

## Social Welfare in the Late 1980s: Reform Progress or Retreat?

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## SOCIAL WELFARE IN THE LATE 1980'S : REFORM, PROGRESS, OR RETREAT?

edited by

Peter Saunders and Adam Jamrozik



### Social Welfare Research Centre

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## FOREWORD

This report contains the papers delivered at a conference held at the University of Western Australia on 27-28 March 1987, organised jointly by the Social Welfare Research Centre and the Department of Social Work and Social Administration at the University of Western Australia. The conference was organised around the two major themes of particular relevance to the issues of contemporary social policy: Defending the Welfare State : Issues and Prospects; and Issues of Family Policy. These two themes form the two sections of the report, and the papers in each section address many of the major issues confronting the Australian social welfare system in the late-1980s.

The release of the report comes at a time when, despite some improvement in economic performance in recent years, pressures to cutback government spending on social welfare programmes are continuing, and the willingness of governments to resist them appears to be weakening. The outcome of this process will have an important bearing, not only on the level of government social expenditure, but also more fundamentally on the nature of the social welfare system itself.

A major contribution of this report to the debate on the welfare state lies in its bringing together a diverse range of evidence on the social welfare system. The ten papers which form its content address the issues from political, social, economic and administrative perspectives. In addition to a discussion on the Australian social welfare system, the report provides an international perspective on Australian developments, discusses public attitudes to the Welfare State, analyses the impacts of labour market developments on social welfare and discusses the provision of income support and services for families with children. These are all extremely important questions which bear upon the future prospects for the Australian welfare system. The report thus brings together in one volume a comprehensive and wide-ranging analysis of issues in social policy, from social science researchers as well as from policy-makers and administrators in welfare services. Its publication should serve to inform community perceptions of the important role and contribution of our social welfare system, and thereby raise the standard of public discussion and assessment of the system. This, in turn, should help to ensure that in the coming decades developments in the Australian social welfare system will indeed be characterised by progress rather than retreat.

Peter Saunders  
Director  
Social Welfare Research Centre

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# OPENING REMARKS

Professor D.L. Jayasuriya  
Head of Department of Social Work and Social Administration  
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The Honourable Kay Hallahan, The Honourable Brian Howe, Vice-Chancellor (Professor Smith), Colleagues, and Ladies and Gentlemen,

It is my privilege to welcome you all to this Conference. First and foremost I would like to express a special word of thanks to the Honourable Brian Howe and Kay Hallahan for agreeing to participate and lending their patronage. As you no doubt are aware, this Conference has been organised and sponsored jointly by the University of Western Australia and the Social Welfare Research Centre of the University of New South Wales. I would like in this context to acknowledge and express our thanks to the Social Welfare Research Centre, especially to Dr Saunders and his staff for the assistance in organising the Conference. We are also grateful to the Director-General of the Department for Community Services, Western Australia, for his assistance with the Conference.

In extending a cordial welcome to our many colleagues from Interstate, I might add that this is indeed a very rare and special occasion in that we have been able to bring together the leading personalities and key organisations involved in Australian Social Welfare Policy. I refer to the involvement of the Institute of Family Studies, represented by Dr Don Edgar and Mr Frank Maas, by Professor Bettina Cass of the Social Security Review, and the Social Welfare Research Centre by Dr Peter Saunders, Mr Adam Jamrozik and Ms Tania Sweeney. We thank you for your participation and trust that you will find this a rewarding and worthwhile experience. The University of Western Australia is privileged to host this Conference.

I would like to extend a special word of welcome to Peter Saunders, the new Director of the Social Welfare Research Centre, making what I gather his first public appearance as the Director of the Social Welfare Research Centre. We wish him well in his new duties and I think it is most appropriate that an economist of Peter's standing and reputation as scholar should guide the destinies of social policy research at what is after all the only national centre for this kind of research in Australia.

In selecting a broad theme for the Conference such as '**Social Welfare in the 80s**' we may be able during these two days to traverse selectively over a fair range of key and salient social policy issues of national significance. From the Papers listed you will note that we will be focusing on the **assumptions, constraints, outcomes** and **prospects** of the Welfare State. The need for establishing a **defence** of the Welfare State will I hope become clear from these considerations and at the same time generate the needed arguments for this defence.

In considering the 'defence of the Welfare State' we need to go beyond a statement of moral commitments, value statements or mere ethical or even

political justifications; the critical task is to understand how **economic** and **political** processes work in the Welfare State and see how these in turn may be utilized to secure the kinds of changes we wish to institute in order to defend the Welfare State.

Indeed, as Halsey once remarked, discussing the future of social policy development in Britain, we may have erred as a result of the false simplicity of our approach in separating the economic and social. He drew particular attention to the danger of seeking economic explanations and prescriptions without due regard to social phenomena. Indeed, he pointed out, we often exclude the social from economic prescriptions or tend to treat them as residual.

To put this slightly differently, we need to be able to locate social policy issues and concerns directly within a broad **economic** context and I would also add importantly a **political** context.

For far too long the study of social policy, especially in Australian schools of social work and social administration, has been handicapped by its isolation from economic and political theory. Looking at the substantive content of the Papers at this Conference over the two days, and also the range of disciplines represented, it is noteworthy that the Conference has a distinctly multidisciplinary flavour. The contributions include experts in social policy, economics, political science and sociology and social work. Because of this cross-disciplinary focus we may be able to achieve an integrated and more balanced understanding of Welfare Statism by forging the links that exist between issues of social policy, the science of economics as well as political theory and political practice.

Turning to the second day's proceedings, it is hoped that the social policy issues and concerns being considered today will have a direct bearing on the theme for Saturday, namely, '**Issues of Family Policy**'. Indeed, as one of the speakers in a later session will forcibly argue, the focus of innovation and reform in respect of welfare has markedly moved towards the support of families. Thus not surprisingly there has recently been a surge of interest and concern about issues of family policy. Regrettably, the notion of Family Policy itself is not easy to define with any degree of clarity from a policy perspective and it is hoped that our discussions tomorrow will enhance our understanding of this key area of social welfare policy. It is in this sense that we hope that the two selected sub-themes will blend together and provide a useful framework within which to consider the prospects for social welfare in the 80s.

In brief, it is our hope that the Conference will serve to clarify the nature, form and scope of the debate about social policy which needs to form a significant part of our political agenda. More specifically, it is hoped that the proceedings of this Conference will help in setting this agenda and establishing priorities - an onerous task in itself which has to be undertaken with a sense of political and economic realism as well as with a degree of vision and perceptive understanding of the national goals we wish to pursue in the future.

## PART 1

# DEFENDING THE WELFARE STATE : ISSUES AND PROSPECTS

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**'THE WELFARE STATE'  
REFORM, PROGRESS OR RETREAT**

Brian Howe  
Minister for Social Security  
Government of Australia

It is no accident that Milton Friedman was associated with the Chicago University which has a long history of social Darwinist thought.

It is hard to believe that we would want to desert egalitarian values - the commitment to at least rough justice, which is so much a part of the Australian tradition. I believe that tradition is under attack - again during difficult economic times, and at a time when significant efforts are being made by Commonwealth and State Labor Governments to reverse the massive unfairness in the high levels of unemployment over the last decade.

The issue of employment has been central to social reform for obvious reasons. Employment is crucial for most people's meaningful participation in society, and to people achieving their potential to contribute to society. Employment must therefore be given as much emphasis now as it was given in the 1940s.

I believe that in terms of the contemporary task of social reform, the preservation of social justice is an important motif of public policy. I think that the challenge to people who are concerned about social policy issues is to come to terms with the economic and structural problems which face this society. For this reason, among others, I welcome the appointment of Peter Saunders to head the SWRC.

**Australia's Labor Tradition of Social Reform**

War-time powers made it possible for the Chifley government to introduce Unemployment and Sickness Benefits. A constitutional amendment in 1946 confirmed these powers and the Commonwealth took hold of the right to ensure certain standards of social security for the Australian people.

We can go back much further to the turn of the century when Australia led the world in many areas of social reform. The Labor movement gathered its strength to agitate for the introduction of age and invalidity pensions. Australia was also among the first countries to introduce a maternity benefit scheme. Each major reform period during our history was introduced by the Australian Labor Party in power. This Labor Government, in that tradition, has placed economic and social security for the people of Australia as its central goal.

I believe that Australians have a strong desire for community and want to live in trust and co-operation with one another. Coupled with this, they accept the notion of inter-dependence. Human societies are distinguished by the manner in which they accept social responsibility for their **vulnerable** members.



### **The New Right : Anti-liberal**

Vulnerability is an alien notion to the New Right. The individualism they promulgate is rooted in their attempt to deny the reality and importance of human interdependence. They link this rugged individualism with calls for increased freedom of choice - which finds expression in their attack on the traditions of community and dependence - the tradition of co-operation which is central to the Australian way of doing things. The New Right is not interested in equality.

### **New Right Values Shaping Welfare Debate**

The existing unequal distribution of wealth, income and power offers nothing more to most Australians than the opportunity to be, and remain, unequal.

The Welfare State has moved slowly to redress the inequities of our society - and the strongest pressure for **change** in the Welfare State is coming from the New Right. They have been largely successful in shaping community perceptions and the public debate on welfare. They want a clear break with the values of responsibility, which have shaped the Australian tradition of social reform. Their prescriptions are related to grubby prejudices and platitudes, not analysis or research.

The arguments of the New Right are intellectually sloppy. In this electronic age of knee-jerk reaction there is great danger of the very simplicity of their ideas being accepted.

The fact is that the New Right are simple pretenders when it comes to intellectual analysis. I am particularly concerned about the complacent acceptance of their politics - and the fact that they have assumed pre-eminence in Universities. Even small 'l' liberal intellectuals seem to accept the notion of a shift to the right in academic circles. They glibly believe that the avant garde of 'new' and 'radical' conservative ideas has something to do with cogent arguments.

Let us be clear. There is nothing rigorous about their arguments. Most of the people associated with this movement are cheap propagandists - not rigorous intellectuals.

### **H R Nicholls : Chartist and Democrat**

The best example of the New Right's intellectual sloppiness is their celebration of the geriatric H R Nicholls who has been promoted as their patron. They have done the memory of Nicholls a grave injustice. So long after his death they have disinterred his body of thought and mutilated it for their own purposes.

Nicholls is portrayed by the craven manipulators of the New Right as some kind of hero who challenged the blind power of the Commonwealth Arbitration Court in 1911 - headed by the man whom Nicholls perceived as pro-Labor, Justice Higgins. Nicholls' so-called courageous challenge to the legal apparatus of the State was an insulting defamation which he withdrew and for which he apologised.

That was it - the Right's historical justification for forming the H R Nicholls Society can be said to be based on just one day in the life of Henry Richard Nicholls. That was April 7, 1911 - the day his editorial defaming Justice Higgins was published. It was the action of an irascible old man of 81 who changed his position on many issues, many times during his life.

I'm going to read you a quote:

[The workers] are here to found a great and glorious nation; not to toil for the ... aggrandisement of the comparative few, whom chance, for the present has made masters of their destiny. Rulers and capitalist here must not be masters of the people.

That was written in 1854 - who would you guess was the author? Karl Marx? Bakunin? Louis Blanc? You'd be wrong on all counts - it was H R Nicholls.

Nicholls was grappling with the issues of his time, particularly with the question of responsibility between the individual and the State. He was certainly no 'minimalist'. In 1870 he was saying that, 'it is now tolerably clear that the one thing which mankind looks forward to is some expansion of government in directions not hitherto deemed possible'.

The early H R Nicholls was a Chartist, democrat, and supporter of the need for intervention by government in the affairs of the nation especially in the field of industrial relations. Like many, toward the end of his life he reneged on some of his earlier views on which he had written at length. But the New Right has grossly and deliberately distorted his life.

Based on such distortions, 'vanguard' positions are being assumed in the political debate, promoted of course by conservative think tanks springing up around Australia. These bodies have no serious intellectual purpose. They are being funded by private corporations to press conservative political ideas; and to float kites which create the propaganda climate for a conservative government.

Henry Richard Nicholls was not the person the New Right says he was. And the welfare system does not perform in the way the New Right says it does.

### **Attacks on the Welfare State**

We are constantly told about the burdens of the Welfare State falling on Australian tax payers. In fact, our tax rates are in the lower range of OECD countries. We are constantly told that our welfare expenditures are bloated. In fact, social expenditure on cash payments, medical care, superannuation and workers compensation represent 12.1 per cent of GDP, or less than all other OECD countries with the exception of Japan, Portugal and Turkey.

Social Security outlays have remained fairly constant as a percentage of government outlays and as a percentage of GDP

- . despite the significant growth in various categories of payments such as unemployment benefit and supporting parents benefit
- . largely because payments to unemployed individuals are less generous in Australia than in other countries
- . no social security system is more targetted than the Australian system.

An intellectual counter attack is needed if we are to lay to rest the myth of Australian welfare expenditure escalating out of control.

The conservatives are very skilled at myth making - which makes it difficult for those of us who would defend welfare and the idea of a responsible society. They are skilled at exploiting fears and prejudices. They prop up long established myths about the character of the poor and the culture of poverty.

You can turn on the television and hear Opposition members saying that unemployment benefit encourages people not to work. I picked up the 'Financial Review' one day this month and read an article speculating that supporting parent's benefit encourages 'bastards, separation and divorce'.

This build-up in pressure for change from the Right is forcing a clear choice.

### **The Counter-Attack**

Constructive change has always come when a cross section of the Australian community - the churches, citizen campaigners and the labor movement - have supported united action for reform. The struggles of people in social movements to achieve a better society give rise to reform - not intellectuals with abstract values who isolate themselves from ordinary people.

In this period when the Welfare State is held so much to blame for the state of the economy it is sad to see such a dearth of intellectuals prepared to draw rigorous links between economics and social issues. In the debate about the level of investment in welfare it needs to be shown that many of the more highly taxed OECD nations have more generous welfare systems and also have better performing economies than our own.

The simple-minded proposition that a hefty cut in taxes and in welfare expenditure will reverse the economic situation is dangerous nonsense. It is nonsense because there is no empirical evidence or theoretical argument to support the proposition without also implying massive social costs, dislocations and suffering.

Providing we act sensibly our economic performance will not be reduced if we practise compassion. This is not an argument, in itself, to increase our welfare effort - but it is an attack on those who clamour for yet more cuts. Welfare advocates must be careful not to place themselves at a disadvantage.

A glib, unthinking defence of the current structure of our welfare system may be myopic. We must look carefully at the system we've got and look at how we defend rights to income support in the context of our changing social environment created by rapid structural change. The eighties have blurred the categorical differences between programs like the unemployment benefit, sickness benefit and invalid pension. They were devised decades ago - we need a new approach.

### **Changes in the Labour Market**

Let me illustrate this by reference to the labour market. The unemployment benefit system is a flat rate system and is predicated on the assumption that if people are unfortunate enough to experience unemployment it will only be for a short period. The economy now operates with a far higher level of unemployment than when the scheme was devised. At the end of the war, there were 6,873 persons on Unemployment Benefit (3 weeks duration); at March 20, 1987 : 597,524.

Long term unemployment is the new reality for many. Structural change can make redundant large numbers of employees who have little chance of finding jobs elsewhere in the economy - they are deskilled in the process. Labour market status is coming to mean a kind of continuum, ranging from employment through underemployment and unemployment to non-employment.

We have large numbers of people who are apparently capable of and willing to work but denied that opportunity to do so. The administration of unemployment benefit has not taken account of this. Too many obstacles are placed in the way of people who use any period of unemployment to better equip themselves to enter or re-enter the labour market.

### **Setting the Agenda**

We undoubtedly need a different approach to unemployment assistance. This would require developing a program for income maintenance for the unemployed which does not simply act as a minimalist safety net but is converted into a springboard. In this regard, the program must recognise that the current unemployment benefit scheme locks people out of work and locks them into a culture of poverty. Beneficiaries should be **encouraged** to participate fully in the affairs of the community and to contribute to all the cultural, social and economic aspects of its life.

At this stage we must take care not to fall into the traps set by the rhetoric of the New Right. The New Right have a favorite argument about the Unemployment Benefit. They say it breeds idleness. Yet, with benefits considerably below minimum wage levels, there is no research evidence known to me of incentives to stay on social security rather than work.

Now, the Opposition finds itself in a bind. Because to significantly improve work incentives would contradict the major thrust of their policy, namely, to provide income support **only** to the most needy, the poor would have even less chance of getting off benefit if training and job creation programs were abolished as advocated by some new right think tanks.

The approach of the New Right to unemployment assistance is now well known. The Opposition has promised to implement compulsory unpaid work for the adult unemployed. Not only does this affront our values of social

responsibility; it is an economic contradiction. Work for the dole schemes will **increase** not decrease government expenditure. A compulsory work for benefit scheme would cost \$700 million. There is no solid, intellectual case for their simple-minded pinching of American Welfare Programs. What is being presented is an attempt to misapply arguments about the incidence of largely black women receiving welfare payments in the United States.

The Social Security Review is examining these kinds of arguments and schemes such as workfare to see what possible relevance it may have to Australia. It has already presented a background paper on this subject.

### **Change on Our Terms**

The Government has begun to tackle work incentives in a number of important ways. Community understanding about the combined effects of tax scales and means tests on the work incentives of social security recipients has considerably broadened as a result of the Tax Summit.

New measures to ease poverty traps are due to take effect in July. Lifting the shackles of a double income test on pensioners renting privately is an important part of the new measures. For young people the new youth income support arrangements have had a significant effect on the incentives to stay at school and lifted retention rates particularly among students from working class homes. The most urgent task has been to help more and more people back to work and in education and training.

### **Social Security Review**

It is now time to examine the role of the unemployment benefits system in this process - a task being carried out by the Social Security Review. We will be releasing a new Issues Paper on Unemployment Benefits shortly which will look at options for some quite basic changes to workforce age benefits.

The Review is establishing itself as a guiding force in the Government's approach to social policy especially reform of social security.

The Review **process** has been important: in its approach the Review is concentrating on facts not mythology; building on the work of the past; and looking at lines of reform that relate to the central economic problems we face. This is critical because economic policy should in the end be the means to achieve social policies. This Government knows that.

### **Families and Child Poverty**

In its two terms, the Government has placed considerable emphasis on structural change in the Australian economy as the only way to provide the basis for preserving future living standards. However, in recent years with extremely high levels of unemployment there has been a failure to maintain a fair distribution of resources to Australian families. The rapid increase in the number of children in beneficiary families often living close to or below the poverty line has become of major concern. This spectre of child poverty is in my view the most urgent social problem to be faced in Australia not only at present but in the immediate future.

The Social Security Review comes at a time of massive pressure on Australian families, both economic and social pressures, and at a time when

less emphasis has been placed on income transfers to families via the tax, wages or social security systems.

The range of family assistance programs is too complex. A simplified child entitlement with greater emphasis on fairness and equity, would provide improved assistance to families especially low income families and families with special needs. In this areas of family assistance it is important to achieve not only greater simplicity, but also a sustainable reform. This week the Government considered the first general overview of directions that reform of family assistance will take.

