

evident is some difference in the pattern of relativities between the cities according to housing tenure. For example, Perth and Hobart both appear relatively cheap for home-purchasers, but relatively expensive for home-owners.

Ferry (1991) described this method of estimating relative living costs as experimental but, nevertheless, the results and the other evidence do suggest the possible existence of significant variations in the costs of living. At the same time, the limited work undertaken to date does point to the complexities of establishing empirically the extent of regional variations in the cost of living.

- The observed pattern will of course depend on the definitions of regions - and all that has been described above is data for selected cities, with nothing on non-urban areas or on the possibility of variations within urban areas.
- Comparisons based on a limited selection of goods and services, such as simply looking at grocery prices or at housing costs, may be misleading as relative prices for some goods and services may be countered or reinforced by relative prices for other goods and services.
- Comparisons need to distinguish between the costs facing different groups in the population, in line with variations in the composition of basic basket of

Figure 3: EPAC Estimates of Relative Costs of Living, Percentage of Difference from National Average: June 1990



goods and services. Such variations can be expected according to household characteristics such as household composition, activities of household members, housing tenure and location.

- A focus on housing tenures also points to the possible differences that would emerge if lifetime costs, rather than those at a point in time are considered: for example, relatively high costs of home-purchase in a region may be countered later by relatively low costs of home-ownership.
- The pattern of relativities in costs of living may also vary significantly over time as was in fact suggested by the Office of EPAC comparison of 1988, 1989 and 1990.

To fill the gap in our empirical understanding of regional variations in the cost of living would clearly be a major exercise.

4 Other Evidence on Cost Variations

Given that comprehensive data on regional variations in living costs is unavailable at present, are there any shortcuts to perceiving the picture? What other evidence can be brought to bear on the question of the extent of any such variations? Three possibilities are considered here: internal migration, public disquiet, and measures of the adequacy of incomes.

Internal Migration

If there are substantial differences in living costs, then we might expect migration of people on fixed incomes to lower cost areas. There is some evidence of this occurring, most notably flows to the coastal areas of New South Wales and Queensland (Industry Commission, 1993b: 68). Differences in the cost of living are, however, only one factor among the many that enter into internal migration decisions. Indeed, Flood et al. concluded that:

Economic indicators such as unemployment rates, economic growth, or house prices are not in general good indicators of the likelihood of moving. A major exception is Sydney housing prices, which along with other high costs in that city appear to be responsible for the significant nett outflows from Sydney during the last few years. (Flood et al., 1991: v)

In the case of unemployed social security recipients, we would expect some form of trade-off between cost of living and employment prospects since, in general, areas with higher rates of unemployment tend to have lower housing costs. Besides this type of interplay between a range of factors in location decisions, it is also necessary to appreciate that there can be considerable barriers to movement: the financial costs of moving together with the costs of dislocation from family, friends and

community. Thus, cost of living may in some cases provide a powerful impetus for internal migration but may still not be strong enough to overcome the barriers to movement. In summary, for a number of reasons, observed internal migration will not necessarily provide a good indicator of the extent and pattern of regional variations in the cost of living.

Public Disquiet

The second possible indicator is based on the point that, if there are substantial differences in living costs, then we might expect persistent calls for higher levels of social security benefits in some areas. While there does not appear to any broad pattern of complaint, two persistent and particular types of complaint can be identified. The first of these is complaint about the high costs of living in remote areas, costs which are apparently not perceived to be adequately addressed by measures such as Remote Area Allowance or by the zone rebates in the tax system. The second type of persistent complaint relates to housing costs, with attention often drawn to the point that a fixed income does not go as far in an area of high housing costs as it does elsewhere. While the focus of attention is on housing costs, it is frequently expressed with a regional dimension.

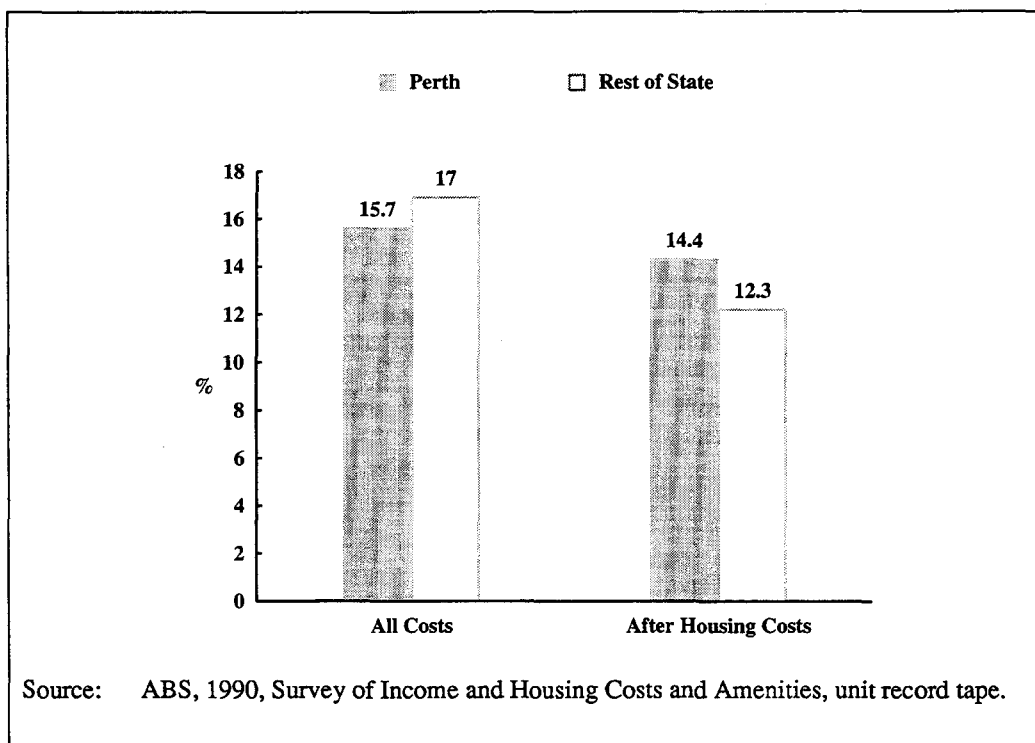
Measures of Income Adequacy

We do, of course, have a number of commonly used measures of the adequacy of incomes. Do these not provide a ready means to assess whether or not uniform social security payments provide the same degree of adequacy across the country? Take the well-known Henderson poverty line, for example, with a typical illustration of its use shown in Figure 4. The figure shows estimates of the incidence of poverty in Western Australia in 1989-90 with distinction, firstly, between Perth and the rest of the state and, secondly, between the 'all costs' poverty line, which compares incomes with an allowance for all costs, and the 'after housing costs' poverty line, which compares incomes left after paying for housing with an allowance for other than housing costs.²

Figure 4 shows that, with regard to all costs, the incidence of poverty was slightly lower in Perth than in the rest of Western Australia. But is this because of differences in the cost of living or of differences in incomes? It is entirely a product of differences in incomes because the same level of the Henderson poverty line is applied irrespective of where somebody lives. The 'all costs' poverty line tells us nothing about the effect of regional variations in the cost of living. What about the 'after housing costs' poverty line? Figure 4 shows that after housing costs have been taken into account, the pattern of poverty incidence is reversed; now the proportion

2 It might be thought that the figure would be more relevant to the present discussion if it was restricted to recipients of government benefits, but this has no bearing on the argument here.

Figure 4: Proportion of Income Units Below Henderson Poverty Line, Western Australia: 1989-90



of units in poverty is higher for Perth than for the rest of the State. This all makes sense, being the result of higher housing costs in Perth than in the rest of Western Australia, though it remains in fact a rather limited picture that we are getting. While the effect of housing costs has been eliminated, these are still poverty estimates with the implicit assumption that there is no regional variation in the cost of meeting needs other than those of housing. The same level of the 'after housing costs' Henderson poverty line is applied irrespective of where somebody lives.

The example described above demonstrates the circularity of attempting to use national standards of adequacy to reveal regional variations in the cost of living. When such standards are based on an implicit assumption of no regional variation in the cost of living, any regional variations shown are solely the result of regional variations in incomes. This is the case with not just the Henderson poverty line, but with any measure of adequacy that has been derived without reference to the possibility of regional variations in the cost of living. It is true, though, that the particular elaboration of the Henderson poverty line which permits comparison of the incidence of poverty on the basis of total income and of income after paying for housing costs does give an indication of regional variations in housing costs. While measures of income adequacy typically use equivalence scales to recognise the variations in the costs faced by different family types in attaining comparable

standards of living, the method of equivalence is not extended to regional differences in costs. Perhaps these differences are not important, or perhaps we just do not see them. In short, unless a measure of adequacy recognises the possibility of regional variation in the cost of living, then it cannot be used to expose any such variations.

5 An Interim Conclusion

To summarise the argument so far, while the evidence on regional variations in the cost of living in Australia is patchy, the available evidence does strongly suggest the possible existence of significant variations in costs other than the well known variations in housing costs. If the above was the committal, then there would seem to be enough evidence to go to trial, with a strong case for an investigation of the regional variations in the cost of obtaining a basic standard of living.

Before setting off down that path, however, and particularly in view of the scale and cost of such an investigation if undertaken comprehensively, consideration should be given to the point that an investigation of regional variations in the cost of living would be of only academic interest if it had no policy implications. It has already been argued that any regional differences in the cost of living may have an important bearing on the extent to which the basic adequacy goal of Australian income support is met. It would mean that entitlements to the same level of income support would not necessarily provide the means for people in different places to attain the same standard of living. There is thus clear policy relevance, though it needs to be asked whether policy should respond to such a situation and, if so, whether feasible policy initiatives to address these variations could be conceived. If the answer to either of these questions is negative, then it may well not be worth proceeding with the investigation.

Beginning with the question about whether policy should respond, one view that could be taken would be to argue that, if people on low fixed incomes found it too expensive where they lived, then they should move somewhere cheaper. A first objection to such a prescription is the assumption of a degree of mobility among the population which neither exists nor is necessarily desirable. In this regard, a number of pertinent issues were raised in the above discussion about internal migration. Do we want unemployed people to move to areas where living costs are lower but employment prospects probably worse? Do we want aged or disabled people, or indeed any social security recipients, to move away from their family, friends and community? Most would answer 'no' to these questions.

If, on the other hand, it is believed that the level of income support should reflect the cost of living, then the fact that the financial cost of living will never reflect all the attributes of a living standard raises a question. When a person is reluctant to move to apparently cheaper locations then they presumably derive greater relative value from their present location than is indicated by a simple comparisons of cost of living. The source of this greater value might be, for example, the access to a support network, access to a wider range of services, or simply a liking for the area for whatever reasons. If this is the case, where intangible or unmeasured benefits

outweigh the disadvantage of a high cost of living, then should greater assistance be directed toward this person on the basis of their high cost of living and away from someone else who lives in an area with a low cost of living but possibly enjoys far less of the intangible or unmeasured benefits than is the case for the first person?

Besides the level of the impacts on individuals in particular circumstances, there are also issues at the broader level of regional policy. Some regional variations in the cost of living can be attributed to the relative economic fortunes of regions. Among regions with otherwise similar characteristics, those that are growing are likely to have higher costs of living, particularly due to strong demand for housing, than those regions which are either stagnant or in decline. Should income support policy attempt to moderate such regional disparities in growth, as is the broad effect of having no regional distinction in rates of payment, or should policy follow and support the pattern of regional change by linking rates of payment to the cost of living in different regions?

Answering the question of whether income support policy should respond to variations in the cost of living is clearly not a simple matter. There are a number of considerations working in different directions. On the basis of this brief discussion, it appears that there is an argument for some response, though the most appropriate response may well be only a partial response. We turn then from the question of what should be done to that of what could be done. Suppose that investigation did reveal significant variations in the cost of living across regions, are there feasible policy options to address this situation? Three types of possible response are considered in the following section.

6 Policy Options

Region-specific Payments

The first policy option that comes to mind would be to vary income support entitlements according to region, with higher levels of support in high-cost regions and lower levels in low-cost regions. The real material standard of living provided by income support would thereby be equalised across regions. Such an initiative would not be entirely novel, as it could be seen as an elaboration of the existing Remote Area Allowance into some more general regional allowance.

This type of initiative was in effect recommended in 1993 in the draft report from the Industry Commission on *Impediments to Industry Regional Adjustment*, though on grounds of labour market efficiency rather than equity. The proposal and the response generated are discussed in the final report from the inquiry (Industry Commission, 1993b: 69). Responding to a concern about the migration of unemployed people to areas with lower costs of living but higher unemployment rates, the Industry Commission argued that such movement would be reduced if 'social security benefits reflected locational variations in cost of living, so that their real value was equivalent in different regions'.

The Department of Social Security, however, argued that this proposal would as be too difficult to implement, particularly because of the absence of cost of living data for different areas. It was also noted that the Department of Social Security payments did account to some extent for regional variations in living costs through the provisions of Rent Assistance and Remote Area Allowance and that, in the case of recipients of unemployment allowances, there were already regulations designed to discourage people from moving to regions with poor job prospects.

While the Industry Commission accepted the Department's arguments and did not pursue the proposal in its final report, the arguments do not amount to a conclusive case against regional variations in the levels of income support. The existing provisions of Rent Assistance and Remote Area Allowance provide only a very limited response to cost variations, the regulations to discourage unemployed people moving to regions with lower job prospects do nothing for the different costs faced by jobseekers in different regions, and the point about the absence of cost of living data could instead be taken as an argument to collect such data. Although not explicitly mentioned by the Industry Commission, the question of how to define regions was presumably an element of the difficulties of implementation identified by the Department of Social Security. This important issue is discussed below in the context of housing-related assistance.

Targeting Variations in Housing Costs

Although we do not have comprehensive data about regional variations in living costs, we do have good data about variations in housing costs. Given that housing costs make up a large part of household budgets and that there are marked regional variations in housing costs, perhaps a feasible and appropriate response would be to focus solely on variations in housing costs. Two proposals of this type were considered by the Industry Commission in the 1993 report from the inquiry into Public Housing (Industry Commission, 1993a). One of these was to provide a higher maximum rate of Rent Assistance for people living in high rent areas (Industry Commission, 1993a: 99), and the other was a proposal for reform of rent-setting in public housing, one element of which was a reflection of regional variations in the cost of obtaining appropriate accommodation (Industry Commission, 1993a: 80-9).

A number of arguments against the proposal for regional variations in the maximum rate of Rent Assistance were put forward in a joint submission from the Department of Health, Housing, Local Government and Community Services and the Department of Social Security (DHHLG and CS and DSS, 1993: 32).

- Tying the level of assistance to geographic areas would give rise to situations where people paying the same level of rent, but living in different regions, would receive different levels of assistance. This could raise constitutional issues.
-

- There would be difficulties defining regions and particular problems with the treatment of people living near regional boundaries.
- Perhaps higher rents are offset by matters such as better access to transport and other services and facilities.

The two Departments concluded with the suggestion that the impact of high rents would be better addressed by a general measure within the existing structure of Rent Assistance: for example, by increasing maximum rates of assistance across the board. The two Departments also drew attention to difficulties defining regions in the context of the Industry Commissions' proposed method of setting public housing rents and, in particular, pointed to the inequities within regions that could occur from an attempt to lessen the inequities between regions.

Considering the arguments raised against these two proposals together, the first, concerning constitutional difficulties, would appear to apply only in very specific circumstances. The relevant section of the Constitution, Section 117, refers to discrimination between residents of different States and, as such, would appear relevant only when the definition of regions followed State and Territory borders. In general, different treatment for people in different regions is not unconstitutional. If it was, we would not have the Remote Area Allowance or the zone rebates in the income tax system. That, however, does not invalidate the point made by DHHLG and CS and DSS about people paying the same rent but receiving different levels of Rent Assistance because they live in different areas. The Departments' suggestion that a better approach to targeting Rent Assistance would be to simply raise the maximum levels of assistance does seem superior to a region-based pattern of maximum rates.

The points about difficulties defining regions are important and obviously a key element of any region-based policy. There are two fundamental difficulties in defining regions for these sorts of purposes: at what level to define regions and how to treat people living near borders. Should the definition of regions make broad distinctions across the country or be at a fine level of disaggregation? For example, one could conceive of a range of possible definitions ranging from, say, simple distinction between metropolitan and non-metropolitan areas to distinction between every local government area. The most appropriate definition would depend on the observed pattern of variations in living costs and administrative considerations. Problems with the treatment of people living near borders can be minimised mainly by care in the drawing of regional boundaries.

The definition of regions is always going to be difficult but this, in itself, is not a reason not to pursue an explicit regional policy. As DHHLG and CS and DSS (1993: 41) have pointed out, in the case of the assistance through rent rebates in public rental housing, the number of regions is effectively the same as the number of dwellings, that is, 370,000. On the other hand, in the case of income support provided by DSS, there are two regions, being those where people are and are not eligible for Remote Area Allowance, with some thin regional dimension overlaid by the provisions of Rent Assistance. The existing regional definitions do not,

however, appear to have been set according to any comprehensive consideration of the most appropriate way to respond to variations in living costs.

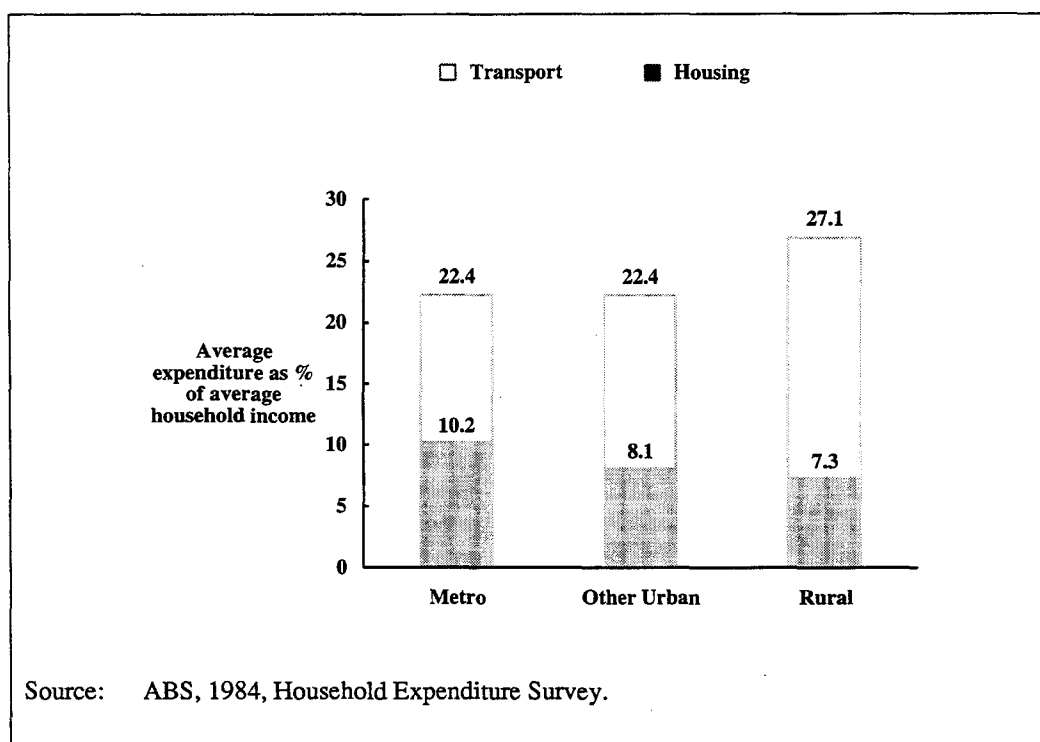
The third argument raised, concerning the possibility of other costs off-setting high housing costs, is perhaps the strongest argument against targeting housing costs on a regional basis. Among the material presented in Section 3, there was an indication of an inverse relationship between house and grocery prices, but it appears to be a fairly loose relationship. A stronger inverse relationship could be expected between housing costs and transport costs. To the extent that housing costs depend on land values and that these, in turn, depend on the accessibility of the location, housing costs are likely to be inversely related to transport costs. That this is the case, at least in aggregate terms, is shown by Figure 5 which compares the expenditure shares devoted to housing and transport in three areas of Victoria: the metropolitan area, other urban areas, and rural areas. On average, households in the metropolitan and other urban areas devoted the same proportions of expenditure to housing and transport costs combined: compared to the metropolitan area, lower housing expenditure in other urban areas was exactly countered by higher transport expenditure. Moving to the rural area, the housing expenditure share was lower still and the transport expenditure share was considerably higher. A more detailed comparison along these lines can be found in King (1994).