### **The Approach**

Some of the main lines of our approach to reform in Social Security are now clear. Reform will mean a new approach to what we now call welfare.

**First**, it will require a different approach to the support of women and children. Family programs will be refocussed, and new benchmarks of adequacy introduced for children. We will be able to move towards providing a guaranteed income for children, and ending the scandal of child poverty.

**Second**, we are making major steps in redefining responsibility for child support between parents and the tax payers. Australian children have a right to support from their parents regardless of the marriage relationship. I announced these proposals on Tuesday.

**Third**, we will give income support programs for the unemployed a greater labour market orientation: converting unemployment benefit from a minimalised safety net into a springboard to real participation for unemployed into the cultural, social and economic affairs of the community. To do this further emphasis on education and training will be needed as an investment with the highest return.

The three broad directions for reform I have mentioned have all moved beyond first principles. Concrete reforms are underway. Our Review initiated just over a year ago is paying dividends already; but to attempt change in too many directions at once would be counter-productive. The Government will introduce each of the reforms in a series of stages.

### **Economic and Social Security**

The pursuit of economic and social security for Australia is central to the Labor Movement's rationale for the pursuit of political power. Having a job is fundamental to the economic security of Australian families. This Labor government has grappled with the new economic realities facing this nation to guarantee that Australian families do have jobs. We have created 727,800 jobs since we came to office - the fastest rate of employment growth of any country in the western industrialised world over the last three years. No Labor government has faced structural change in the economy on a scale that has placed such pressure on the social security system.

Fundamental to the Social Security of Australian families is a fair tax system. This Labor government has arrested the massive erosion of the taxation system that occurred over the last decade. As adequate taxation funds are needed to fund social programs. Our new tax measures represent a major reform. A fair taxation system is the single greatest insurance

against people on low incomes being left without adequate health, housing, education and income support.

Labor's record on social programs is clear. In the years 82-83 to 85-86 under the Accord social wage outlays per head have increased by almost 5 per cent per annum in real terms, according to EPAC.

The scale of the problems of structural change we face is often not appreciated by some sections of the community. People clamouring for cuts in welfare are so often insulated from income drifts themselves. In attacking welfare programs for the poor they parade themselves as the champions of liberty and freedom. But to what freedom do they refer? The freedom to be homeless? To be unemployed? To be in poverty? To be poorly trained and poorly educated? To be ill? They strongly believe in the freedom to evade and avoid their obligations of citizenship if their attitudes to tax avoidance and the Australia Card can be taken as measures.

I am reminded of what Chifley said in the 1930s after visiting the Small Arms Factory in Lithgow.

All this talk about freedom is sheer, utter hypocrisy ... if economic controls be necessary in order to ensure everyone a decent standard of living, freedom from economic insecurity, proper housing and requisite food and clothing - I say quite clearly that I should prefer it to the economic individualism that we had under the old order.

I take the view that freedom and equality are not mutually exclusive. I believe that the pursuit of equality is the key to promote freedom and community, but in saying this, I am not proposing some kind of drab grey uniformity.

In thinking about the prospects for the welfare state in Australia in the late 1980s, we need to accept that many of the current standards or needs are inadequate and even inappropriate. We will need to rethink basic standards and targets if a strategy for equality is to become a central part of a program for social welfare for the late 1980s. At the core of our commitment to social reform is the primary goal of equality between women and men. I say this not only because it is a way of ameliorating the conditions of women which would be a major advance, but because of its implications for our system of governance, for the development of our families, for our sense of dependence and community and for balancing our sense of obligation with those of rights of citizenship.

The social welfare program for the late 1980s must ensure that there is close integration between social and economic policy. Whatever the pattern of transfers and programs we develop, social welfare must not be regarded as a side issue. Social reform must be inseparably linked to policy on wages, taxation and economic management. In this respect, we must be vigilant in the current situation to try to ensure that we do not take actions which limit us in pursuing our longer term objectives.

It would be the height of folly to respond to conservative critics by taking actions which compromise our longer term objectives of equality. The question set out for us in the title of this conference is: 'Social Welfare

in the Late 1980s - Reform, Progress or Retreat?' It should be clear to you that I am an optimist. I will not even consider the possibility of retreat. To do so would be to retreat from a fundamental commitment to community. It would mean a denial of the reasonable expectations that citizenship carries with it rights to sustenance, shelter and dignity. I come down firmly in favour of progress.

Each of us should accept the obligation to raise the issues of the desirable shape and nature of our welfare system in whichever forums we meet. May this conference itself set the keynote for the continuing discussion of the future of social welfare.

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## PAST DEVELOPMENTS AND FUTURE PROSPECTS FOR SOCIAL SECURITY IN AUSTRALIA

Peter Saunders  
Director  
Social Welfare Research Centre

### 1. Introduction\*

The so-called "crisis" of the Welfare State and social security, like so many other developments, has occurred somewhat later in Australia than in most other industrialised countries. But now that it has arrived, it has done so with a vengeance. Current debates revolve not around whether expenditure cutbacks should take place but how large they should be and what form they should take. A major reason for these recent developments undoubtedly reflects the worsening economic prospects associated with adverse terms of trade movements, rising levels of public and overseas debt, high interest rates and balance of payments difficulties.

Serious though these problems are, it is not obvious that they necessarily require cut-backs in Welfare State spending, nor how such cut-backs would themselves improve the economic situation. One way of increasing the level of savings, for example, may be by reducing the living standards of those whose propensity to consume is highest, but whether this is the most effective or equitable method of achieving higher national savings is open to question. Similarly, the link between the budget deficit and the level of interest rates is, at best, tenuous. Thus even if one accepts the nature of current economic problems and the kinds of remedies proposed to address them, it does not follow that cutting government expenditure in general and welfare spending in particular is **essential** to any policies for economic recovery.

An interesting aspect of economic debate in the last decade has been the complete rejection of the distinction economists used to make between policy targets and policy instruments. Policy targets (or objectives) are those economic variables which ultimately influence the economic well-being of the community. They conventionally include the rate of economic growth, the level of unemployment, the rate of inflation, and so on. In trying to achieve desirable outcomes for these objectives, governments have a range of policy instruments at their disposal and largely under their control. Traditionally these instruments included the budget deficit, the money supply and its rate of growth and, in a fixed exchange rate world, the exchange rate. Within the target-instrument framework, economic policy involves choosing that combination of policy instrument adjustments which secures the most desirable outcome in terms of the underlying economic objectives. In the last decade, however, economic debate seems to have been concerned less

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\* The author would like to acknowledge the excellent research assistance of Bruce Bradbury, Peter Dempster, Gary Hobbes and Marilyn McHugh in the preparation of this paper.

with the policy objectives themselves, but has concentrated on influencing the policy instruments. The rise of monetarism saw the growth rate of the money supply reach centre stage as the over-riding objective of policy. With the demise of monetarism, the budget deficit now appears to be the variable at which most of our macroeconomic policies are directed.

The budget deficit is, of course, a crucial variable in the economy. It indicates - even if imprecisely - the overall effect of government activity on aggregate demand in the economy, has a major bearing on monetary developments and, more recently, on confidence in, and thus the level of, the dollar. But it is important to place concern over the size of the budget deficit in perspective, and to recognise that it is one of the **means** by which macroeconomic policy operates, not one of the **ends** of that policy. It is, of course, possible to justify policy emphasis on the size of the deficit on the grounds of its important influence on the ultimate objectives of policy. But to the extent that such links exist, they appear to be extremely tenuous. One recent US study, for example, concluded that;

Concern should not focus on what deficits do to interest rates, capital accumulation, or economic growth, for there is precious little evidence that deficits affect these variables.  
(Evans, 1985, p.86)

It would be of great interest to see the results of similar research on the determinants of high interest rates in Australia.

These comments aside, the reality is that macroeconomic policy in Australia is currently dominated by the concern to cut the budget deficit. Combined with the political imperative not to increase taxes, this has translated in turn into the perceived need to cut government expenditure. And this in turn has provided ammunition for those arguing the need for further cutting back on Welfare State provisions, particularly those in the social security area. These aims are being assisted by community perceptions that social security spending is growing at an alarming rate, reflecting in part a system characterised by widescale fraud and abuse.

It is against this general background that the current paper addresses a number of issues relating to past trends and future prospects for the Australian social security system. Section 2 of the paper presents evidence on the impact of social security and other welfare state expenditures on economic growth. Section 3 discusses the objectives of social security in Australia and how past trends have influenced the nature of the system. Section 4 addresses some developments likely to influence future social security expenditure trends. The redistributive impact of social security expenditures and their effect on income inequality is considered, in an international context, in Section 5. Finally, Section 6 brings together the major themes of the paper and summarises its main conclusions.

## **2. Public Expenditure, the Welfare State and Economic Growth**

As explained in the Introduction, there is little doubt that current budgetary difficulties in Australia will see public expenditure restrained for some time to come. The need to reduce the deficit is seen as paramount, and unless or until measures are taken to increase taxation, the burden of adjustment will fall on the expenditure side of the budget. This will

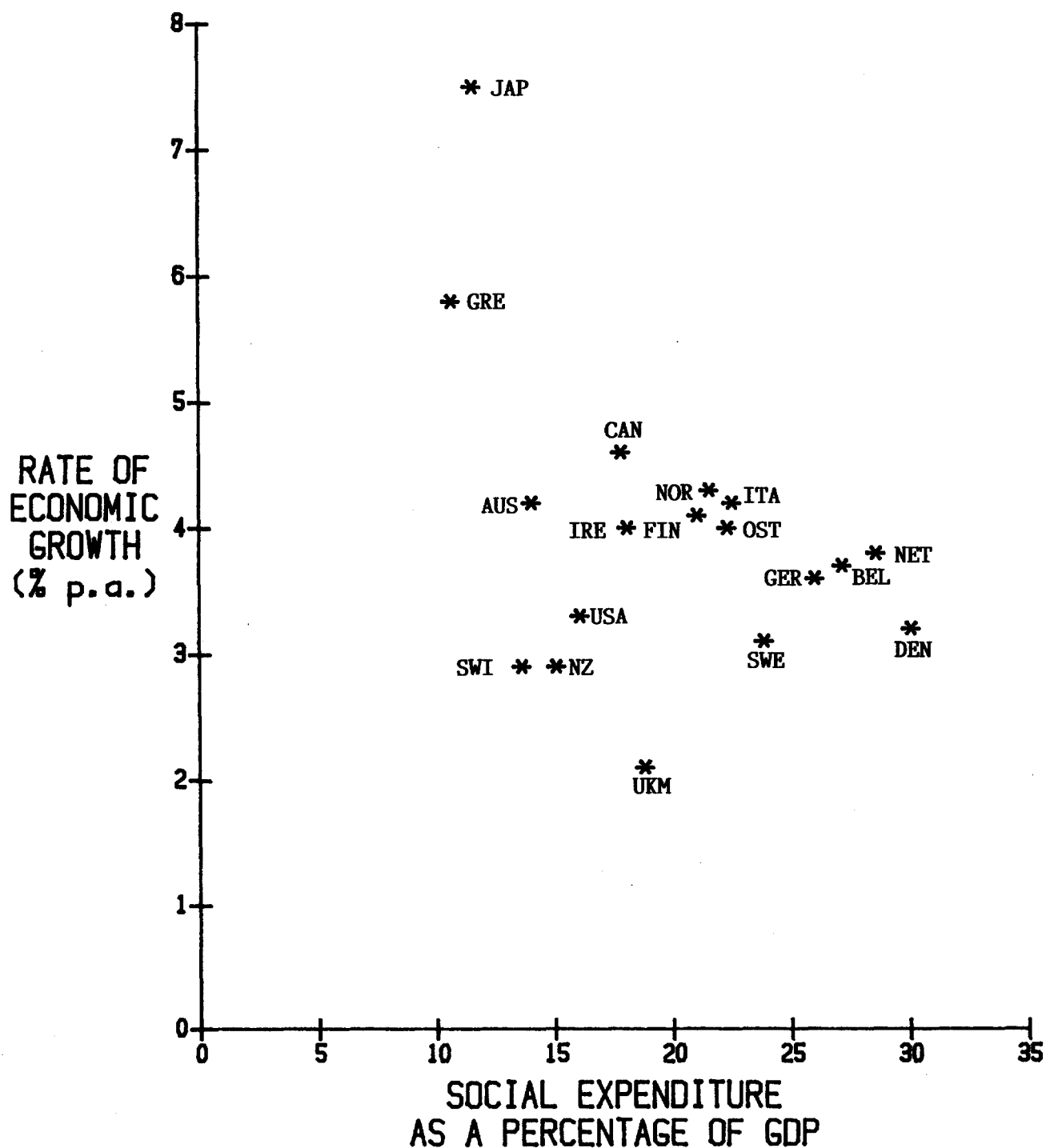
inevitably have important consequences for the future growth of Welfare State and social security spending, not only because they constitute a significant proportion of government expenditure, but also because of fears that past expenditure growth in these areas has contributed to the worsening economic performance which underlies current budgetary difficulties. The discussion in this section focuses on this latter question, bringing international evidence to bear on the alleged impact of Welfare State and social security expenditure on economic growth.

The impact of public expenditure on economic performance can be assessed at one level by cross-country comparisons of public expenditure and alternative measures of economic performance. The cross-country approach is an attractive one, because it allows variables for different countries to be specified over long time periods and this in principle increases the likelihood that the underlying longer-run relationships may be uncovered by the data. Institutional, economic, historical and other differences between countries increase the variability in the data and provide more scope for discriminating between competing hypotheses. However, there is a danger that unless these differences are controlled for, observed differences in economic growth which result from such factors may be wrongly attributed to those factors (e.g. the size of government) which are included in the analysis. Indeed, much of the published research on this question which adopts the international cross-section approach is open to this criticism (Saunders, 1985; 1986a). It is also open to criticism on the grounds that the framework adopted is often not only highly simplified but also highly aggregative. The use of aggregative measures of government expenditure precludes the possibility that the **composition** of spending, rather than its overall level, may have a more significant impact on economic performance.

Failure to control for other influences on economic performance and adoption of a highly aggregative framework can in part explain the extreme divergence of results produced by such studies. This diversity itself suggests that there are no stable underlying relationships, that at the simple aggregative level, international evidence provides no support for the view that public expenditure has had noticeable detrimental effects on economic performance. My own research confirms this view, with the exception of a negative and significant, but weak, association between public expenditure and economic growth in the 1960-73 period, and a positive association between inflation and indirect tax revenues during 1975-81 (Saunders, 1985). In subsequent research, the first of these results has also been shown to be extremely sensitive to the range of countries included in the analysis. The exclusion of Japan from the sample causes a weak but significant negative relationship to become much weaker quantitatively and not significant statistically (Saunders, 1986a, Table 2).

Despite this evidence, concerns that Welfare State expenditure has contributed to worsening economic performance remain widespread. For this reason, it is perhaps worth further exploring the international evidence to see whether it is consistent with this view. Chart 1 shows for those OECD countries for which data are available, a plot of the average annual rate of economic growth during the 1960-81 period and the average share of social expenditure in GDP. Social expenditure is defined by the OECD (1985) to include spending on education, health, pensions, unemployment compensation and other cash benefits and welfare services. The estimated relationship is a negative one and close to significance at the 10 per cent level, although

CHART 1  
RELATIONSHIP BETWEEN ECONOMIC GROWTH  
AND SOCIAL EXPENDITURE  
(1960-1981)



the implied impact is very weak. Each percentage point increase in the social expenditure share in GDP is associated with an average annual decline in economic growth of less than 0.1 per cent a year. However, as Chart 1 illustrates, the relationship is heavily influenced by Japan which had a very high economic growth rate over the period and a low level of social expenditure. When Japan is excluded from the sample of countries, the estimated relationship remains negative but is no longer statistically significant. The impact of social expenditure on economic growth becomes even weaker when two additional factors are included in the estimated equations, the share of non-residential investment in GDP and the share of civilian employment in agriculture in 1960 - a proxy for the stage of economic development and thus the potential for future economic growth.

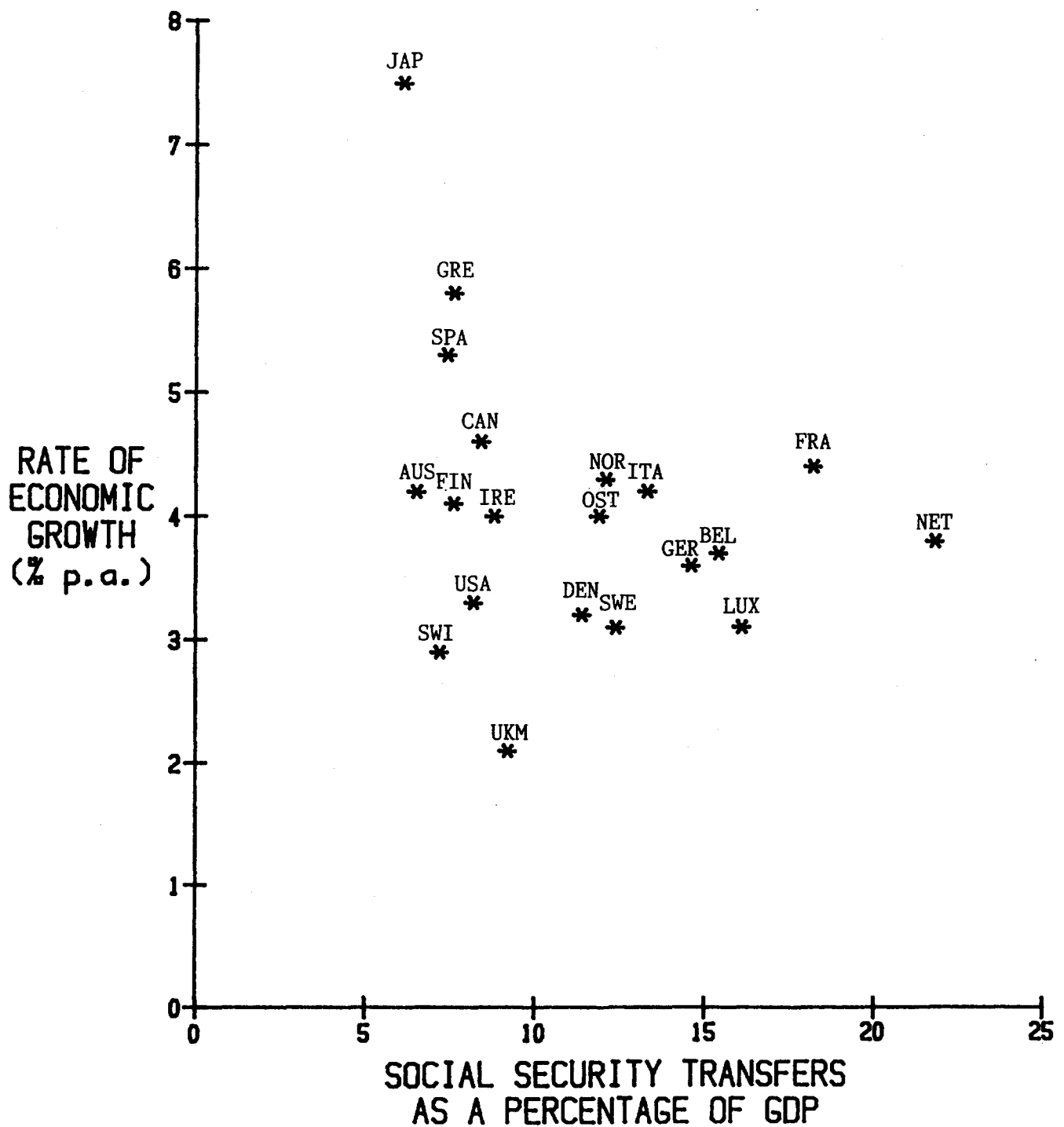
Chart 2 plots the economic growth rate against the share of social security transfers in GDP, again for the 1960-81 period. The results in this case are similar to those for total social expenditure, although they are weaker in both quantitative and statistical terms, whether Japan is included or not. Controlling for the investment share and employment in agriculture further weakens the implied relationship between social security transfers and economic growth, which nowhere approaches statistical significance.