Targeting variations in housing costs may thus, after all, not be a good response to variations in overall living costs. Nevertheless, the considerations encountered in discussions about methods of targeting housing costs do have general relevance.

A Regional Element in Indexation

The third type of policy option considered here concerns the method by which income support payments are updated. At present it is with reference to the national CPI or, more strictly, the weighted average for the eight capital cities. So far, we have been concerned mainly with variations in the level of costs, rather than in the rates of change in costs, though the cost of living relativities between regions will not necessarily be constant as was shown by the findings from the EPAC investigation (Ferry, 1991) which compared the pattern in 1988, 1989 and 1990. In view of the greater availability of price index data than cost of living data which was noted in Section 3, perhaps an approach to addressing regional variations in the cost of living which would avoid the need to undertake a major study of the cost of living would be to simply index income support payments according to region-specific price indexes rather than the national CPI. While this approach would only gradually move the pattern of the level of payments into line with the pattern of the cost of living, this gradual adjustment would ensure a smooth transition from a system which largely does not reflect regional differences to one which does.

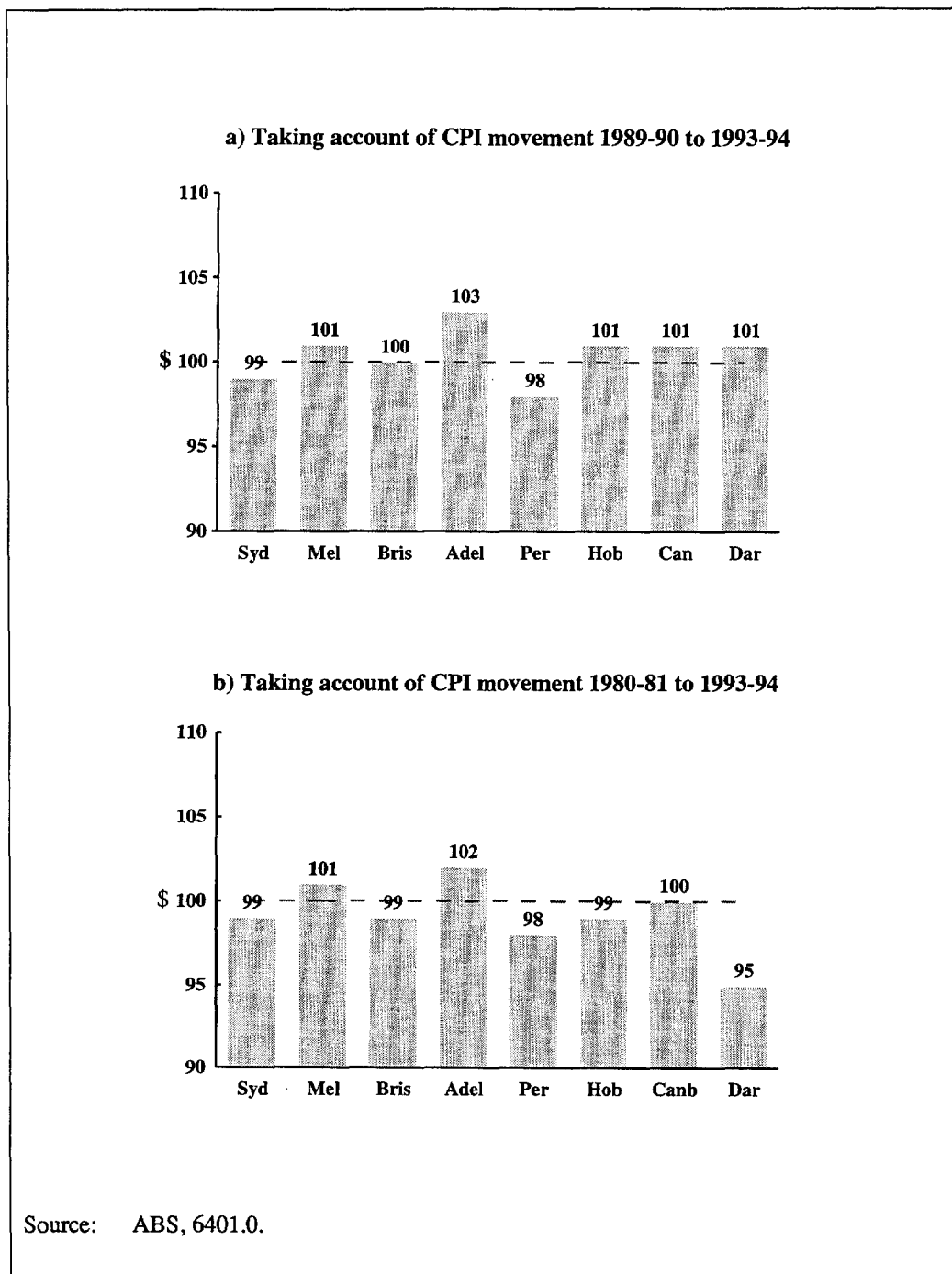
The extent to which region-specific indexation could be implemented with currently available data is, however, quite limited, being restricted to the eight capital cities. Comparable price index data is not available for other parts of the country or for

Figure 5: Expenditure on Current Housing Costs, Victoria: 1984

different areas within the capital cities. Moreover, it should also be noted that the CPI is designed with reference to households who have wages and salaries as their predominant source of income, so will not necessarily be appropriate for those who have income support as their main source of income. Still, the limited regional price index data that is available can be used to illustrate the effect of price indexation and this is done in Figure 6. For each of the eight capital cities, Figure 6 shows the amount that would have been received under local CPI indexation where \$100 is received under national CPI indexation: firstly for the four year period from 1989-90 to 1993-94, and secondly for the 13 year period from 1980-81 to 1993-94. Where a city has experienced above-average growth in the CPI, the amount received under local indexation will be higher than that received under national indexation. Figure 6 shows the effect of local CPI indexation over the recent four-year period would be variations in the level of entitlement of up to three per cent: not striking, but significant for those living on low incomes. Over the longer 13-year period, the largest variation is five per cent for Darwin, though for all the other capitals the amount received after 13 years of local indexation would have been within two per cent of what was received under national indexation.

To a large extent, then, the short-term ups and downs in regional variations in CPI growth have been balanced over the longer term. Perhaps it is not worth the effort of

Figure 6: Where \$100 Received Under National CPI Indexation, Amount That Would be Received Under Local CPI Indexation



moving from national CPI indexation. What the picture would have looked like with a different and more extensive definition of regions does, however, remain an open question. To produce more disaggregated CPI figures would in fact involve the same effort as would producing cost of living data. Both would require the collection of additional price data and the construction of appropriate and comparable baskets of goods and services. In summary, although periodic indexation on the basis of regional CPIs should be an integral element of any arrangement which sets levels of income support according to regional costs of living, regional CPI indexation does not provide a short-cut.

7 Conclusions

The primary motivation for this paper has been a concern that the apparent equity of largely uniform rates of income support will be illusory if there are significant variations across the country in the cost of living. If so, the income support system will provide varying degrees of adequacy. The first step in addressing this concern was to consider the evidence about regional variations in the cost of living and, while the evidence is sparse, it was seen to indicate the possibility of significant variations beyond the well known and well documented variations in housing costs. The argument that there was a case for a comprehensive investigation of regional variations in living costs then rested on establishing that, if significant differences were identified, then something should be done about them and something could be done about them. It was argued that policy should respond to differences in living costs, but that the most appropriate response might only be a partial response. The discussion of a number of policy options then revealed a number of concerns, none of which, however, are insurmountable. Clearly, it would not be a simple matter to add a stronger regional dimension to the Australian income support system and it is likely that any administratively feasible approach would lead to some new source of inequality. The key question, though, is not whether any feasible policy response would involve inequities, but whether those inequities are preferred to those which prevail under existing arrangements.

There are two final comments to be made about the need and prospects for research in this area. Firstly, it should be recognised that another source of pressure for a regional dimension, beyond considerations of adequacy and employment prospects, may arise if the extension of enterprise bargaining in the wage system leads to greater variation in low wages from one region to another. This would distort the relativities between wages and levels of income support, an important consideration for government in setting income support levels. Secondly, there are prospects of further evidence becoming available on regional variations in the cost of living, including work by the Darwin office of the ABS comparing costs for a broad range of goods and services in Darwin and Perth and the possibility of material stemming from the work currently being undertaken by DSS on benchmarks of adequacy.