It would be inappropriate to place too much emphasis on the conclusions which can be drawn from this kind of analysis. The nature of the tests may be too simplified and aggregative to uncover the underlying effects, which are likely to depend in quite complex ways on the structure of the social security and social expenditure systems. It is at this level of detail that disincentive and other effects which are detrimental to economic growth are most likely to be found. Nevertheless, the results do indicate that international evidence of this type does not confirm the simplistic views of those who argue that the harmful effects of social expenditures on economic growth are self-evident. Or to put the point somewhat differently, these results provide no basis for the view that reducing the levels of social expenditure or social security transfers expenditures will of themselves **necessarily** ensure a return to higher rates of economic growth over the longer term. This issue, important though it is, remains unresolved to date using the kind of evidence presented above. This is an important conclusion, one that should not be taken lightly. It provides the basis for a response to those who base their arguments for public expenditure or Welfare State cutbacks on the assertion the past growth of government spending has been responsible for the decline in economic growth performance.

### **3. The Australian Social Security System**

Having discussed the international evidence on the impact of social expenditures on economic growth, the remainder of this paper focuses more exclusively on issues relating to the Australian social security system. Most of the major elements of the social security system in Australia have been in place for a considerable time. Age and invalid pensions were first introduced early this century and provisions for widows, wives of age and invalid pensioners, the unemployed and sick were introduced between 1940 and 1945, as was child endowment. More recently, significant changes to the system include the introduction of supporting mothers' benefit in 1973, its extension to supporting fathers in 1977, the replacement of child endowment by family allowance in 1976 and the commencement of family income supplement in 1983.

CHART 2.  
RELATIONSHIP BETWEEN ECONOMIC GROWTH  
AND SOCIAL SECURITY TRANSFERS  
(1960-1981)



By and large therefore, with the exception of those supporting parents who would not have been eligible for widows' pension, the groups eligible to receive social security cash support are the same now as they were four decades ago. There have, of course, been changes in the relative importance of expenditures on these different groups, reflecting changing policy priorities but also economic and demographic developments. These changes - discussed in more detail below - have had a significant impact on the nature of the social security system, as emphasised by Cass (1986) in presenting the case for the Social Security Review which is currently underway. In some quarters, these changes may have undermined the legitimacy of the system, despite the fact that its underlying structure has hardly changed in the post-war period.

Discussions of past trends and future prospects for social security cannot be undertaken in isolation from broader economic and social developments. Neither should they ignore the impacts which the system itself may have in influencing these developments. In the more immediate context, the role of the social security system must be seen in the broader context of the debate over the role of the public sector and the size of government, as already emphasised. One of the dangers of this is that adoption of a broader aggregative framework can lead to a loss of perspective on the extremely diverse role and functions which the elements in the social security system are intended to serve.

### **3.1 The Poverty Alleviation Objective**

One example of this is the great emphasis placed in Australia on the poverty alleviation objective of the social security system. Although no one would argue against the importance of poverty alleviation as a major objective of social security, there are dangers in placing over-riding importance on this aspect. First, because it requires a degree of agreement on how poverty should be measured, and confidence in the quality of the data used in setting poverty lines, estimating equivalence scales and thus calculating the incidence of poverty. While considerable progress has been made in poverty research in Australia in the last decade (e.g Bradbury, Rossiter and Vipond, 1986; Gallagher, 1985; SWPS, 1981; Vipond, 1986; Whiteford, 1985), differences remain over the setting of the poverty line and establishing relativities for different family types. While these differences may be tolerable, indeed are to be expected, in a research context, they become worrying when policy itself adopts a particular measure against which the efficacy of the social security system is to be judged.

A second problem with undue emphasis on the poverty alleviation objective of social security relates to the fact that some of the elements in the system are not aimed primarily at poverty alleviation, even though they may assist with this aim. This question is addressed in more detail below, but suffice it to say at this stage that those who emphasise the importance of poverty alleviation, particularly in the current climate of fiscal restraint are presenting, by implication if not intent, a strong case for the means testing of family allowances, a point which has not escaped the attention of those eager to cut government expenditure.

A third, more fundamental problem with undue emphasis on poverty alleviation is that the structure and design of the Australian social security system does not allow it to achieve the poverty alleviation



objective effectively. The system is based on what the Poverty Commission (1975) referred to as the categorical approach, in which income support is provided to those who fall into certain favoured categories. As the Commission's Report noted;

The categorical approach to income maintenance sets as a primary criteria of entitlement personal characteristics other than an actual shortage of cash - for example, being aged, or sick.

(Commission of Inquiry into Poverty, 1975, p.30)

In order to achieve the poverty alleviation objective most effectively, accepting that poverty is best assessed on the basis of the adequacy of income in relation to needs, income maintenance should be based on the income approach, in which

.... social security payments should .... be concentrated on families which otherwise would have an unacceptably low disposable income - in other words, families with a low private income.

(Commission of Inquiry into Poverty, op. cit., p.36)

One example of the income approach to social security - but not the only one - is through a guaranteed minimum income (GMI) scheme as proposed by the Poverty Commission. Yet this proposal received only lukewarm support at the time and the general principle probably has even less support now, despite it being an approach more consistent with the poverty alleviation objective than the current categorical system.

One reason why the income approach no longer receives serious consideration has been advanced in the United States context by Henry Aaron (1984). It relates to the question of work incentives. If income support is provided to people potentially capable of supporting themselves, rather than just to those who are not expected to work because of various characteristics which inhibit workforce participation, the induced effects of the system on work behaviour become critical. Unlike Australia, the United States has put considerable effort and expense (over US\$100 million according to Aaron) into trying to assess the work disincentives issue through various negative income tax experiments. (For a useful summary of these experiments and their results, see Whiteford, 1981). Aaron argues that these experiments;

... established that the extension of welfare to two-parent families adversely changed their work patterns **enough to matter**. It was no longer possible to maintain that the behaviour of the poor would not be adversely affected if cash assistance were provided until they could become self-supporting..... the idea that economic status alone should determine eligibility for aid flickered only briefly and guttered out.

(Aaron, 1984, p.13; emphasis in the original)

In practical terms, the categorical approach to income support could produce similar effects to an income approach and thus be equally effective in poverty alleviation, if the favoured categories include all those with low incomes and exclude all those on higher incomes. This, however, is not the

case. Becoming eligible for categorical income support is neither a necessary nor sufficient condition for falling below the income poverty line. This is supported by the work of Gallagher (1985) which indicates that although poverty rates are very high for some groups currently receiving social security pensions or benefits, this is by no means true for all of them. (Gallagher, op. cit., Table 7, p.31). His analysis indicates that payments such as age pension, service pension and war disability pension were not associated with a noticeably higher risk of poverty in 1981-82 than existed among the population as a whole.

The same point is also illustrated in Table 1, which compares poverty rates on a current and annual income basis for income units in receipt of social security pensions and benefits, with poverty among income units not in receipt of government cash transfer income. This table indicates that poverty rates on a current income basis range from 25 per cent to 87 per cent among those receiving pensions or benefits, are over 38 per cent for all those in receipt of some form of government cash transfer, and are only 8.5 per cent among income units who receive no government cash transfer income support. Measuring poverty on an annual income basis - a more appropriate indicator - reduces each of these poverty estimates considerably (except for those in receipt of supporting parents' benefit or widows' pension) but the pattern remains similar to the estimates based on current income.

However, the annual income poverty estimates indicate that some 257 thousand income units were living in poverty in 1981-82 yet not in receipt of any form of government cash support. (Some of these would no doubt now be eligible for family income supplement.) Furthermore, there were almost 1.47 million income units who were receiving cash income support and yet were not living in poverty. Over a million of these had incomes more than 20 per cent above the poverty line. Many of this group would, of course, have been in poverty were it not for the cash support provided to them by the government. However, as the pension system operated in 1982, even some pensioners with original incomes about the poverty line were still eligible to receive part-rate pension. In June 1982, the weekly income level at which the pension cut out entirely was \$168.30 for a single pensioner with no dependants, and \$281.70 for a married pensioner couple with no dependants (DSS, 1982, p.19). These cut-out points correspond to \$8752 and \$14648 a year, respectively, both well in excess of the respective poverty lines. The general point is thus that under the Australian categorical system, many of those in the favoured categories are not in poverty, while many who are not in the favoured categories are in poverty.

This evidence therefore suggests that because of the categorical nature of the social security system, income maintenance expenditure overall is not that effectively targeted on the poor. It is, of course, true that the existence of income and assets tests ensures that more effective targeting is achieved **within** each pension and benefit category, but this is not equivalent to **overall** targeting, which an income approach would ensure automatically for the system as a whole.

A final problem with emphasising poverty alleviation is that it helps create and sustain the distinction between those dependent on social security support, the poor, and those more fortunate who finance this support through taxation. It also helps create the idea that social security spending on those who are not poor - "middle class welfare" - is an intolerable waste of

**Table 1**  
**Poverty Before Housing Costs Among Recipients of**  
**Social Security Pensions and Benefits, 1981-82(a)**

	Total Number of Income Units	Current Income Basis: Below Poverty Line		Annual Income Basis: Below Poverty Line	
	('000)	('000)	(%)	('000)	(%)
<b>Income Unit Currently Receiving:</b>					
Age Pension	969.2	249.2	25.7	152.2	15.7
Invalid Pension	184.4	68.8	37.3	50.0	27.1
Supporting Parents' Benefit or Widows' Pension	158.0	74.4	47.1	66.4	42.0
Unemployment Benefit	314.9	274.8	87.3	159.8	50.7
Sickness Benefit	38.4	21.3	55.4	14.9	38.8
Some Income From Government Cash Transfers(b)	1948.4	752.4	38.4	492.2	25.1
No Income From Government Cash Transfers	3756.2	317.6	8.5	257.1	6.8
All Income Units	5714.6	1070.0	18.7	749.3	13.1

**Notes:** (a) These estimates exclude the self-employed and are based on the detailed Henderson equivalence scales.

(b) Government cash transfers include those items shown in the Table, plus war widows' and disability pension, TEAS, child's education allowance and other cash transfers. It does not include family allowance payments to those families for whom this is their only cash transfer received.

**Source:** 1981-82 Income and Housing Survey, unit record file.

public money. This residualist conception of social security poses the most serious dangers to the longer-term sustainability of the system. It undermines the very basis of a system which should be seen in terms of the benefits it provides to **all** who are in vulnerable stages of the life cycle or who are the victims of unforeseen economic, health or family difficulties. Paradoxically, as will be argued below, the social security system is in fact designed with the intention of assisting those in these situations. That this has tended to be lost sight of in recent discussions is a reflection of the undue and misplaced emphasis given to the poverty alleviation objective. Appealing though this emphasis may be in a situation where funds are limited, its danger lies in undermining broad community support for the system, while further alienating and stigmatising those who rely upon it.

### **3.2. The Diversity of Social Security Payments**

The above discussion of the poverty alleviation objective was not intended to downplay its importance, but rather to highlight the fact that other goals of the social security system are also important. This section develops this argument in the context of past trends in expenditure on six major pension and benefit categories. The six major categories included in the analysis are age pension, invalid pension, supporting parents' benefit (combined in the following discussion with class A widows' pension), unemployment benefit, sickness benefit and family allowance. In 1985-86, expenditure on these six categories amounted to \$14.3 billion, equivalent to more than 95 per cent of total income maintenance cash benefits by the Department of Social Security (DSS) or 20 per cent of Commonwealth budget outlays.

The six income support categories can be classified into three groups according to their underlying rationale. Age pension and family allowance are primarily intended to provide income support in those stages of the life cycle when most are not expected to support themselves through their own participation in the labour market. Invalid pension and sickness benefit provide support for those unable to support themselves because of health-related contingencies. Unemployment benefit and supporting parents' benefit provide support for those who face barriers to workforce participation because of economic conditions in the labour market itself or because of family breakdown combined with responsibility to care for children. This three-way classification is mainly intended to emphasise the essential point that social security provisions serve a range of contingencies which prevent individuals from securing their own economic independence.

Table 2 takes the above classification a little further by looking at the degree to which the six categories suffer from potential problems in establishing eligibility for support and are associated with possibilities for undesirable disincentive effects. The important point to note from this classification is that not only does the basic rationale differ in each case, so too does the extent of problems in determining eligibility and with undesirable disincentive effects. It should be emphasised, of course, that the entries in the last two columns of Table 2 relate to potentialities rather than actualities. The fact that unemployment benefit is associated with problems in determining eligibility and avoiding work disincentives does not mean that there is widescale abuse of the system. Rather, it suggests that this benefit may require more administrative effort and prove more

**Table 2**  
**A Simple Classification of Social Security Categories**

Type of Pension or Benefit	Underlying Rationale	Extent of Eligibility Problems	Potential for Undesirable Disincentives
<b>Classification I</b>			
Age Pension	Life Cycle	Zero	Low - Medium (eg. Incentives to save; double dipping)
Family Allowance	Life Cycle	Zero	Zero
<b>Classification II</b>			
Invalid Pension	Health-related Contingency Support	Low - Medium	Very Low
Sickness Benefit	Health-related Contingency Support	Low	Very Low
<b>Classification III</b>			
Unemployment Benefit	Non-health Barriers to Workforce Participation	Medium	Medium (eg. induced unemployment; poverty traps)
Supporting Parents' Benefit	Non-health Barriers to Workforce Participation	Low	Medium (eg. poverty traps; family breakdown)

difficult to design effectively than those categories (e.g. family allowance) where eligibility and disincentive problems are not apparent.

Table 3 complements Table 2 by detailing trends in expenditure on each of the six categories and analysing those trends in terms of the growth in recipient numbers and average real benefit levels. The analysis is restricted to the period since 1976-77, the first year of operation of the family allowance scheme. The data presented in Table 3 are drawn from a comprehensive analysis of social security expenditure developments since 1959-60 which the author has recently completed for the Social Security Review (Saunders, 1987c). They indicate that the major factor contributing to the growth in real social security expenditures since 1976-77 has been increases in the numbers receiving assistance. Family allowance is the only category where recipient numbers - in this case the number of children for whom family allowance is paid - declined, reflecting a decline over the period in the size of the population aged under 16. The growth in recipient numbers has been particularly marked for sickness benefit, unemployment benefit and supporting parents' benefit (combined in this analysis with Class A widows' pension because of the lack of clear demarcation between eligibility conditions for the two), but numbers on invalid pension have also grown quite strongly.

The increase in recipient numbers has meant that the average real benefit level - real expenditure per recipient - has declined in four of the six categories, despite the growth in total real expenditure. Average real benefits declined most significantly for family allowance, sickness benefit and unemployment benefit. It is interesting to note that the decline in average real benefit levels has occurred over a period when most pension and benefit rates were indexed to movements in the Consumer Price Index. This has occurred because indexation has applied to only certain maximum pension or benefit rates and not been extended to the additional allowances that many beneficiaries receive. Neither has the free income zone in the income test been indexed (although there have been discretionary increases in the free income zone in recent years). The result, as Table 3 indicates, is that many beneficiaries have not been fully protected from inflation, the real value of their total pension or benefit declining over the period.

The other notable feature of the trends shown in Table 3 is a significant change in the composition of social security expenditure among the three major classifications shown in Table 2. This has taken the form of a decline from 68.3 per cent to 51.7 per cent in the proportion of total expenditure on the two life cycle categories (age pension and family allowance) and an increase from 19.6 per cent to 33.9 per cent in the proportion devoted to those categories concerned with non-health related barriers to workforce participation. This compositional change in turn reflects the very rapid growth in the numbers receiving unemployment benefit and supporting parents' benefit.

These changes reflect both the policies that have been employed over the period but also, and more importantly, the broader economic and social trends that have taken place. The interaction of these has seen a significant change in the nature of social security expenditure, and, most likely, in public perceptions of what the social security system is intended to achieve. Provision of income support during vulnerable periods of the life cycle, from which all families expect to benefit, where eligibility and

**TABLE 3**  
**Growth in Social Security Expenditures, 1976-77 to 1985-86**

Type of Pension or Benefit	Expenditure in 1976-77: (\$m)    %		Expenditure in 1985-86: (\$m)    %		Annual Average Growth Rate of:		
					Real Expend- ture(a)	Number of Rec- ipients(b)	Average Real Benefit(c)
Age Pension	2483.6	48.4	5897.2	41.0	1.24	1.36	-0.12
Family Allowance	1023.9	19.9	1537.6	10.7	-3.78	-0.15	-3.64
Invalid Pension	511.0	10.0	1673.5	11.6	4.93	3.69	1.19
Sickness Benefit	105.4	2.1	391.8	2.7	6.41	7.76	-1.25
Unemployment Benefit	618.1	12.0	3122.1	21.7	10.10	11.10	-0.90
Supporting Parents' Benefit plus Class A Widows' Pension	391.4	7.6	1756.9	12.2	8.67	8.35	0.30

- Notes:**
- (a) Deflated by the Consumer Price Index
  - (b) Average weekly numbers for unemployment and sickness benefit; average monthly numbers for other categories. Family allowance recipients refer to the number of children for whom the allowance is paid.
  - (c) The average real benefit is defined as real expenditure per recipient.

**Sources:** Department of Social Security, **Annual Report 1985-86**, and Saunders (1987c)

disincentive affects are weak or non-existent, and where the arguments for (and practice of) universalism have been strongest, has declined in relative importance. Against this, expenditure has increased in relative terms on those areas most sensitive to economic and social trends, most susceptible to eligibility and disincentive problems, and from which the majority of families (however incorrectly) do not expect to benefit.

In light of these changes, it is not surprising if public attitudes to, and acceptability of, the social security system have themselves undergone change. To the extent that this process has indeed taken place in the last decade, the difficulties involved in its reversal should not be underestimated. This may require administrative changes to ensure that eligibility problems are minimised, changes designed to reduce disincentive effects, and research into the practical importance of the underlying concerns. It also requires a need to emphasise that the social security system has an extremely diverse range of objectives. Poverty alleviation is an important one of these, but it is not the only objective of the system. Finally, there is a need to recognise that growth in recipient numbers - the main factor contributing to past expenditure growth - is largely due to economic and social trends to which social security entitlements may be contributing to some extent, but which are for the most part a reflection of much broader societal changes.

#### **4. Future Prospects for Social Security**

Future prospects for social security expenditure will depend upon demographic developments and how economic conditions affect the need for continued expenditure restraint within the public sector as a whole. If social security expenditure continues to be constrained by the stance of fiscal policy, the scope for increases in average real benefit levels will depend upon the growth in recipient numbers. As indicated in the previous section, the growth in recipient numbers has been the most important single factor contributing to past expenditure growth in most pensions and benefit categories. The following discussion highlights two general developments that will have an important bearing on future numbers growth, those in the labour market and due to the aging of the population.

##### **4.1 Labour Market Developments**

Developments in the labour market influence social security expenditures both directly and indirectly. The number of unemployed persons has a direct impact on the numbers eligible to receive, and the actual numbers in receipt of, unemployment benefit. The state of the labour market and unemployment also indirectly affects the numbers on other pensions or benefits through two potential channels. First, poor labour market prospects are associated with a lack of job opportunities and thus limit the scope for all social security recipients to achieve financial independence through part-time or full-time work. Second, many individuals who in a healthy labour market could expect to find work, have no realistic prospects of so doing in a labour market which has been depressed for some time and so are more likely to apply for social security support. It is difficult to gauge the magnitude of these indirect effects with any precision, although the direct effects of increased unemployment on unemployment benefit expenditure can be more reliably assessed.



Between 1966-67 and 1985-86, the number of persons recorded as unemployed in the Australian Bureau of Statistics' (ABS) **Labour Force Survey** increased almost six-fold, from 90.8 thousand to 539.1 thousand. Over the same period, the numbers receiving unemployment benefit rose by a factor of twenty seven, from 20.6 thousand to 559.2 thousand. Thus the coverage of unemployment benefit - defined as the proportion of unemployed persons as recorded in the ABS survey in receipt of unemployment benefit - also increased substantially over the period. Estimates of coverage defined in this way need to be treated with considerable caution, since the ABS definition of unemployment does not correspond to the conditions that determine unemployment benefit eligibility. (For a more detailed discussion of these definitional differences see ABS, 1984; Development Division, 1979; and Saunders, 1987c.)

For example, the ABS **Labour Force Survey** defines anyone working more than one hour a week as being employed, even though some of these people may still be legitimately in receipt of unemployment benefit. Similarly, the ABS survey excludes discouraged workers - those who have not actively looked for work in the previous four weeks - from its estimates of unemployment and the labour force. Again, many of these may be receiving unemployment benefit, particularly those who have been on benefit for a considerable length of time. As a result, it is possible for the number of unemployment benefit recipients to exceed the numbers recorded as unemployed in the ABS survey, as indeed is the case for 1985-86. Thus, while the above differences suggest that it would be inappropriate to place too much emphasis on coverage estimates for a particular year, trends over time in unemployment benefit coverage are more likely to indicate real underlying changes.

Between 1966-67 and 1985-86, unemployment benefit coverage as measured above increased from 22.7 per cent to 103.7 per cent. Much of this increase took place between 1973-74 and 1976-77 when coverage rose from 26.8 per cent to 66.7 per cent, although coverage has also risen sharply since 1981-82. Over the period since 1966-67, the increase in benefit coverage has contributed almost as much to the growth in expenditure on unemployment benefit as the increase in unemployment itself. This raises the important question of the degree to which benefit coverage itself responds to labour market developments, another example of the indirect effects alluded to earlier.

Preliminary research (reported in Saunders, 1987a) indicates a strong positive association between the unemployment rate and unemployment benefit coverage. However, this appears to be the result of increased unemployment duration rather than increases in the level of unemployment itself. This is consistent with the view that higher unemployment duration for those already unemployed raises the expected duration of those who become unemployed, and thus increases the likelihood that they will apply for unemployment benefit. It also explains why unemployment benefit coverage was so low in the 1960s, when the average duration of unemployment was much lower (3.0 weeks in 1966-67) than it is now (46.5 weeks in 1985-86). Finally, it helps explain why unemployment benefit coverage has continued to rise since 1983-84, despite the decline in the level and rate of unemployment, since this period has seen a continued rise in the average duration of unemployment.

This evidence thus suggests that past labour market trends have had important direct and indirect effects on unemployment benefit expenditure.

And there is some evidence of similar forces at work in the context of expenditure and coverage on sickness benefits (Saunders, 1987a). The key issue for future social security trends is whether or not these forces will unwind and reverse themselves as labour market prospects improve, or whether they are to some extent irreversible. If the former, then there should be considerable social security cost savings as a result of improved labour market conditions, whereas the latter prospect suggests continued high expenditure levels for some time even if unemployment falls on a sustained basis. In either case, if unemployment were to rise again, the impact on unemployment benefit expenditure will be less than in the past, simply because coverage is now more or less complete and will thus not put additional upward pressure on spending to anything like the extent that it has in the last two decades.

## 4.2 Demographic Developments

A second important determinant of future social security expenditure developments will reflect changes in the age structure of the population. As noted in Section 3.2 above, life cycle payments to dependent children and age pensioners still account for about half of total social security spending. Thus even in the absence of further changes to average real benefit levels or coverage, demographic developments will have an important impact on future spending levels. One aspect of these that has been receiving increasing attention in many OECD countries is the impact on age pension expenditure of the projected aging of the population (OECD, 1985; Holtzmann, 1986; International Monetary Fund, 1986). In the Australian context, many of the issues were initially raised in a report by the Social Welfare Policy Secretariat (SWPS, 1984) and have been addressed in more detail in a recent volume of essays on the topic (Mendlesohn, 1986).

Table 4 indicates the extent of projected changes in the age structure of the population over the next three decades or so. Between 1985 and 2021 the proportion of dependent children in the population will decline from 25 per cent to 20 per cent, while the proportion of older dependants will rise from 10 per cent to over 15 per cent. While the overall dependency ratio for young and old combined is projected to remain between 34 and 36 per cent, there will be a change in the composition of this dependent population towards the aged. However, while about half of the reduction in young age dependency occurs before 2001, most of the rise in older age dependency occurs after 2001 as the post-war "baby boom" generation retires from the workforce. Against this, the rise in importance of the very old (those aged 75 and over) is already taking place and continues at a more moderate rate in the next century.

The impact of these demographic changes on social security expenditure depends upon the costs associated with the provision of social security support to those in different age groups. Estimates produced by SWPS (1984) indicate that the per capita cost to Commonwealth budget social security and welfare outlays in 1981-82 was \$374 for the dependent young (those aged 15 and under) and \$3201 for the dependent old (those aged 65 and over). On the basis of these estimates, it is clear that the increased expenditures associated with the rise in old-age dependency are likely to greatly exceed any savings offsets accompanying the decline in young-age dependency. In addition, differences in the timing of these developments add a further intertemporal dimension to these difficulties.

**Table 4****Projected Demographic Developments, 1985-2021**

	Total Population (million)	Proportion Aged:			
		0-15	16-64	65 and over	75 and over
1985 (actual)	15.75	25.3	64.5	10.2	3.8
1991	16.94	23.7	64.9	11.4	4.5
2001	18.92	22.8	65.3	11.9	5.4
2011	20.56	21.2	65.9	12.9	5.5
2021	22.03	20.3	64.1	15.6	6.1

**Source:** ABS, **Projections of the Populations of Australia: States and Territories 1984 to 2021**, Catalogue No. 3220.0, May 1985.

In order to provide a more accurate guide to the implications for social security expenditure of the population projections shown in Table 4, the SWPS exercise has been updated to 1984-85 using the methodology described in Appendix III of the SWPS report. The results are reported in Table 5 along with the original SWPS estimates. The pattern of average per capita outlays by age is very similar in the two years, rising sharply after age 60. For individuals aged 65 and over, the per capita cost to the social security and welfare budget exceeds the per capita cost of those aged under 16 by between eight- and nine-fold.

An alternative and more informative way of interpreting the estimates in Table 5 is to use them to illustrate the costs a particular individual would receive on average as they pass through their life cycle. This involves using the snapshot estimates shown in Table 5 to simulate a 'moving picture' of how benefits change as the individual moves through their life. To keep this exercise as simple as possible, it is assumed that per capita outlays remain at the 1984-85 levels indicated in Table 5 and that the rate of interest is zero to avoid discounting complications. If this representative individual lives to the age of seventy five, they would receive on average benefits of \$572 per year for the first 16 years of their life, \$609 per year for the next 9 years of their life, \$430 per year for the next 15 years of their life, and so on.

Over their entire life, the individual would receive total benefits of about \$101,600 from social security and welfare outlays. Of this, only 9 per cent would have been received by the age of 16, and 25 per cent by the age of 49. By the age of 65, benefits received would still be only about 49 per cent of the total for the whole lifespan of seventy five years, the remaining 51 per cent occurring in the last 16 years of the life cycle, and 30 per cent in the last 6 years. The two dependent phases of the life cycle together account for 60 per cent of total social security and welfare outlays spent on this hypothetical average individual over their entire life. Once again, the important role social security plays in the life cycle context is vividly illustrated.

It is now possible to estimate the likely magnitude of the impact of population aging on future social security and welfare outlays. These estimates have been derived on the assumption that real per capita outlays for each age group remain at their 1984-85 level. These can then be translated into estimated total outlays using the age-specific population projections. The results, presented in Table 6, show a projected real increase in total outlays of over 75 per cent, from \$17.6 billion in 1985 to almost \$31 billion in 2021. This is equivalent to an annual increase in real outlays of over 1.5 per cent. The increase arises because those groups in the population who are most expensive to the social security budget, older age dependants, are projected to increase over the period at a faster rate than other age groups in the population. There is some offset due to the decline in the relative size of the younger age dependent population, but benefits for this group are less per person so that this offset is only partial. The net effect is that the proportion of total social security and welfare outlays devoted to those aged over 65 is projected to rise from 45 per cent in 1985 to almost 55 per cent by 2021.

Total social security and welfare outlays per head of population are projected to increase from \$1119 in 1985 to \$1404 in 2021, an increase of

Table 5

**The Distribution of Commonwealth Budget Social Security  
and Welfare Outlays by Age, 1984-85**

	Age Range (years):										Total
	0-15	16-24	25-39	40-49	50-54	55-59	60-64	65-69	70-74	75+	
Per Capita Outlays in 1984-85 (\$, 1984-85)	572	609	430	479	823	1350	2685	4166	5030	5477	1117
Proportion of Total	0.51	0.55	0.38	0.43	0.74	1.21	2.40	3.73	4.50	4.90	1.00
Per Capita Outlays in 1981-82 (\$, 1981-82)	374	416	315	331	561	917	1767	2746	3289	3594	735
Proportion of Total	0.51	0.57	0.43	0.45	0.76	1.25	2.40	3.74	4.47	4.89	1.00

**Sources:** Author's estimates and SWPS (1984), Table 3.2

over 25 per cent. Outlays per head for those of workforce age (between the ages of 16 and 64, inclusive) are projected to rise by 26 per cent, from \$1735 to \$2188. By and large, it will be persons of workforce age who will be primarily called upon to finance the projected rise in outlays through increased taxation. Whether they will be prepared to pay higher taxes to the extent implied by these estimates will have a crucial impact on the degree to which population aging will be associated with inter-generational tensions.

Whatever the outcome in this regard, the basic point is that the structure of current social security commitments implies a substantial increase in total outlays due to populational aging. The estimates in Table 6 are based on the assumption that real per capita outlays remain unchanged at the 1984-85 for the next three and a half decades. It is, of course, possible to argue that the projected rise in total outlays can be easily financed from economic growth. If real GDP grows over the period at the same rate as real outlays - just in excess of 1.5 per cent a year - the ratio of outlays to GDP need not rise and thus neither need the implied tax burden relative to GDP. The difficulty with this line of argument, however, is that it seems extremely unlikely that real per capita outlays could be held constant for three and a half decades during which real community incomes are rising by 1.5 per cent a year. If instead, real per capita outlays broadly follow movements in GDP per head - probably an optimistic outcome based on past experience (Office of EPAC, 1985) - then economic growth will not greatly assist the financing problems associated with population aging.

It is also unlikely that automatic expenditure savings elsewhere in the budget arising from population aging will be able to finance the projected rise in social security and welfare outlays. Indeed there are other functional areas, notably health, where population aging will also put increased upward pressure on outlays. And any cost savings in expenditure on school education will be offset by increases in higher education spending if education retention rates are to rise. Thus if future generations of workers are not prepared to tolerate the implied increase in their tax burdens, entitlements to the aged will need to be reassessed and may need to be curtailed. This could take the form of lower average real benefit levels, or reduced coverage achieved through some combination of more stringent application of income and assets tests and an increase in the eligibility age for the pension.

A final option, probably the most likely and in many ways the most attractive, involves increasing the incentives for individuals to undertake private saving to provide for their own income support during retirement. It is in this context that recent moves to increase the scope and coverage of occupational superannuation are relevant. While some increases in occupational superannuation coverage were to have been expected as workers' incomes have risen, these trends have been accelerated by the generous tax expenditures associated with superannuation contributions, fund incomes and benefits paid out. In principle, these tax concessions raise the after-tax return on superannuation savings and thus encourage individuals to make their saving through this channel. If as a result the overall level of savings rises, the current workforce generation is induced to provide more towards its own future retirement income support, thus imposing less of a financial burden on future generations of workers.

**Table 6**  
**Projections of Social Security and Welfare Outlays**  
**by Age, 1985-2021**

Age Range	1985	1991	2001	2011	2021
0-15 (\$m)	2275	2294	2467	2491	2556
(Per cent)	(12.9)	(11.7)	(11.0)	(9.5)	(8.3)
16-64 (\$m)	7453	7880	8991	10779	11483
(Per cent)	(42.3)	(40.1)	(39.6)	(40.9)	(37.1)
65+ (\$m)	7904	9476	11270	13053	16883
(Per cent)	(44.8)	(48.2)	(49.6)	(49.6)	(54.6)
Total (\$m)	17632	19651	22729	26322	30922
Outlays per head (\$)	1119	1160	1201	1280	1404
Outlays per person of workforce age, 16-64. (\$)	1735	1787	1841	1941	2188

**Sources:** Author's estimates based on Tables 4 and 5.

More generally, as Henry Aaron (1986) has recently emphasised, there is no "aging problem" when viewed from this life cycle perspective, since the increased number of aged people in the future is mirrored by a corresponding higher number of current workers. If each worker saves whilst at work to finance their own support during retirement, there is no sense in which support of retirement consumption involves any inter-generational transfer of resources. Each generation is self-supportive over its entire life cycle and thus imposes no net burden on any other generation. Redistribution takes place through intra-generational transfers of income, not through inter-generational transfers. While an appealing analytical framework, this view must be tempered by the fact that public sector provisions for, and support of, retirement income support can have important effects on the degree to which individuals save to redistribute income over their life.

In Australia, where age pensions are financed from general revenue on a pay-as-you-go basis, the relevance of the life cycle framework of analysis is somewhat limited. It is, however, more relevant to occupational superannuation schemes which operate on a funded basis, current contributions being invested to earn interest and meet future benefit liabilities. Thus, the life cycle perspective is likely to become more relevant to the aging question if occupational superannuation coverage expands.

From the point of view of overall government policies towards retirement income support, a number of key issues are relevant. These include:

- . The appropriate balance between public and private provisions for retirement income support.
- . The appropriate and most equitable balance of public sector provisions between the age pension and superannuation-related tax expenditures. Relevant in this context are recent Treasury (1986) estimates that the revenue cost of the superannuation tax expenditures in 1985-86 was \$3.1 billion, equivalent to 53 per cent of outlays on age pensions and allowances in that year.
- . How can the system best ensure that the superannuation tax expenditures serve the purpose for which they are intended, i.e. to provide income support during retirement.
- . Are superannuation tax expenditures the most effective and efficient means of encouraging an increase in the nation's savings rate, if indeed such an increase is deemed desirable on broader grounds?

These are fundamental and complex issues which raise many difficult questions in relation to the design and administration of an integrated, equitable and efficient policy for retirement income support. They are questions currently being addressed by the Social Security Review. The important point highlighted by the above discussion is that population aging will place considerable pressures on social security outlays from the early decades of the next century. Although the expansion of occupational superannuation coverage offers some scope for reducing the age pension bill,



current evidence on the question of "double dipping" suggests that these reductions may not be as great as they might be. There is a clear need for further integration of age pension eligibility criteria with government support received through the superannuation tax expenditures. The policy issues raised in this context are difficult but by no means insuperable. But there is nevertheless an urgent need to begin thinking about how best to address these challenges in order to ensure an appropriate policy response and orderly adjustment to them.

## 5. Social Security, Inequality and Redistribution

As emphasised in Section 3, the Australian social security system has traditionally placed great weight on the poverty alleviation objective. Unlike almost all other OECD countries, social security benefits in Australia have been paid on a flat-rate, income tested basis financed from general revenue. Elsewhere, particularly in Europe, much greater stress has been placed on the principles of universal availability of benefits to all as a basic social right, and the adoption of contributory finance to provide additional earnings-related benefits. The selectivist approach in Australia has taken the form of income testing of entitlements within favoured categories, supplemented by the assets test on pensions. There has also been emphasis more recently on the need to target expenditures on recipients in particular circumstances, in the private rental market or with larger families for example, rather than use income or assets as the only measures of need. These developments in part reflect concerns over the impact of poverty traps, which are an inevitable consequence of over-reliance on selectivity through income testing.

The selectivist approach has been defended in Australia on the grounds that it ensures a more effective redistribution of resources to those in greatest need. The poverty alleviation objective is thus achieved at minimum cost to the budget and, by implication, to taxpayers. Australia may well spend less on social security transfers than other OECD countries (Chart 2), but a greater proportion of what is spent is devoted to those most in need because of the selectivist nature of the Australian system. Furthermore, in a situation where overall fiscal restraint places great constraint on future expenditure, the arguments for increased selectivism seem even more compelling. This is usually justified on the grounds that the redistributive impact of a given volume of expenditure will be greater the more effectively benefits are targeted on those groups in greatest need.

A major problem with this line of argument is that it assumes that the volume of funds available for redistribution is independent of the use to which those funds are put (Saunders, 1986b; 1987b). It ignores the crucial point that the willingness of taxpayers to finance the activities of government and thus to provide their political support for them, is not independent of the form that those activities take. Australia's emphasis on social security targeting - unlike the universalist, contributory, social insurance approach - has undermined broad-based public support for social security and thus led to a lower level of social security expenditure than elsewhere.