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Innovation and Change in Long Term Care: Challenges of New Models of Support

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1 Introduction

Long term care (LTC) is a somewhat nebulous concept, meaning different things to different people. It is a term which seems to have originated in the United States, where it was originally used to refer to ongoing care provided in institutions of various types. More recently it has been used in a broader sense to describe a variety of care and services provided on a long term basis (Brody, 1977, cited in Kirwin, 1988). The formal component is now commonly seen as extending from residential care, provided in institutions and specialised facilities such as psychiatric hospitals, nursing homes, hostels and group homes, to community services provided to people who remain in their own home. The term is often used to also include informal care, provided mostly by family members (Marshall, 1989).

While residential care is relatively distinctive and the facilities involved easy to identify and define, the concept of LTC more confusing. It overlaps somewhat with that of 'primary health care', just as it does with the high-technology specialised medical care provided in hospitals. One of the characteristics of LTC is that both social support and health and medical care are likely to be involved. This is often the source of considerable dispute and conflict. Within the field of LTC there are also a number of often quite marked distinctions between specialised fields, most importantly those of developmental disability, mental health, support for people with disabilities and aged care. Differences between each of these fields in the organisation, funding and operation of services as well as in clientele, are often considerable. Although there have been some attempts to provide for the different clients groups together,¹ there is little research which covers the entire field of long term care and attempts at generalisation can be quite misleading. My comments in this paper are largely confined to the field of aged care, which exhibits a number of unique characteristics. Some of these are related to the very large numbers of people

1 In New South Wales, for example, people requiring ongoing assistance as a result of psychiatric disabilities have recently been deemed eligible for service provision under the Home and Community Care Program, previously restricted to people with disabilities and frail older people.

and public expenditure involved, and others to the fact that it is, uniquely, an area in which the Commonwealth government has assumed a very large direct responsibility. But there are also a considerable number of parallels with other fields of LTC, such as mental health, which is addressed in the following paper by Rebecca Orr.

There is a widespread perception that aged care in Australia, as in many comparable countries, has for a long time been a forgotten backwater, isolated, or at least set apart from the main stream of developments in health care, the economy and the life of local communities. Associated with this was an atmosphere of timelessness and inevitability. With medicine able to do little for patients who were thought of as in the final stage of life, their illness was matched by an apparent chronic underfunding of services by government and an almost terminal lack of imagination amongst service providers and many health professionals with regard to the choices made available to older people in need of care.

Perceptions have changed, or at least they are in the process of changing. However much we may deplore the shortcomings of existing provisions and practices, it is clear that change and innovation are now central to the development of aged care. Bold and imaginative, as well as threatening and even apparently idealistic proposals in the fields of both residential and community care are being implemented now on an almost routine basis (DHHCS, 1991; DHHLGCS, 1993).

2 An International Perspective

Surveying the complex processes of innovation in aged care across the world, it is clear that similar developments have also been taking place in a number of different countries (Monk and Cox, 1991; Jamieson, 1991; Evers and van der Zanden, 1993; Fine, Graham and Webb, 1991; Fine 1993a, 1993b; Fine and Thomson, forthcoming). Examples of innovations recently introduced in European countries include:

- the establishment of community service bases;
 - the spread of alarm systems;
 - hospital-a-home and domiciliary terminal care schemes;
 - hospital discharge schemes;
 - recognition and support of informal carers;
 - short term or supplementary home care;
 - new community resources such as day care and community support centres;
 - housing improvements;
-

- new forms of service integration and coordination; and
- new training regimes (Walker, 1993: 307).

Importantly, the process of innovation also extends beyond specialised types of services. According to John Baldock and Adalbert Evers (1992) aged care has become the 'cutting-edge of change' for social welfare systems. Drawing on a detailed review of developments in the late 1980s and early 1990s in Sweden, the Netherlands and the United Kingdom, they argue that innovations are taking place because of the acute pressures placed on existing services. The changes in services for the elderly that have resulted are, in turn, indicative of changes that are likely to happen throughout welfare systems more generally.

Welfare systems change first at points of pressure where established policies and solutions are no longer working or cannot be sustained. Innovation and reform become necessary. (Baldock and Evers, 1992: 289)

As a response to demographic, economic and social pressures, they argue, the traditional system of services has been proven to be no longer capable of meeting the demands made of it. In the ensuing reforms, the frail elderly are in the front line of a change away from 'state-dominated post-war patterns of welfare service provision' towards more 'diffuse and pluralistic forms of social care'.

Baldock and Evers consider the intersection of changes in the delivery of personal care services and those taking place in welfare systems more generally (see Table 1). Public services developed to provide personal care in the forty years after the second world war, they claim, were predominantly centralised and standardised, being based largely on the provision of residential care which acted as a substitute for informal, generally family-based, care. The choice offered those in need of care was to stay at home with family-based care with little or no help from public services, or seek admission to a publicly funded institution, where a standardised level of care would be provided, without assistance from family. As service provision is now in the process of shifting from an institution-based model to a home-based one, service provision is becoming more flexible and more closely based on an explicit, interactive partnership with informal caregivers.

These changes are closely paralleled by those taking place in welfare systems more generally in which, Baldock and Evers claim, there is a move away from bureaucratic centralism towards a more mixed and pluralistic system of provision. As the dominant ideology of welfare has changed from a social concern with meeting needs on a universalistic basis towards a more selective and targeted approach, cost controls have similarly shifted, away from an almost open ended commitment to single programs, (as occurred, for example, with the Australian nursing home program until the early 1980s), towards more carefully controlled system in which cost controls are built into the service delivery system (Baldock and Evers, 1992: 291).

Table 1: The Baldock/Evers Model of Patterns of Change in Welfare

	Traditional Pattern	New Pattern
1 Changing personal care services		
a) From standardised to flexible services	institution based	home based
	standard services	tailored services
	rigid, bureaucratic timetables	flexible, client-centred timetables
	independent services	co-ordinated services
b) From implicit to explicit interaction with informal care system	client as passive recipient	client as active co-producer
	informal care a private matter	informal care as part of overall package
	informal care implicit and unrecognised	informal care monitored, regulated
	formal and informal care operate as substitutes	formal and informal care are complementary
2 Changes in welfare systems		
a) From bureaucratic centralism to regulated pluralism	monopolistic public provision	pluralistic mix of welfare providers
	fragmented services	co-ordinated services
	state responsibility for the dependent	division of responsibility between state, family and voluntary sectors
	commitment to universalism	selectivity and targeting
b) From separate to integrated social and economic criteria	service volume determined by need	service volume determined by cost
	post facto budget limits	costs limits built into service delivery
	efficiency only at macro, bureaucratic level	efficiency at micro level of individual service decisions.

Source: Baldock and Evers, 1992: 291

The analysis advanced by Baldock and Evers is based on developments in three European countries. Yet although the system of services developed in Australia differs in crucial respects from that encountered in any of these lands, the pattern of change revealed appears to have much in common with that currently being attempted in Australia. To examine the utility and explanatory capacity of the model and consider its applicability to the Australian situation, developments in Australia are examined in the next section of this paper. The review focuses on two key elements: the shift to community care and innovations in the organisational domain. In the later sections of the paper I turn to examine some of the challenges posed by the new models of service provision.

3 The Shift Towards Community Support. A Brief Review of Recent Developments in Australian Aged Care

As in a number of other comparable countries, there has been a significant reorientation in long term care policies in Australia in recent years. This has seen a move away from an emphasis on residential care provided in nursing homes towards a more broadly based system emphasising the principle of 'community care'. Community care or, as it is sometimes called, community support, is essentially a policy encouraging those who need assistance to remain in their own homes in the community whenever possible, and now underlies the entire system of aged care in Australia.

The most important reforms were introduced into the long term care system for older people in the mid-1980s. These involved:

- **restrictions on the provision and use of nursing homes and an expansion of the availability of hostel facilities** through the introduction of planning measures for nursing homes and hostels and the implementation of tightened eligibility criteria and more restrictive funding measures, effectively halting the continued expansion of nursing home bed numbers and setting a clear relationship between need, as reflected in demographic developments and the supply of institutional facilities;
 - the establishment of **standardised assessment procedures** which have reduced the rates of nursing home admission and have linked the payments received by nursing home proprietors to the level of dependency of residents. Most important has been the development of specialised multi-disciplinary Aged Care Assessment Teams (ACATs) with specialist geriatricians, aged care nurses, occupational therapists and so forth; and
 - the introduction and development of the **Home and Community Care Program (HACC)**, with costs shared by the Commonwealth and State Governments, designed to provide an expanded range of services to people who require support to remain living independently in their own homes.
-

These measures have seen a reduction in the use of nursing homes, a limited expansion in the provision and use of the less intensive forms of residential care provided in hostels, a marked growth in the provision of community support through the HACC Program, and a significant increase on expenditure associated with Geriatric Assessment (DHHCS, 1991). Subsequent developments have seen an expansion of other alternative forms of provision, perhaps most notably the expansion of Community Aged Care Packages (CACPs) and, in some rural regions, advanced trials with Multi-Purpose Services, increasing the flexibility and variety of service provision (DHLGCS, 1993).

These trends have seen a marked shift in Australian social policy towards community support and towards an increasing emphasis on assessment and targeting as a means of ensuring that individuals receive appropriate services. Both of these broad trends, clearly expressed in expenditure figures are presented in Table 2. (See also DHHCS, 1991; AIHW, 1993; Morris, 1994.) As a result of changes in policy the gradual shift in expenditure patterns in favour of community care which has taken place over the last decade will continue. In the early 1980s, 11 dollars was spent on nursing homes and hostels for every one dollar spent on community care (McLeay, 1982). By 1991, this ratio had changed to 4.7:1. According to the projections this will have become a ratio of approximately 3:1 by the year 2001. These changes have received the blessing of major governmental reviews and seem likely to be continued well into the foreseeable future.

The broad trend of a shift towards community care described by Baldock and Evers (1992), is therefore, confirmed for the Australian situation, albeit with some qualifications for the continued expansion of hostels, clearly a form of institutional accommodation.