This fundamental point seems continually to be forgotten by those who argue that targeting allows a **given volume** of resources to provide greatest assistance to the most needy. While true as a matter of simple mathematics,

the argument completely ignores the fact that there is no such thing as a given volume of resources available to governments for redistribution. Rather, the level of resources available to governments depends crucially on public perceptions of, and political support for, those activities for which governments wish to acquire these resources in the first place. It is, therefore, no coincidence that Australia's unique emphasis on income tested benefits is associated with one of the lowest levels of social security expenditure among OECD countries. Finally, and most importantly, the redistributive impact of social security and its impact on poverty alleviation depends not only on the **incidence** of expenditure - the degree to which it is targeted - but also on the **overall level** of expenditure.

In order to illustrate the practical importance of these points, it is informative to consider evidence on the redistributive impact of social security expenditure across different countries. The following discussion compares results for Australia with those for Norway, Sweden and the United Kingdom. The approach underlying these results is a by-product of research being undertaken on the Luxembourg Income Study (LIS). The LIS project involves the establishment of a set of consistent unit record microdata files, constructed on a comparable basis for a range of industrialised economies. These data files contain information on cash incomes and a range of other economic and socio-demographic variables. With the data stored in a central location (Luxembourg) and with co-ordinators in individual countries, it is possible to analyse various aspects of poverty, inequality and redistribution using a data source that is truly comparative while using techniques of analysis which embody expertise from within individual countries.

Australia is in the process of being added to the list of countries included in the LIS project, and the author has recently been appointed coordinator for Australia. The unit record file from the **1981-82 Income and Housing Survey** is currently being added to the LIS data bank in Luxembourg using the project's standardised concepts and definitions. It is to be hoped that results from the LIS project will add to an understanding of many aspects of poverty and inequality in Australia. The LIS project should also allow results for Australia to be put in an international perspective, an important and too often neglected dimension from which many valuable lessons and insights can be drawn.

Table 7 draws on research undertaken by those associated with the LIS project (O'Higgins, 1985; Ringen, 1986), and compares their results with those derived on a similar basis for Australia at the Social Welfare Research Centre using the **1981-82 Income and Housing** unit record file. The results show that despite the low share of market income by the bottom quintile in Australia, market income overall is more equally distributed here than in the other three countries. It is also true that government cash transfers are considerably more heavily concentrated on the lowest quintile in Australia. However, when one looks at the degree of inequality in gross income - the sum of market income and cash transfers - income inequality in Australia, whether measured by the share of gross income received by the lowest quintile or the lowest two quintiles, was **greater** than in either Norway, Sweden or the United Kingdom. Australia is thus characterized by less inequality in market income, more inequality in gross income and has considerably less redistribution than the other three countries.

**Table 7**  
**Redistribution of Equivalent Income in Four Countries:**  
**The Distribution of Market and Gross Income**

	Quintile Shares:					
	1	2	3	4	5	Total
<b>AUSTRALIA (1981-82)</b>						
Market Income	0.3	10.1	21.4	27.0	41.2	100
Transfers	62.8	24.4	6.8	3.6	2.4	100
Gross Income	6.1	11.4	20.1	24.8	37.6	100
<b>NORWAY (1982)</b>						
Market Income	0.7	7.5	18.1	27.9	45.9	100
Transfers	53.3	28.5	9.7	5.4	3.1	100
Gross Income	8.2	10.5	16.9	24.6	39.8	100
<b>SWEDEN (1982)</b>						
Market Income	0.8	6.1	18.6	28.9	45.6	100
Transfers	47.9	33.5	10.3	4.6	3.7	100
Gross Income	9.8	11.4	17.0	24.3	37.5	100
<b>UNITED KINGDOM (1982)</b>						
Market Income	0.6	8.0	17.5	26.5	47.5	100
Transfers	48.0	28.2	11.7	8.0	4.2	100
Gross Income	9.3	11.7	16.4	23.1	39.6	100

**Notes:** (a) Market income includes wages and salaries, entrepreneurial income, investment income, incidental capital income and private transfers

(b) Gross income equals market income plus public cash transfers

(c) Equivalent income is derived using an equivalent scale where the first adult = 1.00, the second adult = 0.7, (0.67 in the United Kingdom) and each child = 0.5.

**Sources:** Australian estimates derived from the 1981-82 Income and Housing Survey unit record file. Estimates for Norway and Sweden from Ringen (1986) Table 9, and for the United Kingdom derived from O'Higgins (1985) Table 8.2.

The reason for this is explained in Table 8, which looks at the composition of gross income rather than the incidence of income components across the quintiles. This table indicates that the proportion which transfers contribute to the gross income of the bottom quintile is much the same in Australia as elsewhere, despite its much greater degree of income targeting. This reflects the lower level of transfer spending overall relative to gross income in Australia, as shown in the final column in Table 8. It is this lower level of transfer spending which dampens the redistributive impact in Australia, despite the greater degree of income targeting in the Australian system.

This statistical analysis is thus consistent with the arguments presented earlier. Australia does indeed have a more highly targeted cash transfer system, but not one which is more redistributive. Because of this, Australia is characterized by less income inequality than Norway, Sweden and the United Kingdom before accounting for transfers, but by greater inequality in post-transfer incomes. What is of greatest relevance is the degree of inequality of gross income rather than the pattern of incidence of cash transfers itself. It is outcomes that matter rather than the structure of mechanisms used to produce them. On this basis, the results in Tables 7 and 8 indicate that Australia's selective social security system is not in fact highly redistributive, as often assumed. By implication, the results point to the dangers of increasing the extent of selectivity through additional income targeting. These measures will serve ultimately to further alienate lower income groups, undermine broad community support for social security and may well lead to more, not less, inequality.

## 6. Summary and Conclusions

The arguments presented in this paper have been wide ranging in their scope, although several underlying themes have emerged from the analysis. While the paper has focused exclusively on the Australian social security system, many of the arguments developed in the paper also have important implications for the Welfare State more broadly conceived. One of the more significant of these general themes, though hardly a new one, is the important impact of the broader economic environment on social security developments. Australia's current economic difficulties have further heightened this impact, although the arguments and international evidence presented early in the paper indicate that social security restraint is not a **necessary** condition for a return to improved economic growth. It is, however, clear that future economic developments, particularly those which impinge upon the labour market, will have important direct and indirect effects on future social security expenditures, as they have done in the past. An important consideration in this context is the extent to which those effects which have taken place in the long recession of the last decade will unwind as economic prospects improve, or whether they will remain as permanent influences on future spending levels.

A second important theme of the paper is its emphasis on the role of social and demographic factors in influencing social security developments. As the analysis in Section 3 indicates, social security expenditure growth in the last decade has largely reflected growth in the numbers receiving support rather than increased real benefit levels. Much of this growth in recipient numbers in turn reflects social and demographic, as well as economic, developments largely out of the control of the social security system. The

**Table 8**  
**Redistribution of Equivalent Income in Four Countries:**  
**The Composition of Gross Income**

	Quintiles:					
	1	2	3	4	5	Total
<hr/>						
<b>AUSTRALIA (1981-82)</b>						
Market Income	4.4	80.3	96.9	98.7	99.4	90.8
Transfers	95.6	19.7	3.1	1.3	0.6	9.2
Gross Income	100.0	100.0	100.0	100.0	100.0	100.0
 <b>NORWAY (1982)</b>						
Market Income	7.0	61.3	91.8	96.9	98.9	85.7
Transfers	93.0	38.7	8.2	3.1	1.1	14.3
Gross Income	100.0	100.0	100.0	100.0	100.0	100.0
 <b>SWEDEN (1982)</b>						
Market Income	6.1	43.3	88.4	96.4	98.1	80.8
Transfers	93.9	56.7	11.6	3.6	1.9	19.2
Gross Income	100.0	100.0	100.0	100.0	100.0	100.0
 <b>UNITED KINGDOM (1982)</b>						
Market Income	5.4	55.9	87.1	93.7	98.0	81.7
Transfers	94.5	44.1	13.0	6.3	1.9	18.3
Gross Income	100.0	100.0	100.0	100.0	100.0	100.0

**Notes:** (a) Market income includes wages and salaries, entrepreneurial income, investment income, incidental capital income and private transfers

(b) Gross income equals market income plus public cash transfers

(c) Equivalent income is derived using an equivalent scale where the first adult = 1.00, the second adult = 0.7, (0.67 in the United Kingdom) and each child = 0.5.

**Sources:** Australian estimates derived from the 1981-82 Income and Housing Survey unit record file. Estimates for Norway and Sweden from Ringen (1986) Table 9, and for the United Kingdom derived from O'Higgins (1985) Table 8.2.

analysis in Section 4.1 illustrates this point by indicating the extent to which social security spending will be heavily influenced by projected demographic developments associated with population aging.

Perhaps the broadest way in which social developments impinge upon the social security system reflects perceptions in the community of, and hence political support for, the system itself. This issue has been addressed at a number of points throughout the paper. Section 3 developed the point that the nature of the social security system has changed along with the composition of expenditure. These changes, a reflection of factors already alluded to, have been reinforced by the emphasis given to the role of social security in the alleviation of poverty. While this is perhaps an inevitable consequence of an income tested approach, it fails to acknowledge the diverse nature of the objectives which the different elements in the system are intended to achieve, a point elaborated on in Section 3.2.

Poverty alleviation implies greater emphasis on income itself as the eligibility criteria for income support, rather than the categorical approach on which the system is currently based. Income testing within the favoured categories is at best an imperfect way of achieving poverty alleviation if this is to be the major goal of the system. However, recognition of the diverse nature of social security payments indicates that poverty alleviation, while important, is by no means the only goal of the system. Equally important is provision of income support to those with ill-health which prevents workforce participation, and to all individuals as they pass through the more vulnerable phases of their life cycle. Indeed, the usefulness of the life cycle perspective on social security is an additional and important major theme which recurs throughout the paper.

Failure to fully acknowledge the full range of objectives of social security, accompanied by over-emphasis on poverty alleviation, has affected perceptions of the system and community support for it. In the current context, this approach, albeit unwittingly, has provided the strongest case for those who seek to further extend selectivist principles through, for example, income testing family allowance. There is a need in this context to reassert the role played by family allowance and the age pension in providing **income support for all** during particular stages of the life cycle. Once this perspective is adopted, the rationale for providing these benefits on a universal basis becomes immediately apparent. Continued over-emphasis on poverty alleviation will ultimately undermine the legitimacy of the social security system, even if it facilitates expenditure restraint and deficit reduction in the immediate term. What is of issue here is the degree to which short-run expediency is allowed to erode the longer-run viability of the social security system.

The results in Section 5 of the paper provide some interesting insights into the redistributive effect of social security cash transfers in Australia and their effect on income inequality. Using comparative income distribution data for four OECD countries, it is apparent that Australia's greater reliance on selectivity has produced a system which is more highly targeted than elsewhere, but less redistributive. Indeed, Australia is characterised by the lowest degree of inequality in original incomes but the highest degree of inequality in income after accounting for cash transfer receipts. This reflects the relatively low level of social security spending in Australia which, the paper argues, in turn reflects the selectivist nature of the

system itself. Acceptance of the crucial link between the nature of the system and the level of expenditure the community is prepared to support leads to rejection of the view that the more selective the system the greater its redistributive effect. Greater reliance on universalist principles may be an unpopular proposition in the current Australian context. But the fact that those countries which have adopted this approach are characterised by both more redistribution and less income inequality should at the very least lead to some serious questioning of the merits of the selectivist approach.

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**WINNERS AND LOSERS IN THE WELFARE STATE :  
RECENT TRENDS AND POINTERS TO THE FUTURE**

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In addressing the issue of winners and losers in the welfare state, I propose to examine the developments in the Australian welfare state which have taken place over the past two decades or so, and then draw some conclusions from this analysis. First, I will briefly consider the notion of the 'crisis' of the welfare state: what is the nature of this 'crisis' and what has caused it. Next, I will attempt to identify the changes in Australia which have produced winners and losers and who those winners and losers are. Finally, I will suggest that the future of the welfare state is going to be uncertain, unless we reassess our attitudes to and perceptions of what may be reasonably expected the welfare state to achieve.

In my analysis I use a conceptual framework which places the issues of the welfare state in the context of the whole economy and thus allows for the inclusion of some aspects and functions of the welfare state which are very important but are usually omitted from the analyses.

**The 'Crisis' of the Welfare State**

For some years now the welfare state has been perceived to be in a 'crisis'. The notion of 'crisis' emerged in the 1970s as a 'new' issue but there is not much that is new in the advanced arguments. Johnson (1986) has recently written that the debates on the welfare state in the industrialised countries of the Western world have a distinct ring of *deja vu*. The attacks from the so-called 'new right' do not represent much that is new. Neither is the new right 'new'; it represents roughly the same interests that were represented by voices of reaction in the 19th century and throughout this century. At certain periods of time these voices might have been muted but they never entirely disappeared. The nature of capitalism has not changed; on the contrary, what we now see on the global scene, and particularly in Australia, is the 'real face' of capitalism. What needs to be acknowledged on this score is the fundamental incompatibility of the welfare state principles (which are broadly the principles of social democracy) with the capitalist ideology and the capitalist system's mode of operation. At best, what may be expected is an uneasy accommodation between the two ideologies in which any social reform aimed to achieve a more equitable or more egalitarian society will always be vulnerable (Esping-Andersen, 1985).

At the same time, we also need to acknowledge certain weaknesses of the welfare state, which increase its vulnerability to the attacks from the right. It is important to consider why is it that the attacks on the welfare state find such a receptive ground in the community. To accept, or to reject, all criticisms wholesale is equally unproductive, and the rhetoric of defence can be just as harmful as the rhetoric of attack. As stated recently by a group of concerned analysts in Britain,

... the formal political debate over the future of the welfare state appears to consist of the exchange of platitudes and dogmas between occupants of entrenched positions and this style of arguments has no more been the province of the 'antis' than it has of the 'pros'. The defence of the welfare ideals against untruths is not best accomplished by the fabrication of further untruths, no matter how well intentioned. Thus, the unquestioning belief that the welfare state as it is presently constituted represents the embodiment of all that is good can be as detrimental to the cause of welfare as can the opposite. (Bean, Ferris and Whynes, eds., 1985:xiii)

Let us then look briefly at the arguments from the right. Essentially, they stem from the notion of the 'crisis' of the state which was put forward in the early 1970s by O'Connor (1973), Habermas (1973) and others, and was later interpreted as the 'crisis' of the welfare state (Offe, 1984). The nature of that 'crisis' has been perceived and interpreted in various ways: welfare provisions are too costly for the economy to bear; high rates of tax are a disincentive for the capitalists to invest, and welfare provisions are a disincentive for people to work; welfare destroys self-reliance and self-help; it benefits those who are least in need of assistance, and so on. There is not much hard evidence to support all these assertions but the rhetoric is pervasive and many people believe that the arguments are valid (e.g. they keep voting for Thatcher and Reagan, and they voted for Fraser).

On the left, the arguments are not always clear and often confused but the main argument (also shared with the 'concerned' critics who do not align themselves necessarily with any political ideology) is that the welfare state has not fulfilled its promises and expectations, i.e., it has not created a fairer and more egalitarian society. As stated by Pond and Popay,

The social services, the tax system and the social security system have not resulted in a major redistribution of resources from the richer to the poorer members of society. Instead they have tended to reflect the social and economic inequalities of the society on which they were superimposed. (1983:103)

Similar views are now held by many people who are not against the welfare state but who have reached a conclusion that redistributive policies in a capitalist welfare state do not achieve the desired (or ostensibly desired) results and the problem has to be tackled at the level of the market system itself. They point to the close relationship between social policy and economic policy, and argue that social reforms can achieve very little unless the economic policy is changed. For example, Miller argues,

Social policy cannot undo what economic policy harms ... Otherwise it becomes an 'economic policy for the poor' ... The citadel of economic policy itself must be breached if greater equality is to be achieved ... asking too much of social policy produces disillusionment ... Welfare state adherents have to address the issues of macroeconomic policy and economic structure so that the original distribution of income is less unequal, reducing the task of confronting the welfare state. (1985:62-63)

The situation in Australia certainly provides evidence to support Miller's assertion. Data on income distribution indicate a consistent trend towards greater inequality, especially in family incomes. I will return to this issue later. Here, I want to point out (as I have many times before) that the concept of income as defined for the purpose of taxation is outdated and grossly distorting the reality of income distribution. There are two divergent trends in what is, and what is perceived and defined as, income: on the one hand, the forms of income have multiplied and continue to do so; on the other hand, the 'official' definition of income has remained almost static for many years. As a result, more and more income at the higher levels of the income scale eludes taxation. I call this a 'condoned tax avoidance' and 'condoned tax evasion'. The fortunes made over the past decade especially (a decade of recession!) have been made and continue to be made without attracting tax. I am very much aware of the conceptual difficulties in distinguishing between 'income' and 'capital gain' but these distinctions are essentially 'accounting conventions' developed by the rich (or their servants) to enable them to evade their share of responsibilities to the community from which they extract their wealth. This is an issue which the economists are conspicuously reluctant to tackle. I would suggest that if some of the effort which is now devoted to such analyses as 'poverty lines', 'equivalence scales', etc. were devoted to the analysis of the processes of wealth acquisition, there might be some hope that the community would be in a better position to understand what is really going on. I am naive enough to suggest that if someone doubles his fortune in a year or in the space of a few days through manipulation on the stock exchange or through a takeover, that value has to come from somewhere because no real wealth is produced in that process. Who bears the cost is a very interesting question, and if someone can explain this and convince the government and the community that **such acquisition of wealth is income** extracted from others, that person will have a place in history alongside Keynes, Marx, Ricardo and Smith. I am prepared to argue that such acquisitions of fortunes are forms of extracting the surplus value of human labour, but the mechanics of the extraction process elude me because I do not have the insight into the operation of the market forces' 'invisible hand'.

I have raised this issue to demonstrate the incompatibility of the principles which ostensibly guide social policies of welfare-state governments and the ideological and economic context in which such policies are expected to achieve certain objectives, e.g., a more egalitarian society. In Australia, as in other Western capitalist states, despite increases in expenditure on income support and other services, the inequality has been on the increase. Secondly, inequality has been again made 'scientifically' respectable and has now become ideologically and morally acceptable. Thatcher and Reagan have successfully achieved this, and the trend is well on the way in the same direction in Australia. Thus the welfare state which was expected to countervail the inequalities generated by the capitalist system now increasingly reflects the values of capitalism. Indeed, the functions performed by the welfare state enable the capitalist system to survive and flourish.

### **The Welfare State and Its Functions**

The capitalist system is the context in which the welfare state performs certain functions and is expected to achieve certain objectives. Therefore, in order to appreciate the nature of the issues involved in the

current 'crisis' debate, the welfare state needs to be perceived in a conceptual framework which allows for the examination of its functions in that context. Studies of social policies in Australia rarely take such an approach. By and large, Australian literature on the welfare state has focused on the redistributive function of social policies and on the provision of certain 'welfare' services, perceived mainly as services for 'the poor' or 'the disadvantaged'. Studies of state activities in other areas, such as health and education, have been conducted in similar 'truncated' perspectives, without much attempt to place the issues in the overall conceptual framework, or theory, of the welfare state. Certainly, there have been attempts to relate the issues of 'welfare' to a wider social theory of the state (e.g. Graycar, 1979) but the prevalent approaches have tended to focus on empirical analysis of certain aspects of social policy and social administration, without relating the analysis to any particular theory of the state, class structure, or the economy as a whole.

In this paper the welfare state is examined in the conceptual framework developed in a number of research monographs published elsewhere (e.g. Jamrozik, 1983a, b, and c; 1984a and b; 1986a and b). In this framework, the welfare state is conceived of as a political organisation which comprises both the public and private sector of the economy and (apart from other functions such as the maintenance of social order and social control) performs two important economic and social functions: ensuring the **physical survival** of its citizens; and enhancing their **social functioning**. The two functions are distinct from each other, but they are interrelated, and the services the state provides may entail either or both functions. This concept of the welfare state is primarily a heuristic device designed to facilitate the identification of the nature of certain provisions, the auspices under which the provisions are made, and, above all, the value of the provisions to the recipients as well as, in certain cases, to the providers of services (a two-dimensional schematic model of the concept is presented in Figure 1). The conceptual framework allows for the inclusion in the analysis some of the state's activities which tend to be taken for granted and are thus not considered to be 'welfare' provisions, such as employment, health and education. This allows for the identification of some 'real' beneficiaries of the welfare state who are not seen (and do not regard themselves) as such.

The concept of social functioning needs a brief explanation. In the meaning given to the concept here, social functioning depends on the provision of, and access to, an adequate quantity and quality of material resources sufficient for the achievement of a certain minimum standard of living and a certain quality of life. In economic terms, social functioning depends on a person's or family's ability to 'achieve a command over resources through time' (Titmuss, 1974:64). This means the capacity to consume a certain flow of goods and services which are necessary for survival in the physical sense (e.g. nutrition) but also the access to, or the possession and control of, certain stocks of goods and services, such as housing, education, and income security. Access to credit in contemporary society is another important component for effective social functioning. The concept of social functioning is thus based on certain normative assumptions and 'taken for granted' expectations present in the society about what a person can achieve in the course of his or her life.

FIGURE 1: SCHEMATIC MODEL OF THE WELFARE STATE

Provisions related to recipients' survival	Provisions related to recipients' social functioning
<b>1. The State (the Public Sector)</b> (Aggregate allocations - Administration - Service delivery)	
Direct cash transfers (e.g. pensions, benefits - means tested)	Services mediated/delivered by administrators and professionals (e.g. health, education, etc.)
Universal cash transfers (e.g. family allowances)	Tax concessions
	Public Sector employment
<b>2. Intermediate (State/Private 'Non-Profit' Sector)</b>	
Direct transfers (e.g. emergency relief assistance: cash, food vouchers)	Health, education, early childhood services, organised religions
	Publicly financed/Subsidised employment
<b>3. The Market (the Private Sector)</b>	
Production and distribution of goods and services	
Low-grade employment (manual, unskilled, part-time)	High-grade employment (professional, technical, managerial, executive)
High-cost credit (e.g. hire-purchase)	Financial and commercial market (investment, credit, capital formation)

In the analyses of government expenditure it is a convention to distinguish between expenditure which is, in the first instance, social, such as expenditure on education or health; and other expenditure which meets the cost of administration or aims to stimulate employment directly, such as concessions to business and industry. At the same time, it is important to note that irrespective of the aim of expenditure, there is always a recipient, or beneficiary, at the receiving end, irrespective of the nature of expenditure. In the conceptual framework outlined here a distinction is made between **aggregate allocation** and **unit of allocation** or unit of consumption: the first identifies the funds allocated to a population group and/or for a specific function; the second identifies the recipient. The distinction is important because the path between aggregate allocation and the unit of consumption is not always direct. In cash transfers the path is fairly straightforward, involving a relatively small number of mediators, that is, persons involved in the administration and allocation of funds to the recipients. A different matter entirely takes place in the provision of non-cash collective services, such as education and health, as the cost of these services consists almost entirely of incomes earned by the providers of services, the service itself being of a 'non-tangible' nature in direct cash terms, although it may have an economic value to the recipient, in due course. The first and direct beneficiaries of such expenditure are the providers of services who receive the benefit of employment and corresponding salary or wages. Social expenditure, therefore, which aims to enhance the social functioning of the recipient, more often than not enhances the social functioning of the provider of service, in the first instance.

Most debates about the welfare state tend to revolve around distribution or, rather, redistribution. What is primary distribution and secondary distribution, or redistribution, is to a large extent an arbitrary distinction which distorts the reality of the allocation of resources in the welfare state (Rein, 1983:3). It also detracts attention from the primary function the state performs, that is, the allocation of resources through the management of the economy, and the first and foremost concern in this function is the maintenance of employment. The policy of full employment was regarded to be the primary objective and an integral part of the welfare policies by the early social-democratic post-war governments in both Britain and in Australia (in Australia, it was even written into the Commonwealth Bank legislation); it is still actively, and fairly successfully, pursued by the social-democratic governments in such countries as Sweden and Austria. As recently stated by the Director-General of the Austrian National Bank, 'Full employment is the hard core of the welfare state ... With the loss of full employment, the welfare state loses its underpinnings' (Kienzl, 1984:47).

The issue of employment received relatively little attention from the writers on social policy in the 1950s and 1960s, because full employment was at the time 'taken for granted'. This lack of attention has since been acknowledged as a serious omission from social policy analysis. As stated by Sinfield,

Our mistake over the last decade and a half - if not since the war - has been to forget the political and social primacy of full employment and to let it become a matter for economists to discuss in largely technical terms. (1983:61)

Sinfield argues that no improvement in social policy can be achieved unless the problem of unemployment has been solved. Unemployment has been recognised as the main cause of poverty and a source of social division. For example, Pinker observes that the majority of the population in Britain today are not poor and, similarly to the experience of the 1930s, '... the real distinction is between those who have jobs and those who do not' (1985:185).

The welfare state has certainly failed in maintaining full employment in most industrialised countries of the capitalist West, including Australia, and unemployment has become endemic in certain sections of the labour force. At the same time, the welfare state has been the source of new opportunities of employment for professional, administrative, and related white-collar occupations. The unequal opportunities for employment have thus created new inequalities and new social divisions and have contributed to the 'crisis' of the welfare state.

### **Changes in the Australian Labour Market, 1966-1985**

A brief summary of the changes in the structure of the labour market over the past two decades will indicate how the unequal opportunities in access have arisen. Certain trends in these changes are clearly discernible, and six features of these changes are of particular relevance to the identification of 'winners' and 'losers' in the Australian welfare state.

First, over the past 20 years there has been a clear growth of employment in white-collar, or non-manual, occupations, and much of that growth has occurred in the industrial sectors which may be defined as 'management industries', as their function is the management of material and human resources in the economy, e.g. finance, property in the private sector, and public administration and community services in the public sector. Employment in these industries has accounted for the major share of growth in total employment, especially for the major share of growth in professional and technical occupations. At the other end of the spectrum there has been a relative shrinkage of employment in industries employing the bulk of manual labour, and a decrease in absolute numbers of employed persons in manufacturing industries and in agriculture. The trend in the labour market has thus been two-dimensional, entailing a shift of employment in the structure of industries as well as a shift in the occupational structure, with a high degree of correlation between the two dimensions. The highest degree of correlation has occurred between the sector of industry defined by the ABS as community services and the occupational group composed of professional, technical and related occupations, each of these groups (industry and occupation) recording the highest rate of growth, both in absolute and relative terms (Table 1).

Second, the labour force in the expanding industries has been filled by both men and women, especially by the latter. The changes in the female labour force have thus been more extensive than in the male labour force, both in quantitative and qualitative terms (Table 2).

Third, there has been a growth of part-time employment. This growth needs to be seen with an important qualification in that part-time employment has become particularly prominent among young people in the 15 to 19 year age group. Among employed persons 20 years and over there are considerable



differences between the rates for men and those for women, married women recording particularly high rates of part-time employment.

Fourth, there has been a growth of unemployment, not only in numbers but also indicating a trend toward unemployment in certain occupational groups. This is evident in the increasing length of mean duration of unemployment and in the reducing ratio between the numbers of unemployed persons and those receiving unemployment benefits from the Commonwealth government (Table 3).

Fifth, there has been a significant increase in the levels of educational qualifications of the labour force. Again, although this change has been characteristic of both sexes, it has been more prominent among women, thus narrowing the differences between the sexes which existed earlier. According to the ABS data (1984, 4101.0), in 1968-69, 24.6 per cent of full-time, full-year, employed persons had some post-school qualifications; by 1981-82, that proportion had doubled to 48.6 per cent (men: from 3.7% to 9.1%; women: from 1.8% to 7.5%).

The level of educational qualifications in the labour force appears to have increased at a faster rate in more recent years. The ABS has been recording the data on this aspect regularly once a year only since 1979 (in February), and the comparison of data between 1979 and 1985 indicates that over this relatively short period of time the numbers of employed persons with post-school qualifications increased by 29.6 per cent while those without such qualifications actually fell by 3.8 per cent. The rate of employed persons with degree qualifications recorded the highest increase (56.0%) and for employed women it had doubled (men: 38.9%; women: 104.5%). It thus appears that post-school qualifications have become an essential prerequisite for securing employment.

How important has education become in securing employment and in the quality of employment is indicated by the data in Table 4. Holders of post-school qualifications, especially those with degrees, now record higher participation rates in the labour force, lower rates of part-time employment, lower rates of unemployment, and, if unemployed, their duration of unemployment is considerably shorter than among the persons without post-school qualifications. The differences in participation rates for women are especially significant, as women with degrees record rates nearly twice those of women without post-school qualifications (76.6% against 40.7%).

Employment for persons with post-school qualifications also means work with higher pay. The ABS data recorded in 1981-82 indicate that persons with tertiary degrees command incomes considerably higher than the 'early school leavers' and, furthermore, their incomes tend to rise throughout their working years until the age of 55 years, while the incomes of early school leavers start at a lower level, increase only marginally until about mid-40s and then begin to decline (ABS, 1984:6502.0).

Finally, a significant factor in the structural changes in the labour market has been the growth of employment in the public sector which is now the largest single employer in the labour market. In Australia, a major proportion of Commonwealth expenditure goes into salaries and associated costs, and the situation is similar in States' expenditure. The expenditure on salaries by the States is high because the States, more than the

Table 1 : Changes in Employment Structure, Australia, 1966-1985

Industry/Occupation	Employed Persons				Change 1966-1985	
	1966 N	1985 N	N	%	Relative <sup>(1)</sup> % points	Relative <sup>(1)</sup> Rate of Increase
<b>Industry</b>						
Community services	486	1155	+669	+137.7	+99.9	3.64
Finance, property & business services	294	664	+370	+125.9	+88.1	3.33
Mining	58	102	+44	+75.7	+37.9	2.00
Public admin., utilities & communications <sup>(2)</sup>	367	610	+243	+66.2	+28.4	1.75
Recreation, personal & other services	287	429	+142	+49.5	+11.7	1.31
Transport & storage	270	375	+105	+38.9	+1.1	1.03
Wholesale & retail trade	994	1319	+325	+32.7	-5.1	0.87
Construction	406	469	+63	+15.5	-22.3	0.41
Manufacturing	1233	1102	-124	-10.1	-47.9	-
Agriculture & related industries	430	414	-16	-3.7	-41.5	-
All industries	4824	6646	+1822	+37.8	0.0	0.00
<b>Occupations</b>						
Professional, technical, etc.	473	1052	+579	+122.4	+84.6	3.24
Clerical	729	1209	+480	+65.8	+28.0	1.74
Service, sport, recreation	396	644	+248	+62.6	+24.8	1.39
Sales	398	607	+209	+52.5	+14.7	1.66
Administrative, executive, managerial	330	450	+120	+36.4	-1.4	0.96
Transport & communication	303	334	+31	+10.2	-27.6	0.27
Trades, process, work, labourers, etc.	1731	1895	+164	+9.5	-28.3	0.25
Farmers & other primary	473	455	-10	-2.2	-40.0	-
All occupations	4824	6646	+1822	+37.8	0.0	0.00

Source: ABS (1980) *The Labour Force Australia, 1978*; Cat. No. 6204.0  
 ABS (1985) *The Labour Force Australia, August 1985*; Cat. No. 6203.0

(1) Relative % points to the total growth of employment (37.8%) and relative rate of growth (e.g. Community services:  $137.7/37.8 = 3.64$ )

(2) Includes: Public administration; electricity, gas, water supply; communications.

Table 2 : Changes in Employment, Australia, 1966-1985  
Management Sectors and White Collar Occupations  
(N = '000)

Industry/Occupation	Persons Employed				Increase	
	1966		1985		1966-1985	
	N	%	N	%	N	%
<b>All Persons Employed</b>						
All industries/occupations	4824	100.0	6646	100.0	1822	37.8
Management Sectors <sup>(1)</sup>	1147	23.8	2429	36.5	1282	111.8
- Community services	486	10.1	1155	17.4	669	137.7
White collar occupations <sup>(2)</sup>	1532	31.8	2712	40.8	1180	77.0
- Professional, technical, etc.	473	9.8	1052	15.8	579	122.4
<b>All Industries/Occupations</b>						
All persons employed	4824	100.0	6646	100.0	1822	37.8
- Men	3366	69.8	4089	61.5	723	21.5
- Women	1458	30.2	2557	38.5	1099	75.4
- Married women	761	15.8	1504	22.6	743	97.6
<b>Management Sectors</b>						
All persons employed	1147	100.0	2429	100.0	1282	111.8
- Men	660	57.5	1221	50.3	561	85.0
- Women	487	42.5	1208	49.7	721	148.0
- Married women	191	16.7	583	24.0	392	205.2
<b>Community Services</b>						
All persons employed	486	100.0	1155	100.0	669	137.7
- Men	198	40.7	423	36.6	225	113.6
- Women	288	59.3	732	63.4	444	154.2
- Married women	125	25.7	444	38.4	319	255.2
<b>White Collar Occupations</b>						
All persons employed	1532	100.0	2712	100.0	1180	77.0
- Men	851	55.5	1268	46.8	417	49.0
- Women	681	44.5	1444	53.2	763	112.0
- Married women	282	18.4	816	30.1	534	189.4
<b>Professional, Technical, etc.</b>						
All persons employed	473	100.0	1052	100.0	579	122.4
- Men	279	59.0	576	54.8	297	106.5
- Women	194	41.0	476	45.2	282	145.4
- Married women	71	15.0	275	26.1	204	287.3

Source: ABS (1980) *The Labour Force Australia*, 1978; Cat. No. 6204.0.  
(1985) *The Labour Force Australia*, August, 1985; Cat. No. 6203.0.

- (1) The management sectors include the ABS classifications of public administration, utilities (electricity, gas and water supply) and communications; finance, property and business services; and community services. (Note: public administration, utilities and communications were aggregated as one sector in the ABS data until 1978; to avoid distortion in comparisons, these sectors have been aggregated for 1985 as well.)
- (2) The white collar occupations include the ABS classifications of professional, technical, etc; administrative, executive, managerial; and clerical occupations.

Table 3 : Unemployment, Australia, 1966-1985  
(N = '000)

The Labour Force		1966	1971	1976	1981	1985	Ratio 1985-1966
<b>Labour Force</b>	N	4902	5608	6191	6733	7217	1.5
Employed	N	4824	5116	5898	6356	6646	1.4
Unemployed	N	79	93	293	377	571	7.2
"	%	1.6	1.7	4.7	5.6	7.9	-
Mean duration of Unemployment (weeks)		3.0	6.6	17.5	35.1	49.5	16.5
<b>Unemployment Benefits Paid</b>	N	20	19	188	315	561	28.1
Ratio of Unemployed to benefits paid		4.0	4.9	1.6	1.2	1.0	-

Source: ABS (1980) *The Labour Force Australia, 1978*; Cat. No. 6204.0.  
(1981) *The Labour Force Australia, August 1981*; Cat. No. 6203.0.  
(1985) *The Labour Force Australia, August 1985*; Cat. No. 6203.0.  
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Note: Labour force data for the month of August.  
The number of unemployment benefits paid as at 30 June.

Table 4 : Educational Attainment of the Labour Force, Australia, February 1985  
(N = '000)

Characteristics		Total Labour Force*	With Post-School Qualifications		Without Post-School Qualifications
			Total	With Degrees	
<b>All Labour Force</b>	N	7250	3071	686	4062
	%	100.0	42.4	9.5	56.0
Employed	N	6576	2906	663	3585
	%	100.0	44.2	10.1	54.5
Unemployed	N	674	165	24	477
	%	100.0	24.5	3.6	70.8
<b>Men</b>					
In labour force	N	4463	1989	448	2427
Participation rate	%	77.3	86.1	88.7	75.1
Employed	N	4073	1894	436	2143
Employed part-time	%	5.7	3.6	4.4	6.1
Unemployed	N	390	94	13	284
Unemployment rate	%	8.7	4.7	2.8	11.7
Mean duration of unemployment (weeks)		51.9	40.3	30.6	57.4
<b>Women</b>					
In labour force	N	2787	1082	238	1635
Participation rate	%	47.0	64.9	76.6	40.7
Employed	N	2503	1012	227	1442
Employed part-time	%	35.8	30.7	22.9	37.2
Unemployed	N	283	71	11	193
Unemployment rate	%	10.2	6.5	4.7	11.8
Mean duration of unemployment (weeks)		34.6	29.4	27.4	42.5

Source: ABS (1985) *Labour Force Status and Educational Attainment, Australia, February 1985*; Cat. No. 6235.0.

\* Total labour force includes persons 15-20 years still at school.

Commonwealth, provide personal services - directly or indirectly - rather than cash transfers. Recent data indicate that, in March 1986, 1,726.5 thousand persons were employed in the public sector, accounting for 30.9 per cent of all employed persons in that month: of these, 434.2 thousand (25.1%) were employed by the Commonwealth, 1,136.4 thousand (65.8%) by State governments, and 155.9 thousand (9.0%) by Local government bodies (Blandy and Kain, 1986). In 1966, public sector employment accounted for 24.4 per cent of all employment (Castle, 1986:98). Thus public sector employment has grown faster over the past two decades than employment in the private sector, although the rate of growth has slowed down considerably since the mid 1970s.

However, generation of employment through government expenditure does not occur only in the public sector; employment is also generated and maintained through government purchase of goods and services in the private sector. These goods and services may be either 'economic' (e.g. buildings) or 'social' (e.g. health services). The most important area, and one which accounts for some of the changes in the labour market and corresponding changes in the class structure is the sector of industry defined as 'community services' which includes health, education, welfare and related services. This sector may be regarded as the public sector, although there is a significant element of the private sector in it, mainly in the 'free' professions such as health and law, but also to a lesser extent in education and welfare. The division in community services between private and public sectors is not clear-cut, as its private sector is to a large extent financed by public expenditure, either directly (as, for example, in tertiary education) or indirectly (as in health, where the medical profession is 'free' but uses public facilities for practice and its income is to a large extent supported by the Medicare scheme).