The Determinants of Innovation

The shift in emphasis is, at one level, an attempt to try and respond to the very large numbers of people suffering disabilities and chronic illnesses living outside of residential care. According to Australian Bureau of Statistics (ABS) figures, the number of elderly people living at home in need assistance on a regular basis far exceeded both the current capacity of nursing homes and hostels and the presently available community support services. In 1990, for example, there were 44,470 people in hostels and 72,615 in nursing homes across Australia, a total population in residential care of approximately 117,000 people (DHHCS, 1991). Figures from the 1988 Australian Bureau of Statistics Survey of Disability and Handicap, in contrast, show that approximately 443,100, (43 per cent of the total) of a total population of 1.31 million people aged 70 or over living in households outside health establishments in 1988, depended on assistance for undertaking at least one of the basic activities of daily living (ABS, 1990). Stated another way, approximately four out of every five older people who need regular assistance continue to live at home, while only one in every five lives in either a nursing home or hostel. If the even

Table 2: Changes in the Provision of Aged Care Over the Period 1985-1991 and Changes Projected 1991-2001 Resulting from Continuation of Existing Policies

Type of Provision	1985	1991	1996	2001	Increase 1985-91 %	Increase 1991-2001 ^(a) %
Nursing homes						
Beds	71,503	73,162	77,053	79,052	2.3	8.05
Expenditure ^(b) (\$'000)	1429.9	1651.52	1804.84	1896.19	8.8	14.81
Hostels						
Beds	34,885	47,080	63,152	81,483	134.9	73.07
Expenditure ^(b) (\$'000)	83.5	208.44	358.96	470.86	127.4	125.89
HACC ^(c)						
Clients (est)	n.a.	164,257	220,543	252,990	n.a.	54.02
Expenditure ^(b) (\$'000)	142.8	397.74	665.23	779.61	95.3	96.00
Total expenditure	1764.2	2257.70	2829.03	3146.66	27.9	39.37
Population aged 70+ ('000s)	1060.0	1290.0	1526.4	1718.6	21.6	33.22

- Notes:
- a) Projected increases, assuming known policy settings.
 - b) Expenditure in 1991 dollars.
 - c) HACC estimates exclude younger disabled people, but include both Commonwealth and State expenditure.

Source: DHHCS, 1991: 40, 278-9; AIHW, 1994: 223.

more restrictive measure, the need for personal care is considered, the proportion of those aged 65 who remain at home is lower, but still 55.5 per cent of the total (ABS, 1990).

But the change in policies can not be simply understood as a sort of flash of insight by the Australian government of the need to make resources go further. Accompanying the shift in policy were a number of other important developments, including:

- **economic crisis** which greatly affected all elements of government provision and funding from the mid-1970s, causing fears of a crisis in the welfare state (O'Connor, 1973; Graycar, 1983);
- **projections of the likely impact of an ageing population** on national expenditures. Rightly or wrongly, it was widely believed that unless there was a change in the pattern of consumption of health and welfare services by the older population, these demographic developments could become a fiscal crisis in the 1990s and 21st century (DCS, 1985; Clare and Tulpule, 1994);

- **demands from many health professionals, consumers and their advocates for a change in the existing system of provisions**, following the recognition that the existing system of provisions was not only expensive but often inappropriate and possibly even incapacitating or harmful for many of its recipients (see, for example, McLeay, 1982; DCS, 1985); and
- more intangibly, there were also **demands of a more political nature for rights and participation**. These demands could be a reaction to an insensitive and overly technical bureaucratic approach to administration, just as they could also reflect a rise of community consciousness, in which demands for local participation in decision making and service provision, were matched also by that of communities of interest, most notably those of ethnic groups, Aboriginal people and, more traditionally, religiously based organisations (Walker, 1993; Fine, forthcoming);

Like other areas of social policy, however, changes in the field of aged care did not simply occur because there was a need, or even a demand for them. Although many of the longer term processes of economic, demographic, technological and cultural change are largely outside the government's direct control, their pressure is experienced through electoral processes. In contrast to the propositions of Baldock and Evers' apolitical model of innovation and policy development, the development of aged care policies in Australia remains very much a political phenomenon, reflecting the economic and social priorities as well as the conflicting interests that the process of government manifests.

The introduction of Australian reforms was part of the Australian Labor Party's platform before the 1983 election (Blewitt, 1983) and many characteristics of the current programs reflect the Labor Party's control at the Commonwealth and State level achieved during the 1980s. Control of parliamentary power gave Labor the capacity to introduce legislation which affected social policy measures at both Commonwealth and State Government level, and for this reason many of the changes to policy and programs have been regarded as political in nature and origin. As the parliamentary architects of social policy initiatives have attempted to respond to, as well as shape the world around them, it is in the organisational domain that the influence of political decision making are most readily apparent.

4 Innovations in the Organisational Domain

Ownership and Control of Services

The model of aged care with which Australia entered the 1980s was, like the one presently emerging, very much a reflection of the political and economic priorities and constitutional constraints of the day. This is one way in which the Australian model, as it emerged in the postwar years contrasted markedly with the 'traditional' model advanced by Baldock and Evers (1992) outlined earlier. As a result of the constitutional division of powers between the Commonwealth and State Governments, whereby the State Governments bore direct responsibility for health

care provisions, owning and operating many of the most important public hospital facilities and controlling, through regulation and funding, many non-profit facilities. In each State a number of large facilities were dedicated geriatric homes. This pattern of provision shaped the entry of the Commonwealth Government into the aged care field in the late 1950s and early 1960s, with their role being constrained, both by the constitution and by the ideological preferences of the then Liberal/Country Party Government, to the funding of private entrepreneurs and voluntary provisions. The result is that Australia has long had a more pluralistic system of provisions than most European countries, with a considerable market element. The market element was perhaps most clearly expressed in the rapid expansion of private nursing home facilities between 1962 and 1975, funded almost entirely by the Commonwealth Government (Sax, 1984; Saunders and Fine, 1992).

Current patterns of provision in Australian aged care owe many of their characteristics to this background (see Table 3). Although direct provision by State Governments has decreased slightly in the sphere of residential care there has actually been a slight drop in the private-for-profit ownership of nursing homes (DHHCS, 1991; AIHW, 1993) and, unlike the situation in some other countries such as the UK, there has been little or no privatisation or even expansion of public funding for private-for-profit initiatives. Rather, what has occurred may be interpreted as an attempt by the Commonwealth Government to regulate and control the amount, quality and allocation of provisions. This has been achieved through such means as the introduction of a more systematic, cost-based funding system (the CAM and SAM payment systems) which has linked funding more closely to the individual's need for care and through a shift to emphasising outcomes standards (Gregory, 1993). Facilities continue, as before, to be owned and directly controlled by a mix of private and voluntary non-government organisations in the case of nursing homes, and voluntary non-government organisations in the case of hostels (Saunders and Fine, 1992). Because each facility is able to operate as a more or less self-contained organisation, the major problems of coordination occur at the point of entry, when vacancies need to be matched to eligible applicants. The coordination of institutional accommodation now rests very much in the hands of Aged Care Assessment Teams. Although by no means unproblematic, it has clearly improved over the last decade.

A more complex pattern has emerged in the case of community care services, where diverse patterns of ownership and control (see Table 3), combined with specialised functions have made coordination a major issue. In comparison with residential care, the following characteristics stand out:

- a diversity in the sources of provision, as a result of the stimulation of a variety of forms of government and non-government provision, especially by local community-based and ethnic and interest group-based associations;
 - an emphasis on local and regional aspects of provision and planning often accompanied, somewhat paradoxically, by tendencies towards increased government control and regulation;
-

Table 3: Background of Service Providers, Percentage of Total Nursing Home and Hostel Beds, Percentage of Total HACC Funds: 1992-93

Background of service providers	Nursing homes	Hostels	HACC services
State/Territory Governments	17.7	5.1	40.0
Private for profit	47.4	0.3	-
Local government	-	-	19.9
Community organisations	-	-	35.9
Religious and charitable organisations (PNFP) ^(a)	34.9	94.5	4.2

Notes: a) Reported as 'Private not for profit' facilities, and includes homes operated by local government and non-religious voluntary associations. The majority of facilities were, until 1987, funded as religious or charitable organisations.

Source: AIHW, 1993: 228; Morris, 1994: 20

- the development of case management functionaries, usually, although not always accompanied by service brokerage; and
- concerns about coordination between organisations and agencies at the local level.

Other forms of organisational restructuring, such as privatisation, the introduction of various forms of market and quasi-market devices, including extending the use of sub-contracting and service contracts, the elaboration of the distinction between funding and provision, the linking of payment to service outputs rather than inputs, and the stimulation of competition between facilities and institutions, described by Baldock and Evers (1992) have so far been of only minor importance in Australia. There is, however, discussion of these at national level, and some movement towards these approaches is clearly evident in Jeff Kennett's Victoria (DHCSV, 1994).

Organisational Structures

The newer forms of organisation encountered particularly in the field of community services represent forms of developmental change in the organisational infrastructure of aged care. These changes, as I am sure most of you will be aware, are not in any sense unique to the field. In many senses, these developments parallel the changes that have been taking place in government and, perhaps even more systematically, in the field of private industry, world wide (Hoggett, 1990). In the late 1960s, for instance, examples of successful organisations were usually large private bureaucracies which owned and controlled all stages of production, from research

and planning, through manufacture to marketing. Nowadays, the example of a well run company, I suspect, would be more likely to be drawn from the computing or communications field. There may be a small central office with highly paid executives and a 'low flat hierarchy', but most of the work would be likely to be done by a series of semi-independent outside contractors, many of whom may even work from their homes.