Community services has been the fastest-growing sector and the growth of employment in this sector continued over the whole period examined here, even in the years when total employment was at a standstill or in decline. It is also a labour-intensive sector and the most professionalised, accounting (in 1985) for 60 per cent of all employed persons in professional and technical occupations and for close to half (44.9%) of employed persons with degrees or equivalent qualifications. People employed in community services are in the 'public' and in the 'private' labour market but most of their income comes from the Commonwealth and State expenditure on health, education, welfare and community development.

In summary, the data on the labour market in Australia over the past two decades indicate that the changes in the structures of industries and occupations over that period have been of considerable significance, and the role of the state in those changes is clearly evident, considering the allocation of government expenditure to the areas of activity in which employment has registered the fastest growth. In other words, while there are many **consumers** of services and benefits provided by the welfare state, the first beneficiaries of government expenditure are the **providers** of services whose economic and social well-being derives from employment generated by that expenditure.

### **Changes in the Labour Market and Social Structure**

It is of significance that the structural changes in the labour market have affected the employment pattern of both sexes. The entry of women,

especially of married women, into the expanding industries and occupations cannot therefore be disregarded as an important factor in the changing socio-economic structure of society and, by inference, the class structure.

The first and easily identifiable effect is on the distribution of individual and especially of family incomes. On recent accounts, approximately 60 per cent of employed women (58.8% in August 1985) are married (the ABS includes 'de facto' relationships as marriage). With due qualifications that need to be borne in mind in regard to the number of hours worked and corresponding levels of pay, married women in employment represent two-income families. According to the ABS data for 1981-82 (ABS, 1984, 6523.0) there were 2854 married couple units in which either the husband or both the husband and wife were employed: 47.5 per cent with only the husband employed, and 52.5 per cent with both husband and wife employed. The effect on the differences in income between the two groups is clearly evident (Table 5). The mean incomes of families in which only the husband was employed were from 30 to 50 per cent lower than the mean incomes of the families in which

Table 5 : Married Couples Income Units, Australia, 1981-82  
(N = '000)

Income Range per Week \$	Both Husband and Wife in Labour Force			Only Husband in Labour Force		
	N	%	% cum.	N	%	% cum.
0 - 199	120	8.0	8.0	183	13.5	13.5
200 - 279	98	6.5	14.5	227	16.7	30.2
280 - 359	140	9.3	23.8	333	24.6	54.8
360 - 439	180	12.0	35.8	230	17.0	71.8
440 - 519	230	15.4	51.2	134	9.9	81.7
529 - 599	221	14.8	66.0	83	6.1	87.8
600 - 699	203	13.5	79.5	57	4.2	92.0
700 & over	307	20.5	100.0	108	8.0	100.0
All income units	1499	100.0	100.0	1355	100.0	100.0

Dependent Children	Mean Income			Mean Income		
	N	%	\$ per week	N	%	\$ per week
None	593	39.5	558	406	30.0	374
One child	286	19.1	542	282	20.8	387
Two or more	620	41.4	530	667	49.2	406

Source: ABS (1984) Income and Housing Survey, Income of Income Units, Australia 1981-82; Cat. No. 6523.0.

both the husband and the wife were employed. Secondly, while in the latter groups close to one-half of family units (48.8%) had weekly incomes above \$520, only 18.8 per cent of one-income families had incomes above that level. In the highest income group (\$700 per week or above) the families with two incomes were 2.84 times more prevalent than one-income families (307/108 = 2.84).

A two-income family thus has a distinct advantage over a one-income family, other things being equal. Assuming that most people form families (i.e. marry or form relationships) within their own class, the shifts in the occupational structure of the labour market over the past two decades would have meant a significant shift in income distribution in favour of families in the professional, technical and other white-collar occupational groups.

There is considerable evidence to show that both men and women in white-collar occupations, especially in professional occupations come largely from the same class background. The two-income family is now much more frequently found among those occupations than in manual occupations. Whatever differences there might be *within* that large occupational group between specific occupations or between the sexes, the growth of white-collar and professional occupations has been very much a 'family affair'.

At the other end of the scale, there is also evidence of a relation in the husband/wife experience of unemployment. According to the ABS data for July 1984 (ABS, 1985, 6224.0), of all recorded unemployed men in that month, 133 thousand were married. Among their wives, 17.3 per cent were employed, 14.9 per cent were unemployed, and 67.8 per cent were not in the labour force. By contrast, in the family units where the husband was employed, 51.0 per cent of wives were also employed, 2.4 per cent were unemployed, and 46.6 per cent were not in the labour force. The unemployed husbands accounted for 4.8 per cent of all married men in the labour force but their wives accounted for 23.8 per cent of all unemployed married women. Thus unemployment also tends to be experienced by both sexes in the same family.

The structural changes in the labour force are reflected in the distribution of individual and family incomes. The ABS data on income distributions derived from surveys in 1973-74 and 1981-82 indicate that over that period the inequality in income distribution for families had increased (ABS, 1984, 4101.0). The increase in inequality had occurred through a greater share of total incomes received by families in the 7 to 9 deciles and a decrease in the share of incomes by families in the lowest 3 deciles. The shares of the top decile and of the 4 to 6 deciles remained almost unchanged. The distribution of incomes of individuals, on the other hand, indicates some increase in inequality for men and a decrease in inequality for women. These shifts in income distribution appear to support the indications discussed earlier, namely, the growth of employment for both sexes in professional, technical and other white-collar occupations, and the concentration of unemployment in families at the other end of the occupational scale. It may be assumed that families in which both husband and wife are employed in professional and related occupations will be found in the top 3 or 4 deciles of income distribution.

At the level of family or household income, it is now clear that the main source of income in the bottom 3 deciles comes from government cash transfers, i.e., pensions and benefits. These households consist mainly of

single-parent families and families in receipt of age pensions. In the upper deciles, the effect of two-income families (or more than two incomes in certain cases) is equally clear. Even allowing for differences in the size of households, recent data on reported incomes (ABS, 1986: 6530.0) indicate that the differences in per capita incomes are still substantial, being on average 4.4 times higher in the top decile households than in the bottom decile. Incomes for **household units** show a ratio of 13.6 to 1 between top and bottom deciles.

The distribution of income, especially at the family level, indicates the position of advantage a two-income middle-class family has over a one-income family which is now more frequently encountered among manual labour force. Parallel to this trend is also an indication of the growing entrenchment of unemployment at the lower end of the occupational scale, again affecting both sexes in the same families - a sign of a growing new 'underclass'.

Thus in the field of employment - the field of production - the middle-class has benefited from the structural changes in the labour market, and much of that benefit has come from what may be called the growth of the welfare state.

#### **The Australian Welfare State, 1966-1985**

Over the period examined in this paper Australia has experienced not only significant changes in the structure of its economy, as reflected in the structural changes of the labour market, but also changes of varied significance in the social policies of its successive governments. Of necessity, the latter changes are examined here only as they are reflected in government budget allocations.

The data on Commonwealth government expenditure over the period 1966 to 1985 reveal some interesting shifts in allocations with each change of government (Tables 6 and 7). Over the whole period, government expenditure, as a proportion of the Gross Domestic Product (GDP) had certainly increased but the increase was virtually arrested in the mid-1970s. Most of the increase occurred in the three-year period of Labor government, 1972 to 1975, and almost all of that increase was accounted for by a massive rise in social expenditure. The following seven years of the Conservative government saw a dramatic reversal of the trend, and the only increase over that period, in real terms (Table 7), was in social security and welfare. This was due mainly to the rise in payments of unemployment benefits and to the introduction of supporting mother (later, parent) benefits in 1973. There was also another, rather 'hidden' factor in that rise, viz. the replacement of taxation concessions for dependent children by family allowances which then appeared as expenditure in social security and welfare.

Social expenditure in the first three years of Labor government 1983 to 1986 rose only marginally, mainly in health through the re-introduction of the universal health insurance. Increase in expenditure on social security and welfare over this period was below the increase in total budget outlays and below the growth in GDP.

Notwithstanding the shifts in allocations with each change of government, the increase in social expenditure over the whole period 1966 to



1985 was, in real terms, 1.56 times greater than the increase in total government expenditure ( $4.16/2.67 = 1.56$ ) and 1.89 times greater than the growth of the GDP ( $4.16/2.20 = 1.89$ ). Secondly, while over the whole period the expenditure on social security and welfare remained the largest item in social expenditure, its growth remained constant in relation to total social expenditure (except during the seven years, 1976 to 1983). The constancy was maintained, despite a three-fold increase in the number of pensioners and beneficiaries, or more than twice the rate of population growth, over the same period (Table 8).

Expenditure on social security and welfare is the only area of government outlays in which most of the expenditure (around 90%) consists of direct cash transfers to pensioners and beneficiaries. All other areas have a large component of expenditure on salaries and associated costs (e.g. overheads, such as contribution to employees' superannuation and other 'fringe' benefits, accommodation, travel, equipment, etc.). Thus much of what counts as expenditure in such areas as health and education means income of the providers of services by way of salaries and associated benefits. On a gross estimate, over one-half and probably close to two-thirds of total government expenditure goes into salaries and associated costs, providing employment, hence income, of public servants and professionals and other (mainly white-collar) workers who are involved in the administration and provision of services.

In common perceptions and in much of the literature on social policy and social welfare, the recipients of 'welfare' are seen to be those receiving pensions and benefits, listed in Table 8. As most of these provisions are subject to an income and/or assets test, it may be reasonably assumed that the recipients are to be found in the low-income strata of the population. There are, however, other benefits the entitlement to which is not subject to income and/or assets tests. Chief among them are family allowances which, in 1984-85, were paid to 2,191,191 families and amounted to a total of \$1,505 million. The other form of benefit is through tax concession or rebate (now often referred to as taxation expenditure). In 1984-85 those concessions amounted to \$1,475 million, and the largest item in this category - \$878 million - was the dependent spouse (or daughter/housekeeper) rebate. Additionally, there are taxation concessions on employers' contributions to employees' superannuation which, in 1983-84, amounted to \$1,342 million for companies, and other rebates allowed for companies which amounted to \$2,247 million (Commonwealth Budget Papers 1986-87, Paper No.11).

The answer to the question 'who benefits from the public expenditure?' thus depends, first, on what is, or is not, included under the rubric of 'expenditure', and, second, on the identification of the recipients or beneficiaries. Leaving the issue of employment-generating expenditure aside for a moment, the allocation of social expenditure alone suggests that the beneficiaries of that expenditure are not confined to the lower strata of the population; on the contrary, in certain kinds of expenditure they come from all socio-economic strata, and often from the higher rather than the lower strata (Figure 2).

In the conceptual scheme outlined earlier, social provisions generated through public expenditure are classified according to the purpose they are expected to achieve, i.e., **survival** and/or **social functioning**. It is

Table 6 : Commonwealth Government Budget Outlays, 1966-67 to 1985-86

Outlay Item	1966-67		1972-73		1975-76		1982-83		1985-86		Increase * Ratio 1966-67/1985-86
	\$M	%	\$M	%	\$M	%	\$M	%	\$M	%	
Education	141	2.5	442	4.3	1,846	8.4	3,715	7.6	4,914	7.0	7.51
Health	338	6.0	783	7.7	2,953	13.5	3,408	7.0	6,850	9.8	4.37
Social Security & Welfare	1,003	17.8	2,100	20.6	5,077	23.2	14,090	28.9	19,192	27.4	4.12
Housing & Community Development	182	3.2	126	1.2	970	4.4	786	1.6	1,466	2.1	1.73
Culture & Recreation	61	1.1	116	1.1	253	1.2	533	1.1	903	1.3	3.18
Total Social Expenditure	1,725	30.6	3,567	35.0	11,099	50.8	22,532	46.2	33,325	47.7	4.16
Defence	912	16.2	1,222	12.0	1,853	8.5	4,701	9.6	6,673	9.5	1.58
Economic Services	817	14.5	1,324	13.0	2,052	9.4	3,753	7.7	4,445	6.4	1.17
General Public Services	387	6.9	779	7.6	1,452	6.6	3,437	7.0	4,836	6.9	2.69
Total Direct Outlays	3,841	68.1	6,892	67.6	16,456	75.3	34,423	70.6	49,279	70.5	2.76
Payments to States, Northern Territory & Local Government	1,370	24.3	2,623	25.7	4,436	20.3	10,991	22.5	13,587	19.4	2.14
Public Debt Interest	432	7.7	674	6.6	968	4.4	3,378	6.9	7,053	10.1	3.52
Total Outlays	5,643	100.0	10,190	100.0	21,860	100.0	48,792	100.0	69,917	100.0	2.67
Gross Domestic Product	22,729		41,962		790,825		165,306		232,282		2.20
Total Outlays as % of GDP		24.8		24.3		30.9		29.5		30.1	+5.3
Social Expenditure as % of GDP		7.6		8.5		15.7		13.6		14.3	+6.7
Social Security & Welfare											
- as % of GDP		4.4		5.0		7.2		8.5		8.3	+3.9
- as % of Social Expenditure		58.1		58.9		45.7		62.5		57.6	-0.5

Source: Commonwealth Government: Parliamentary Papers 1967 (Finance)  
Parliamentary Debates 1975 (Representatives)  
Budget Papers 1977-78 and 1986-87

\* Increase ratio calculated on the basis of CPI, Base Year 1981-82 = 100.0;  
1966 = 30.4; 1985 = 141.1 (1972 = 38.1; 1975 = 54.5; 1982 = 110.4)

Table 7 : Commonwealth Budget Outlays, 1966-67 to 1985-86 (at Constant Prices)\*

Outlay Item	1966-67 \$M	1972-73 ** \$M Change %	1975-76 \$M Change %	1982-83 \$M Change %	1985-86 \$M Change %	Change Ratio 1966-67 to 1985-86
Education	464	1,160 150.0	3,387 192.0	3,365 -0.6	3,483 3.5	7.51
Health	1,112	2,055 84.8	5,418 163.6	3,087 -43.0	4,855 57.3	4.37
Social Security & Welfare	3,299	5,512 67.1	9,318 69.0	12,763 37.0	13,602 6.6	4.12
Housing & Community Development	599	331 -44.7	1,780 437.8	712 -60.0	1,039 45.9	1.73
Culture & Recreation	201	304 51.2	464 52.6	483 4.1	640 32.5	3.18
Total Social Expenditure	5,674	9,362 65.0	20,365 117.5	20,409 0.2	23,618 15.7	4.16
Defence	3,000	3,207 6.9	3,400 6.0	4,258 25.2	4,729 11.1	1.58
Economic Services	2,688	3,475 29.3	3,765 8.3	3,399 -9.7	3,150 -7.3	1.17
General Public Services	1,273	2,045 60.6	2,664 30.3	3,113 16.9	3,427 10.1	2.69
Total Direct Outlays	12,635	18,089 43.2	30,194 66.9	31,180 3.3	34,925 12.0	2.76
Payments to States, Northern Territory & Local Government	4,507	6,885 52.8	8,139 18.2	9,956 22.3	9,629 -3.3	2.14
Public Debt Interest	1,421	1,769 24.5	1,776 0.4	3,060 72.3	4,999 63.4	3.52
Total Outlays	18,563	26,745 44.1	40,110 50.0	44,196 10.2	49,551 12.1	2.67
Gross Domestic Product	74,766	110,136 47.3	129,954 18.0	149,734 15.2	164,622 9.9	2.20

Source: Commonwealth Government: Parliamentary Papers 1967 (Finance)  
Parliamentary Debates 1975 (Representatives)  
Budget Papers 1977-78 and 1986-87

\* CPI, 1981-82 = 100.0: 1966 = 30.4; 1972 = 38.1; 1975 = 54.5; 1982 = 110.4; 1985 = 141.1

\*\* Change = increase except where indicated by a minus sign

**Table 8 : Recipients of Pensions and Benefits, Australia, 1966-1985**  
(as at 30 June)

Category of Pensioner/Beneficiary	1966		1972		1975		1983		1985		Increase Ratio 1966-1985
	N	%	N	%	N	%	N	%	N	%	
Age Pensioners <sup>(1)</sup>	641,017	74.4	840,207	74.1	1,097,225	66.8	1,417,218 <sup>(4)</sup>	54.1	1,355,340	51.1	2.11
<b>Pensioners/Beneficiaries Other than Age Pensions</b>											
Widows Pensions <sup>(2)</sup>	68,606	8.0	92,784	8.2	120,791	7.3	164,606	6.3	159,915	6.0	2.33
Invalid "	119,930	13.9	154,994	13.7	197,709	12.0	277,300	10.6	335,017	12.6	2.79
Supporting Parents Benefits	-	-	-	-	36,015	2.2	140,228	5.4	158,281	6.0	4.39
Unemployment "	19,482	2.3	29,110	2.6	160,748	9.8	540,198	20.6	561,400	21.2	28.82
Sickness "	10,004	1.2	11,927	1.1	25,478	1.6	57,684	2.2	63,004	2.4	6.30
Special "	2,533	0.3	4,331	0.4	5,601	0.3	20,899 <sup>(4)</sup>	0.8	18,925	0.7	7.47
All Non-Age Pensioners and Beneficiaries	220,555	25.6	293,146	25.9	546,342	33.2	1,200,915	45.9	1,296,542	48.9	5.88
All Pensioners/Beneficiaries	861,572	100.0	1,133,353	100.0	1,643,567	100.0	2,618,133	100.0	2,651,882	100.0	3.08
Estimated Population 16 years + ('000)	7,969.8		9,270.3		9,633.1		11,373.4		11,731.3		1.47
Pensioners/Beneficiaries as %		10.8		12.2		17.1		23.0		22.6	
Employed Persons (August)	4,823.9		5,609.9		5,841.3		6,284.5		6,646.1		1.38
Pensioners/Beneficiaries as %		17.9		20.2		28.1		41.6		33.9	

Source: Department of Social Security (1985) Annual Report 1984-85  
Australian Bureau of Statistics, Labour Force Australia; Cat. No. 6203.0 and 6204.0

- (1) Men 65 years; Women 60 years
- (2) Includes A, B and C Widow pensions
- (3) Introduced in 1973
- (4) The highest number over the whole period 1966-1985

FIGURE 2 : PUBLIC EXPENDITURE (COMMONWEALTH) AND ITS BENEFICIARIES

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

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

generally accepted that the services related to survival (as conceptualised here), especially income support payments which are made subject to income and/or assets test, benefit mainly the low-income individuals and families or 'the poor'. However, there are indications that if the social control aspects of such provisions (e.g. inspections, surveillance) and the concomitant social stigma are removed or lessened, the provisions tend to become 'acceptable' and are claimed by the wider sections of the population.

This phenomenon has recently been examined by Goodin and Le Grand (1986) in relation to three means-tested income support payments in Australia: age, invalid and widow's pension (Class B). They refer to it as a phenomenon of 'creeping universalism' or 'the middle-class infiltration of the welfare state', and advance four hypotheses for its occurrence: boundary problem, bureaucratic empire building; behavioural responses of the applicants; and political pressure.