In contrast to residential facilities, which are essentially multi-disciplinary and bureaucratic (Fine, 1986), most organisations involved in the provision of community support services have been established to provide a fairly specialised range of skills. For each new set of tasks recognised as necessary a new organisation seems to have been created. The result is an additive one, with new services regularly springing up alongside the already existing ones. Although there is evidence of task diversification among some organisations, such as the Home Care Service of New South Wales, or Community Health Centres, most community service organisations provide only a small part of the spectrum of different types of assistance that people requiring a comprehensive array of help are likely to need (Fine, 1992).

Administrative Responsibility and Financial Control

Because many of the newer organisations providing community services are the result of local initiatives responding to national funding programs, they are essentially hybrid in character. Locally based and managed, they are dependent on funding from State and Commonwealth programs and subjected to a range of detailed conditions associated with the receipt of this funding. Yet concerns that locally-based services seek to preserve their own autonomy are also regularly expressed. In turn, staff from the local community support services, dependent on funding, may express fears of funding cuts or imposed rationalisation, resulting from their vulnerability to the decisions they cannot control. Vulnerability and insecurity is particularly heightened in the case of community services, as they generally lack the control of property and capital that was the traditional basis of residential facilities.

While many community services were established as independent organisations, and are able to draw on some independent income, most are dependent on government grants made on a six monthly or yearly basis, which provides little if any opportunity for longer term strategic planning. Although there is no evidence that funding has been capriciously withdrawn from existing services in the recent past under either the HACC Program or elsewhere in aged care, there are many such examples in other fields of community service provision in recent years. In New South Wales, the uncertain and apparently haphazard manner in which additional growth funds have at times been allocated to community services has heightened feelings that funding is often reliant on vagaries such as reputation, personal influence and personal contacts (Fine, 1992; forthcoming). Understandably, many local service providers are also resentful of attempts by government officials to impose controls or

reforms from the top, effectively usurping their rights to manage a locally controlled service.

The characteristics of a system of locally autonomous services dependent on central funding differ markedly in this way from those of a more traditional bureaucratic system. In place of centralised structures of control and accountability and uniform policies governing all aspects of local practice, a considerable degree of local flexibility is possible. Indeed, standardisation is no longer necessary, as long as it remains within the overall framework established by policy and funding. But because the purse strings are still kept well out of local hands, some cynics have described the system as one in which government seeks to centralise control and decentralise the blame. The extent to which control remains remote from the local community, however, depends very much on the degree to which services are prepared to flaunt their nominal autonomy.

Rationing Assistance

A related concern is the issue of rationing assistance by community services. In residential care, the number of available beds sets a finite limit to the number of individuals who can be helped at any one time. In community care, however, far greater flexibility is possible. With only one exception, government grants under the HACC program involve the payment of an annual subsidy, paid to the service as a block grant. Services are paid a fixed amount each year, regardless of changes in demand or of the number and type of clients assisted. The block funding approach currently employed with most community services provides funding over a given period of time, usually a year, to enable an organisation to assist their users, the estimated number of whom is usually derived from the experience of previous years. If new and eligible applicants exceed the estimated number, services are faced with the stark alternative of either attempting to assist them all, thereby reducing the amount of assistance available per user, or of refusing to assist them, perhaps placing new applicants on a waiting list until a later date or, alternatively, referring them on to alternative sources of support. Clearly this has significant implications for the practical allocation of assistance by services to clients, as there is a danger, given the competition for funds, that service providing agencies will regard the system as an incentive to provide assistance to as many clients as possible (Fine, Graham and Webb, 1991).

In Australian community care, the most commonly encountered alternative to the block funding approach is the service linked payment, which is the funding mechanism used by Community Options Program.² With this approach, funding is directly linked to the amount of assistance required by individual clients. To limit total expenditure, a maximum number of clients is specified (Graham, Ross and

2 A variation on this approach has currently been adopted for the provision of Community Aged Care Packages (CACPs), in which a fixed package of care is made available to a fixed number of eligible recipients (DHHLGCS, 1993: 122-4).

Payne, 1992). This arrangement enables case management services to provide considerably more assistance to each client than other community agencies.

While both models of resource allocation employ supply side rationing to limit expenditure for government, responsibility for ensuring that assistance is allocated in the most equitable and effective way to meet the needs encountered in the local community is borne by local agency staff. Unlike pensions and benefits provided through the social security system, applicants seeking help from community support services are not able to make reference to clear eligibility criteria, nor do they have a legally enforceable entitlement to the assistance provided. Nonetheless, if they present themselves to services and are clearly in need, it is often difficult for the staff of publicly funded services to turn them down. Under these circumstances, the factors affecting the access of clients to services, the decision making process surrounding the determination of an applicant's need for help and the allocation of assistance by services are of crucial importance, both for understanding the use of services by potential clients and for ensuring that services are able to continue to operate within their operational constraints.

But the newly emergent system does more than place pressure on services to stretch their resources to accommodate demand. Because the 'service fields' in different areas can vary considerably, a lack of equity is almost inevitable. When results from different areas are compared, an apparently arbitrary pattern of allocation emerges. Judith Healy (1994) recently examined services received by 440 older people in Adelaide and Melbourne, finding that people with similar needs received quite different services in the two cities. Where a person lived was a better predictor of the sorts of assistance that would be received than their need for assistance.

Formal and Informal Mix

The postwar development of 'the welfare state', as it was called in the 1950s and 1960s, coincided with a belief in Australia, as in many other similar countries, that the family was breaking up. There was an increasing number of older people in need of care, it was claimed, who could no longer be cared for by their families (Townsend, 1963; Swain, 1979), and who could not afford to pay for private assistance. It was accepted that it was the state's responsibility to assist these people in some way, but only when provision through the market or family failed.

Nursing homes emerged at this time as a relatively new and economically more affordable form of institution than providing care for such people in hospitals (Sax, 1984; Saunders and Fine, 1992). In these facilities, a comprehensive service was provided to those who needed assistance. This included accommodation, 24 hour a day supervision and nursing care, the purchase and preparation of food and the provision of domestic help - cleaning, laundry, bed making and so forth. The package of support and accommodation made available by government through such nursing homes was one of 'all or nothing', more or less standardised for all recipients, whatever their level of need or type of disability. Dementia patients were managed under a regime which was often virtually identical to that of those with

chronic physical ailments or terminal conditions. Importantly, little room was left for contributions by either the individual in need of help or their family and friends. By restricting state support to those admitted to care, this approach served to also ration resources in a way which inadvertently penalised those individuals who did remain at home. In doing so it also created an incentive to have people admitted to residential care, as there were few services and no compensation available to those who chose to remain at home.

Community support, as provided through the HACC program in Australia, represents a move away from this model of social policy. Many people remain at home with no assistance whatsoever. Others may receive small amounts of help from single specialised services, or more extensive assistance from a range of different agencies. Despite some standardisation, the system is inherently far more flexible than is the case with more traditional forms of residential care. Formal services for those at home are not provided to replace informal family-based support, but alongside it, with the result that, even with limited resources, it is possible to extend assistance to a far greater range of people. By fostering low cost provision from community based voluntary organisations, the state's role is no longer that of funding 'all or nothing' provisions to a select group of recipients. The ideal, as expressed in the slogan 'Sharing Community Care', adopted by the Commonwealth Department of Community Services in 1986-87, instead appears to have become one of partnership with the caregivers and other providers of informal support to those in need. This ideal of a partnership is often referred to as the 'interweaving' of formal and informal care (Bulmer, 1987; Twigg, 1993).

5 Towards an Understanding of the Process of Innovation and its Implications for Services at the Local Level

The model of service innovation proposed by Baldock and Evers (1992) presents a picture of innovation and service development that is at once both insightful and frustratingly impaired in its vision. Their account is clearly helpful in identifying elements of an agenda for innovation that is likely to remain pertinent well into the future. Yet despite focusing on developments which originated in the moves towards privatisation of welfare in the late 1980s, they have ignored the political character of service provision and obscured the importance of politically induced change. Equally significant, they have presented a list of characteristics for both the traditional and newly emerging pattern of service provision that, at least in the Australian case, has at best been only partially fulfilled.³ While major reforms in recent years have created opportunities for considerably greater flexibility in service provision than was previously the case, many of the characteristics of the pattern of new service provision remain far more problematic than the two authors appear to acknowledge.

3 Alan Walker has similarly argued that the influence of the Thatcher led Conservative party has been the primary force shaping long term care policies in Britain (Walker, 1993).

The emphasis so far in this paper has been on reform at the national level, because this provides the structural framework within which local services operate. Although it has not been possible to discuss the changes that have occurred in great detail, it is clear that at the national level, as in other countries, there has been a fundamental change in the character of service provision. This change, which has involved little less than a complete shift in paradigms. The extent of change is always most difficult for those caught up in the process to assess, but, as we review the developments of recent years, it is difficult not to agree with Baldock and Evers that the change, although gradual and incremental, is also quite profound. Because the changes in aged care reflect changes in many other aspects of contemporary life, there may even be some who would wish to argue that they represent the transition of aged care from the modern era, with its emphasis on standardised mass production, to the 'postmodern' era, where diversity is celebrated. For the moment I am happy to leave the labelling to others while I move on to draw out some of the implications that these developments have for service provision at the local level.

Possibly the single most important consequence of the changes that have taken place at the international and national level are the possibilities this has opened up for the innovation and flexibility at the local level. The old approach, in which the ideal was to provide exactly the same services in every area that came above the threshold of a certain population size is no longer applicable, if, indeed it ever was. Instead, there is the opportunity to develop quite unique local solutions, which allow for local participation, and for adjusting provisions to meet local circumstances. Clearly, this provides significant scope for local innovation and service development, both within services, and, perhaps most importantly, between services. While innovation is, by definition, usually beyond prediction, it is clear that there are some areas of pressure in which innovations are most likely to occur, and if the opportunity is not taken at the local level, reforms are likely to be imposed from above. Before concluding this paper I would like to briefly discuss two such issues.

Fragmentation of Provisions

One of the by-products of the new diversified range of provisions in aged care is the increase in the fragmentation of service provision. Whereas in organised settings such as hospitals and residential care there is a division of labour within the one facility, any client requiring a range of different forms of assistance is now required to deal with a variety of different specialised service providers. The problems encountered range from difficulties in identifying and accessing the appropriate service and the requirement for applicants to subject themselves to multiple assessments, to reductions in the efficiency of service provision (Fine, 1993c; Rubenstein and Sadler, 1994)

Clearly overcoming the problems of fragmentation requires each of the separate agencies involved surrendering some element of their autonomy. But there is also much to be gained. Many service providers in rural areas and in the larger regional centres are already well ahead of their city-based counterparts. But unless service

providers at the local level take the opportunities to develop new approaches to coordinated service provision, it seems likely that less satisfactory solutions will be imposed upon them by those at the State and national level responsible for the funding and administration of aged care.

Personnel Reform

Closely related to the need for coordination is the need to make existing services less like miniature bureaucracies, with their specialised functions and hierarchical authority structures, and more 'domestic' in nature, where a single person undertakes a range of different tasks, or where a small team of people with different professional backgrounds works closely together to provide assistance. There are already some examples of this approach to staffing services, in the operation of CADE units (small scale purpose designed residential units for the Confused and Disturbed Elderly), for example. But too often many of the new community services appear to be concerned with the performance of a range of standardised tasks for all clients, limiting their capacity to tailor assistance to the needs of individuals. The continued survival of the traditional division of labour between social and health (especially medical, nursing and paramedical) personnel, is of particular concern.

To overcome the fragmentation evident in existing forms of provision, innovations also need to do more than simply fill in gaps in provision. To be most effective in improving outcomes for clients it is clear they must assist clients access a range of help, without requiring multiple assessments and the negotiation of a number of different agencies (Coolen, 1993). Developing ways of providing help in a more personalised, supportive and less standardised manner than is presently possible, when a range of different agencies are required, is likely to be another significant aspect of service development in the near future.

The Recognition of Informal Caregivers

Another issue central to the development of community care is the importance of assistance provided by informal caregivers. Research on community support over the years has demonstrated that services do not displace any but the most marginal of carers, such as reluctant neighbours (Chappell and Blanford, 1991). But, although frequently discussed and recognised as vital for most individuals, informal care is often treated as somewhat of a side-issue for policy. This is indicative of a dilemma that is central to community support. Since community care actually depends on informal care, might not increasing the effectiveness of services further increase the reliance on, and exploitation of, such caregivers?

The current wisdom is that relief of caregiving burdens should be one of the main aims of service provision. There is, however, no agreement about how the availability of informal care should be taken into account when allocating assistance. At one extreme, the Israeli home care scheme virtually disregards the availability of informal care, on the assumption that to take it into account when rationing care

would be likely to penalise those with caregivers and provide an incentive to families to desert those in need of support (Morginstin et al., 1992). Other programs, indeed many services in Australia, however, give highest priority to clients living on their own, arguing that when there are insufficient resources to go around, their needs are greater than those who have informal caregivers to assist them. A number of countries, including Australia, claim to recognise the special needs of informal caregivers, but this is seldom routinely translated into access to extra services.

6 Conclusion

Striking the right sort of balance between decisions taken at the national and local levels is perhaps the most difficult of all issues to be faced as we learn to live with, and innovate in, our newly developing system of aged care provisions. Where innovation is purely local, and is not subsequently matched in other areas, problems of inequity are likely to arise. Innovations which are not duplicated also risk becoming curios, as it were, and remain extremely vulnerable to funding cuts (Ferlie, Challis and Davies, 1986). Yet, paradoxically, it is clear that almost all of the innovations discussed in this paper had their origins in the often humble, locally based settings. Continuing this process, and ensuring that successful local initiatives are evaluated and duplicated, is perhaps the most important challenge of all.

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Community Care and Accommodation Models for People Suffering from Mental Illness

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1 Introduction

I would like to preface this paper today by saying that because of my current employment status I have needed to 'choose my words carefully'. I would also like to remind everyone of Mr Burdekin's interview on Late Line recently concerning comments he made about knowing people in government and non-government organisations who are unable to speak out on mental health issues because of the fear that their employment or funding will cease.

Community care for the mentally ill has been the professed policy of successive governments in most developed countries over the last three decades, although no nation can boast that they have achieved any great steps in this direction.

For the mentally ill in Australia, the policy of deinstitutionalisation has meant, in many cases, early release, inadequate support and a significant decline in the quality of life for the individuals. For many sufferers it has frequently meant joining the ranks of the homeless. It was not until 1984 that Australia's policy makers attempted to address the problems of this grossly disadvantaged group. In 1984 the Commonwealth Government, in conjunction with the Australian National Association for the Mentally Ill, presented findings on the provision of mental health services in Australia. As a result of these findings and a consultant's report, a working party was established in 1989 to produce a discussion paper on national policy goals. Consultation was sought with consumers, carers, non-government organisations and professionals from both the private and public sectors. This resulted in the National Mental Health Strategy and the *National Mental Health Policy* (Australian Health Ministers' Conference, 1992).

The other major influence on social policy for the mentally ill in Australia has been the *Report of the National Inquiry into the Human Rights of People with Mental Illness* (Human Rights and Equal Opportunities Commission, HREOC, 1993) otherwise referred to as the Burdekin Report. This Report was an indictment of community care and accommodation options for our mentally ill. It states:

People affected by mental illness are among the most vulnerable and disadvantaged in our community. They suffer from widespread, systematic discrimination still and are consistently denied the rights and services to which they are entitled... The level of ignorance and discrimination still associated with mental illness and psychiatric disability in the 1990s is completely unacceptable and must be addressed. (HREOC, 1993: 908)

Perhaps the most important document produced in this area is the recently published report of the National Community Advisory Group consultations into the implementation of the recommendations of the Burdekin Report, *Let's Talk About Action* (National Community Advisory Group on Mental Health, 1994). The findings in this document go some way to answering the question as to why in Darwin, with a relatively small population, we have still not been able to implement the recommendations made in the Burdekin Report and the National Mental Health Policy.

Before I speak about the problems I would like to present some more positive aspects of our community care, in particular the development of community accommodation options.

2 Community Accommodation Options

The Northern Territory has never had any long term institutions for people with mental illness. However, prior to the 1980s, people requiring specialist treatment were mainly sent to South Australia. In the last ten years the Northern Territory has been forced to house people with serious mental disabilities in the local community. When I was first employed at Mental Health Services (MHS) five years ago, there were no formal departmental policies in relation to accommodating mentally ill people and because of the small size of our population, clinical staff like myself have had the opportunity to develop housing and services in a flexible and innovative way.

In general, people with major mental illness living in urban areas in the Northern Territory can be accommodated through the public housing authority. Special priority has been given to many people with mental disabilities through the operation of the 'out of turn' system; and because of the very good working relationship with the Northern Territory Department of Lands and Housing, many different and unique housing arrangements have been developed. These include:

- clients sharing two and three bedroom accommodation;
 - clients housed with carers; and
 - changing of residence to be closer to support services.
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The recent criticisms in the Burdekin Report about the lack of co-operation between the Public Housing Department and MHS is certainly not true in Darwin. However, this co-operation had to be fostered very carefully by MHS:

- responding quickly to mentally ill clients identified by the Department of Lands and Housing as having problems;
- not recommending people who could not hold tenancy;
- providing a high level of support to those recommended for the 'out of turn' system; and
- providing in-service training for the staff at the Department of Lands and Housing on a regular basis.

In the early years of my work with sufferers of serious mental illness, I realised through spending time listening to people, that each person wanted a different type of accommodation option. This could sometimes be at different stages of their illness and it was important to work with the client to go through this process. This was not always easy and a lot of patience was needed. To be able to work with clients through hospitalisation and then back in the community, which our system allowed, meant that there was continuity of care for the clients.

We could talk of 'why' and 'how' the last accommodation option did not work and how we could work to improve the quality of life for the next option. The client saw that I was there not to control their options but to facilitate those options which could be arranged. Also early in my work as a social worker for Mental Health Services, I realised that the upper management of my organisation, at that time, were not interested in fulfilling the needs of accommodation identified by the clients but instead were proposing the options used 'elsewhere'.

One of these options was for MHS to buy a block of townhouses to house the mentally ill. This 'ghettonisation' appalled me, as all the people I was working with had indicated a desire for anonymity when housed in their flats with the Department of Lands and Housing. It was then that I realised I would need to work more with the newly formed Mental Health Association (MHA) to fulfil the real needs identified by the clients. Our close collaboration is evident today.

According to Paul Carling, who has wide experience with mental illness, housing and supports:

... further research is not needed on community alternatives to hospitalisation or on the efficacy of residential treatment settings particularly since these settings are so rarely operationally defined. The key unresearched questions ... [are] Where do people with mental illness live? Where do they want to live? and How can we help them succeed there? (Carling, 1993: 445)

In the final analysis, this requires a shift from professionally defined to consumer-defined research of needs, focusing more on the similarities between people with and without disabilities, and defining success in terms of those aspects of quality of life that are important to all people.

One need identified in Darwin was that of people who could not cope with being on their own either because of loneliness or inability to hold tenancy. Paul Carling's findings indicate that halfway houses have proved unsuccessful, and most of our clients wanted 'homes to be long term', not just temporary accommodation. We therefore conceived the idea of acquiring our group home and our Manse accommodation was developed. The Mental Health Association provides a range of accommodation with varying levels of support, depending upon the needs of current residents. For example, the Manse is a supported accommodation service for up to nine residents which:

- is an accommodation service not a therapeutic community;
- gives people time to make decisions about where they want to live;
- gives people time to make arrangements about where they want to live;
- enables a variety of options to be presented to the client; and
- enables future support needs to be more accurately determined.

The community houses, which are minimally supported, are Housing Commission houses rented by the Association (as the master tenant) at 50 per cent of the market rental value. These houses are applied for by the Association as the need arises - generally when the Manse has residents who want shared accommodation with some continuing support.

Consumer choice is of major importance. The services and supports provided depend very much upon individual choice. Supports are tailored to meet individual requirements rather than the consumer having to meet service requirements. The continuing support in community houses is currently provided by Mental Health Services staff and the Association. The types of support given can involve:

- assistance with shopping;
 - assistance with organising repairs and maintenance;
 - collection of rent and other money for bills;
 - assistance with budgeting;
 - assistance with cleaning or organising cleaning services;
 - assistance with garden maintenance;
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- assistance with accessing other services, e.g. TAFE, the Department of Social Security, Commonwealth Rehabilitation Service, etc;
- presenting choices of new housemates in the event of a vacancy;
- assistance with moving on visitors who are unwelcome to the community house residents; and
- facilitating house meetings, on request, so that decisions about the running of the house can be made.

The philosophy behind our approach is that clients know which living situation and support services suit them. Even if options selected by the person are not ultimately appropriate, the experience results in the client and service provider/support worker knowing more about the client's requirements. Often, consumer choices which initially may be thought of by service providers as unrealistic, are sustainable with appropriate supports because of client motivation to maintain their preferred accommodation option.

Future Directions

The Association has applied to the Community Housing Program for funding to provide long term, supported housing. There are a number of residents at the Manse who have been there for many years. These residents have identified support needs which are too high, at this point, for the community house concept. The proposed house will have four to five residents and support will be provided as required. The Northern Territory Department of Health and Community Services has agreed to meet the cost of support requirements, if funding for the house is approved. This house will be offered to the residents as their long term home and how the house is managed will be very much up to them. The Association has also been granted another community house.

It has been because of the dedication and responsiveness of the Darwin Mental Health Association that we have achieved some headway in this area but future policy directions need to be set in place by the Mental Health Service.

Policy Issues to be Formalised Statewide

Regional community housing committees, to be co-ordinated by the MHS, are to be set up for people with disabilities. These committees are to have representatives from the Department of Lands and Housing, the Mental Health Associations, any relevant consumer groups and relevant non-government agencies that house people with mental disabilities. The main aim for these committees is to assess the needs and problems of people with mental disabilities living in both public and private community accommodation in their region, and to recommend the allocation of

resources to fill any gaps identified. The committee will have access to any relevant statistical information to be supplied by each relevant agency.

The mental health services in each region will have a designated **community accommodation specialist**. The accommodation specialist will visit all public and private accommodation facilities in their region on a regular basis and provide regular reports to other team members and management and be part of the regional housing committees. Accommodation specialists will ensure that all 'out of turn' applications from Mental Health Services are appropriate and will co-ordinate Department of Lands and Housing requests for any follow-up assistance with support services.

The Mental Health Services are to ensure that individually appropriate case management and treatment services are available to persons with mental disability in supported accommodation facilities. **The support services and accommodation services will always be funded separately.**

Research has shown that the mental health field's response to people who need both housing and treatment is undergoing significant change. It has typically combined treatment offering therapeutic facilities, but not housing. Paul Carling found from studies in the US that the effectiveness of transitional halfway houses in reducing relapse, improving economic self sufficiency, and improving community adjustment was 'highly suspect' (Carling, 1993: 441). Transitional residential programs may in fact be preferable to institutional care but they fall short of helping people achieve community integration. A recent comprehensive review of the research related to housing and community integration for all disabled groups reached several broad conclusions:

- housing needs are similar for all disabled people but support needs are more varied;
 - support is a critical factor for people remaining in housing of their own choice;
 - housing needs are less closely related to disability than they are to economic and social factors such as poverty, the shortage of affordable housing, and discrimination;
 - professionals and consumers in all disability groups often disagree strongly about specific needs for housing and supports;
 - choices about control over our environment are critical necessities regardless of special needs;
 - consumers wish to be continually involved in planning their own housing and supports and want the opportunity to manage their other services;
 - lack of in-house supports and services means disabled people are plagued by transience, dislocation and the risk of institutionalisation; and
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- the model of a 'residential continuum' is increasingly beset by conceptual and practical problems. Disabled groups and low income groups are increasingly emphasising normal housing and the need to avoid transforming housing into service settings.

It is proposed that the Northern Territory Mental Health Services adopt a community housing policy approach based on supported housing which is organised around three principles:

- consumers choose their own living situations;
- they live in integrated, stable housing and are not in mental health programs; and
- they receive services and supports required to maximise their opportunities for success over time.

The supported housing philosophy clearly specifies that choice is paramount. If an individual wishes to live in a residential treatment facility or a group arrangement that choice should be respected. The changes are clearly presented in Table 1.

3 Policy Implementation Following Release of the Burdekin Report

I would now like to spend part of my paper on why the implementation of national policy recommendations from the Burdekin Report (HREOC, 1993), now twelve months old, are not occurring at acceptable rates and why the effects of policy implementation are not being felt by consumers and carers in the local community.

The findings of *Lets Talk About Action* (National Community Advisory Group on Mental Health, 1994), the report of the community consultation workshops to examine the implementation of the recommendations of the Burdekin Report, stated:

Time and again workshop participants supported the view that the mental health system itself is the most significant source of discrimination with which they have to deal. Consumers and carers claim that they are not listened to, they are not given information, they are not advised of choices or reasons for decisions. Consumers and carers do not see the mental health system or the mental health reform process as working effectively for them. (National Community Advisory Group on Mental Health, 1994: 21)

It goes on to say:

The overwhelming belief of workshop participants was that they experience more stigma and discrimination from mental

Table 1: Elements of the Paradigm Shift

New Paradigm	Old Paradigm
A home	Residential treatment
Choice	Placement
Normal roles	Client (patient) role
Client control	Staff control
Social Integration	Grouping of disability
In vivo learning in permanent settings	Transitional, preparatory settings
Individualised, flexible services	Standardised levels of care
Most facilitative environment, long-term supports	Least restrictive environment, independence

Source: Rideway, P. and A. M. Zipple (1990)

health professionals than from any other sector of society. It should be noted that this stigma and discrimination occurs within the context of an inadequate and inappropriate system of mental health care. Many mental health professionals are considered to:

- have poor communication skills;
- be paternalistic in their attitudes to consumers and carers;
- refuse to recognise that consumers and carers have a legitimate right to be involved in all aspects of care;
- be ill-equipped to function outside institutions (many would go so far as to say 'have no understanding of community care');
- have not kept up to date with recent changes in mental health services delivery; and
- have no idea how to establish the effective links with other organisations which are necessary to support people in their everyday lives. (National Community Advisory Group on Mental Health, 1994: 23-4)

Given that these criticisms were gathered nationally it certainly can be assumed that they are very accurate for Darwin mental health staff. This then means that the model of case management outlined in the policy papers is fraught with serious problems. Hardy, Wistow and Rhodes explain:

The continuing influence of a medical/nursing model of care at all levels in the service has been reflected in the ambiguity and lack of specificity of national and regional guidelines for service policy outcomes. (Hardy, Wistow and Rhodes, 1990: 164)

Professor Basil James, a psychiatrist in Townsville, stated in his address to the National Mental Health Association (NMHA) 1990 Conference here in Darwin:

Is the goal total community care? Is it the belief that everybody who has a psychiatric illness currently in hospital should live in the community? Let me say that I have my reservations about that. (James, 1990)

This ambivalence has meant that commitment of resources from hospital to community is not carried out with any expediency.

There is also the model presented by Professor Richard Werner at the recent Mental Health Services Conference. He is from a US Mental Health Service that for 15 years has treated acute and sectioned patients in the community. The program was located in an ordinary house in the suburbs. Fifteen patients, mostly sectioned, stayed from one to two months, some for a couple of days. A multidisciplinary team treated clients during the day with a house manager and two nursing staff at night. There were no complaints from neighbours that could not be resolved and consumers responded a lot better to an empowering, homely environment. The cost was half that of a hospital stay.

Burdekin concludes:

In general, the savings resulting from deinstitutionalisation have not been redirected to mental health services in the community. These remain seriously underfunded, as do the non-government organisations which struggle to support consumers and their carers. While the movement towards mainstreaming mental health services may alleviate the stigma associated with psychiatric care, there is a serious risk it will not receive the resources it so desperately needs. (HREOC, 1993: 908)

4 Concluding Remarks

The case management model most successfully developed in Darwin some years ago involved a small dedicated multidisciplinary team to cover inpatients and the community. Carers and consumers were involved in all case management decisions. The consumers knew the different members of the team and had the choice of accessing team members with whom they felt most comfortable. The team had responsibility for case management and was accountable for ensuring that the case

plans were put into action. This gave the consumers protection from untrained staff who were sent from inpatient units with no community experience and who were their only access to mental health services. Unfortunately, this case management model ceased suddenly without consultation with clinical staff, consumers or carers.

In the area of discrimination by the community, it is pleasing to see that in accordance with the national policy we have progressed. Collaborative training programs involving the Commonwealth Rehabilitation Service, the Association of Relatives and Friends of the Mentally Ill (ARAFMI) and MHS have been developed over the last couple of years, with the ongoing training of police, and personnel in crisis line and in programs funded by the Supported Accommodation Assistance Scheme. Darwin ARAFMI has also embarked on a schools' training program.

In conclusion, I am hopeful that with increased consumer and carer participation in policy review, the mentally ill in Darwin will eventually have community care and accommodation services that will be responsive to their needs and ensure that their basic human rights for treatment and care are respected.

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