The boundary problem, the authors argue, arises from the difficulty of defining clearly the eligibility criteria and from imposing rigid cut-off points in a means test. The tendency of bureaucrats for empire building leads to seeking extensions of constituency (the population served) rather than to increasing benefits to a fixed constituency. The behavioural responses of the applicants change as the value of a benefit is recognised, thus creating something akin to a 'bandwagon effect'. It is also possible that as some people become poor, thereby qualifying for the benefit, some others can arrange their affairs in such a way that they can 'masquerade' as poor. The political pressure Goodin and Le Grand relate to the 'median voter'. They argue that, in any voting system, whichever political party gains the support of the median voter also gains power: in a two-party system, power to govern; in a multi-party system, participation in the governing coalition. Political parties thus seek to attract support of median voters by promising benefits for them, either as extension to the benefits received by other social groups, or more likely, benefits concentrated disproportionately on median voters. Goodin and Le Grand assume that median voters are found mainly among the middle class. They also note the effect of lobbying in which some groups are more capable and more active than others.

From their analysis of the three kinds of pensions in Australia mentioned above since their inception the authors were unable to demonstrate the validity of three out of four hypotheses; the one which they found to have considerable validity was the hypothesis concerned with the behavioural responses of applicants. They conclude,

... we have suggested that there are good reasons to suppose that the non-poor will invade some programmes originally targetted on the poor. We have provided evidence from three Australian programmes that this has actually occurred. We also suggested that the non-poor responded to the imposition of a means test by re-arranging their affairs, legitimately or illegitimately, so as to pass the test. (1986:17)

Goodin and Le Grand emphasise that their study was only exploratory and should be regarded only as a step in the research in what they consider to be an important issue in the welfare state.

If there has been an 'infiltration' of means-tested income support provisions by the middle class, the use of ostensibly universal provisions which are related to the recipients' social functioning may be called a middle-class prerogative. This is particularly evident in education - a significant prerequisite for a position of advantage in the labour market.

The education system in Australia has been well acknowledged in literature as one of the main sources of social inequality (e.g. Gilmour and Lansbury, 1978; Connell et al., 1982; Anderson and Vervoorn, 1983; Jamrozik, 1984c; Drury and Jamrozik, 1985). The reasons for this are many, and they cannot be examined here to any great extent. However, one of the acknowledged reasons (which has also been a source of on-going debate and controversy) has been the dual system of education - the division between government and non-government schools. The system is well entrenched, and over the past decade it has increasingly favoured the non-government sector, in terms of student numbers and allocation of public funds. In secondary schools, 25.9 per cent of students were in the non-government schools in 1966; that proportion declined to 24.1 per cent by 1975, and kept rising since then to 27.1 per cent in 1981 (Anderson and Vervoorn, 1983:23). The projected enrolments in non-government schools for 1986 were 26.3 per cent (Commonwealth Budget Papers 1986-87).

Three points need to be noted in regard to the student numbers in each system. First, the proportions of student enrolments do not mean that they apply equally to all levels of the system. The retention rates differ enormously between the two systems: in 1981 the retention rates for all schools were 40.6 per cent, but they were only 33.7 per cent in government schools, and 62.5 per cent in non-government schools. In the latter, the retention rates in Catholic schools were 51.3 per cent and in the other non-government schools they were 92.9 per cent, or nearly three times those of the government schools. As a result, while in the Year 8, government schools accounted for 72.9 per cent of all enrolments, in Year 12 the enrolments were only 63.4 per cent (ABS, 1982; 4202.0).

The second point concerns the transition from secondary to post-secondary education. This process is particularly illuminating. For example, in 1983, 259.1 thousand students 15 years of age or over left school; of those, 78.5 per cent were from government schools and 21.5 per cent from non-government schools. Of the total number who left school in 1983, 101.0 thousand (39%) enrolled in some kind of post-school education in the subsequent year, either full-time or part-time, and the proportions changed to 71.3 per cent and 28.6 per cent, respectively. Enrolments in full-time education further favoured the students from non-government schools, and at the top of the ladder - university enrolments, their proportion increased to 44.0 per cent (ABS, 1985:4111.0). It is relevant to note here the observation of Anderson and Vervoorn who say,

Viewed from a sociological perspective, the education system as a whole, and the secondary and post-secondary levels in particular, act as a series of filters allocating students to the various strata of the social structure and the workforce. (1983:2)

The third point concerns the socio-economic, or class, background of students who enter the tertiary education system, and particularly the

universities. Here, the evidence is that overwhelming proportion of them comes from families in which either the father, or both parents, are in professional or administrative occupations. From their extensive analysis of trends since the early 1960s (and in some cases beyond that period) Anderson and Vervoorn found that over 50 per cent of university enrolments are students from such families and the proportion of female students from such families tends to be higher than that of male students (1983:130-166). They say, '... the composition of student body has been quite select and remarkably stable over the years' (1983:16).

The operation of the education system is an illustration of the processes through which the consumption of publicly financed or subsidised collective provisions which facilitate the recipients' social functioning tend to favour the middle and the upper strata of society. Access to these provisions is arranged in a 'hierarchical' order, that is, in order to benefit from them the recipient has to be already in a position of advantage in the class structure. Thus, for example, in order to secure a place of advantage in the entry to the labour market, one has to complete post-secondary education but access to post-secondary education is itself facilitated by a person's and his or her family's position of advantage in the class structure. This somewhat circular process also indicates that the welfare state, rather than acting as a countervailing force to the inequalities generated in the capitalist market economy, serves to maintain or even reinforce these inequalities. In the education system, the inequalities are most evident at the tertiary level, but they begin at a much earlier stage, at primary and secondary levels, and now even in pre-school education (Sweeney and Jamrozik, 1984).

#### **Providers and Consumers of Welfare : Implications for Social Policy**

In the Australian federal structure the responsibility for social provisions is divided between the Commonwealth and the States. In the provisions related primarily to the recipients' survival, the Commonwealth provides income support through pensions and benefits and the States provide mainly non-material, personal services, emergency relief assistance (e.g. small cash payments or food vouchers) and some rebates on rents in public housing and on local government rates, as well as concessions on public transport. Most emergency relief, however, is provided by non-government welfare agencies which receive subsidies from both the Commonwealth and States to assist them in this function (Jamrozik, Drury and Sweeney, 1986).

Commonwealth pensions and benefits are received **as a right**: some are subject to certain criteria of entitlement, i.e. category of the recipient and a means test; others, such as family allowances, taxation concessions, are universal. In contrast, supporting services provided by the States and the non-government welfare sector are **discretionary**, provided not as a right but on the criteria of individually assessed needs (see Figure 3). It is the discretionary aspect of these services that makes the agencies which provide them into agencies of social control. The services these agencies provide are mainly non-material (except for emergency relief assistance), such as budgeting advice, crisis intervention, and a range of personal services which come under the name of 'counselling'. Receipt of a service is thus subject to the provider's evaluation of the claimant's needs and conduct.



Figure 3 : The Child and Family Welfare System  
A Model of Three-Level Intervention

Characteristic Variables	Levels of Intervention		
	Primary	Secondary	Tertiary
1. Provision of Service and/or Intervention	Universal	Selective	Highly Selective, or Residual
2. Mode of Service/ Intervention (a) Material/Financial (examples)	Tax Concessions Family Allowances Dependent Spouse Rebate Other Allowances and Pensions without Means Test	Unemployment Benefits Supporting Parent Benefit Family Income Supplement Public Housing Free Health Benefits	Emergency Assistance Relief (cash, food clothing, etc.)
(b) Non-Material/ Personal Services (examples)	Health Education Pre-Schools	Temporary Foster Care Alternate Care Counselling, Advice, Information	Youth Refuges Women's Refuges Homes, Institutions Training Centres
3. Provided by	Mainly Commonwealth (income); Other Services by Commonwealth or States	Commonwealth, States, Non-govt. Sector	Mainly States and Non-govt. Sector
4. Dominant Purpose	Support, Development	Support, Assistance	Assistance, Social Control
5. Functional Purpose (a) for Recipients	Support, Supplement Socialisation	Supplement Substitution	Substitution, Social Control Re-socialisation
(b) for Society	Social, Economic Facilitating Functioning	Social Maintenance Social Prevention	Social Defence Protection, Control
6. Rationale for Provision (perceptions)	Normal, Universal Need	Selective, 'Abnormal', Temporary Need	Malfunctions, Pathology 'Abnormal' Need
7. Entitlement/Claim	By Right	By Need	By Need or Coercion
8. Decision to Use by	Individuals Families	Parents, State, Non-govt. Agencies	State, Non-govt. Agencies
9. Participation	Voluntary	Compelled by Need, Moral Coercion	Compelled by Need, Legal Sanction/ Coercion
10. Recipients/ Beneficiaries	All Strata but Mainly Middle Classes	Mainly Low Income Strata, Working Class	Mainly the 'Underclass'

Source: Jamrozik, A., Drury, S. and Sweeney, T. (1986), Innovation and Change in the Child and Family Welfare Systems, SWRC Reports and Proceedings No.57, Kensington, University of New South Wales.

In social provisions related to the recipients' social functioning, the Commonwealth government provides relatively few services itself; it provides mainly funds for the States and the non-government sector, which are then used to provide health, education and other services. Here, the providers may certainly be regarded as members of the new middle class, as most of them are in professional, technical and other white-collar occupations. The recipients may come from all classes but evidence clearly shows that it is the middle-class recipients who mostly benefit from these services, both quantitatively and qualitatively. Thus, unlike in the case of provisions related to the recipients' survival where, in general, members of one social class provide services for members of another class, in provisions related to social functioning the providers and many recipients come from the same class. It may be expected, therefore, that in the former **class conflict** is likely to be present between providers and recipients while in the latter case there is likely to be a degree of **compatibility of class interests** between providers and middle-class recipients, together with some conflict of interests between providers and working-class recipients, as well as between middle-class and working-class recipients.

The issue of class relations in the provision of welfare services has received considerable attention in literature, although it tends to be perceived rather as an issue of administration and service delivery and explained by such factors as bureaucratisation and professional attitudes. It is evident, however, that middle-class recipients, on the whole, receive better quality of service generally and benefit particularly from the provisions related to social functioning (e.g. Room, 1979; Le Grand, 1982; Gilbert, 1982, 1983; George and Wilding, 1984).

It is most important, however, to bear in mind that the most significant benefit the middle class receives in the welfare state is employment and the material and social advantages which stem from it. As noted by such writers as Bell (1976:157), Western (1983:36) and many others, the state is the largest single employer in the contemporary industrial society. Furthermore, the state does not only provide employment, directly and indirectly, but provides especially employment for the middle-class, as well as services for the middle-class. As noted by Thurow,

Civilian government expenditure (roads, schools, parks) are heavily focused on the needs of the middle-class, but even more important, government is a major provider of middle-class jobs. Without government there would be fewer middle-class jobs, fewer middle-class incomes, and fewer middle-class families. (1980:158)

In a recent (1984) article on the welfare state in Britain, Le Grand argues that the professional and managerial classes, or, as he broadly defines them, the middle classes, hold the key to the welfare state and to its future because they constitute a powerful political force. He substantiates his argument by saying,

They are motivated, educated and articulate. They are disproportionately represented among the ranks of MPs and political activists in all major political parties. They have ready access to the media, and the techniques to exploit that access effectively. They have the wealth the time and the ability to form and support pressure groups that promote their concerns. Neither politicians nor civil servants (themselves part of the same social and economic stratum) can safely afford to neglect their views - or their interests. (1984:385)

Le Grand points out that the middle classes are involved in the welfare state in a threefold way: as taxpayers, as suppliers of services, and as beneficiaries. For this reason, he says, any 'welfare programme which has a significant proportion of middle-class beneficiaries is likely to have a strong supporting lobby' (1984:386). Le Grand attaches particular significance to the interrelationship between the providers and the recipients of services. He argues that, for political reasons, the services in which the providers and consumers come from the middle classes are less likely to be affected by budget cuts than the services in which the consumers come mainly from the working-class low-income groups.

The provision of welfare services, therefore, presents an issue of class relations and constitutes a significant problematic area in the welfare state. If, for example, Le Grand's argument is applied to the Australian welfare state, it becomes evident that in some areas (e.g. private and higher education, child care, etc.) these relations are based on **compatibility of interests**, while in others (e.g. child welfare services provided by the States, emergency relief assistance, etc.) the relations are based on **conflict of interests**. The evidence of the past two decades indicates clearly that these compatible and conflicting interests have led to distinct advantages gained by the more affluent strata of the population, especially to the advantage of the new middle-class. How these compatibilities and conflicts are resolved and translated into government policy from now on is also likely to be an important factor in determining the future of the welfare state in this country.

### **The Future of the Welfare State in Australia**

The future for the welfare state in Australia (as in the other countries of the Western world) will depend on many factors, and any forecasting would be highly speculative, especially within the limited scope of this paper. Some factors which are relevant to the issues raised in this paper can however be identified.

First, the future of the welfare state will depend on the government's services in reviving the economy and reduce unemployment. So far, the present government has achieved considerable success in that sphere, considering the situation it had inherited from the previous government and the adverse conditions on the global market. Unemployment has, at least, been reduced, and significant inducements have been provided for investment and export trade. The trade union leadership has shown a remarkable maturity and social responsibility. The same cannot be said of employers who behave as they have always done: seeking greater government controls over wages and trade unions while demanding more freedom for their own actions. To a large extent, the government has acceded to employers' demands. There have been

some positive aspects in the de-regulation of the economy but also some negative ones. The freeing of the financial market, for example, will continue presenting considerable problems for the government and may yet prove to be its undoing; it is difficult to manage the economy when one is at the mercy of stock-exchange speculators.

I will leave these issues aside, for others to debate. Of direct relevance to the issues I have raised earlier are government policies on employment and social expenditure. It is clear that the government sees the necessity to curtail and even reduce social expenditure. The important question is, in which areas the expenditure is going to be curtailed or reduced, and who are going to be the winners and the losers in these decisions.

Another important issue will be the attitudes in the community towards the welfare state, particularly the attitudes of the new middle class whose members, as I have demonstrated, have been significant beneficiaries of the welfare state - both as providers and as consumers of welfare. At present, there is evidence that the members of this class have developed considerable ability in making successful claims on the welfare state and have not always been averse to making claims to the disadvantage of others whose need is much greater.

A related issue is the abuse of the welfare system, or, as it is now commonly referred to, the 'welfare fraud'. As an example, the abuse of the social security system - **as it is now constructed and interpreted** - is widespread and can no longer be denied. It is written and talked about openly, not only by the Opposition and the 'new right' but also by the Government Ministers. The terms 'welfare fraud', 'welfare cheats' and 'welfare dole bludgers' are frequently used. One of the main purposes of the introduction of the Australia Card was to reduce the fraud in this area. So far, the press releases of the Minister for Social Security indicate that of the 4,000 persons receiving unemployment benefits who have been reviewed by his Selective Review Teams, one in four had the benefits cancelled (BLH 10/87, 13.2.87; BLH 17/87, 26.2.87). Of the 11,072 persons receiving supporting parent benefit who have been interviewed, 985 (8.9%) had their payments increased, 1,209 (10.9%) had their payments reduced, and 1,087 (9.8%) had their payments either suspended or cancelled (BLH 5/87, 28.1.87). The Minister keeps repeating that these numbers do not necessarily indicate the extent of fraud among all recipients, but the initial five Review Teams have now been increased to fifteen (BLH, 26.2.87), and the Minister states,

The results so far show that the team's targeting methods ... have been very effective. The review teams may also have significant deterrent effect beyond that recorded in the above statistics. Many clients may well no longer be applying for unemployment benefit because of their greater chance of being caught. (BLH 10/87, 13.2.87)

'In fact [the Minister states] this Government has initiated the most successful anti-welfare fraud campaign ever undertaken in this country' (BLH 19/87, 5.3.87).

It would be useful to know the characteristics of the persons who had their benefits terminated. Were they the 'middle class infiltrators' (as

defined by Goodin and Le Grand), or were they those who might have augmented their benefits by small additional earnings and had not learnt well enough how to 'work the system'? We will probably never know. It is clear, however, that the Government is aware of a widespread abuse of the system and wants to reduce it, thus reducing also the welfare bill.

Irrespective of the Government's success in controlling abuse and thus controlling public expenditure, the problem of unemployment is not going to disappear in the foreseeable future. This means that either the access to employment will have to be shared, or a significant section of the population will be excluded from the labour market and from the mainstream of social life and be thus dependent on public income support and/or be exploited in the 'black' or 'informal' economy. The first alternative is unlikely to happen, and the more likely second alternative will mean that a more-or-less permanent 'underclass' will be the feature of society. The welfare state will continue to be a 'two-tier' welfare state, with relative affluence for the majority and a residue on the margin or 'below the poverty line'.

I would argue that the present Australian government is unlikely to succeed in creating a fairer society because from inception it had set out to pursue mutually incompatible policies: implement social reforms and encourage a de-regulated 'free' market economy. Perhaps the government does not have a choice in the matter because of Australia's vulnerable position in the global market. This is not to deny that the government has introduced some reforms of value but each of these continues to be challenged, and none is secure.

The **Accord** with the trade unions (ACTU) has brought an unprecedented restraint in demands from those quarters but the employers and their organisations have continued to act as they always have; the more concessions they obtain, the bigger profits they make, the more they demand.

The re-introduction of the **Medicare** scheme was a great achievement. The scheme follows the principle of universality with equity in that services are available (in principle at least) to everyone and paid for according to one's income. The scheme is costly and perhaps it does not work as well as it could because it is exploited by some unscrupulous professionals.

The **tax on lump sum superannuation payments** was another 'gain', but it is resisted and threatened. So is the **fringe benefits tax**, and the extent of resistance and antagonism to this reform is an indication of the extent to which the fringe benefits have become a form of hidden welfare and tax evasion under the guise of 'production costs' (see Jamrozik, Hoey and Leeds, 1981). The **abolition of negative gearing** is another reform, although its effect is likely to be minimal because it can be easily overcome (e.g. it does not apply to corporations). There was another reform that, feasibly, could have had a partial redistributive effect - the **consumption tax** - but it came to nought because of the opposition from all quarters, including the middle-class welfare lobby who claimed to protect the interests of the poor.

Here, I enter a contentious issue because I think that in order to subscribe to the principles of a social-democratic welfare state we need to question some aspects of the current orthodoxy in the arguments of the welfare lobby. Whether through misconceptions or flawed theoretical thinking, the arguments coming from the welfare lobby tend to become

increasingly arguments for the protection of gains for the relatively affluent new middle class. I do not suggest that the middle class should be excluded from the benefits of the welfare state. I have consistently argued (e.g. Jamrozik 1983, 1984, 1986) that the foundation of the welfare state has to be universalism, and any selectivity has to take place within a universalist framework (as Titmuss and Marshall have argued). What I argue against is the attitudes and arguments which under the guise of 'selectivity', 'targeting', or 'horizontal equity' aim, deliberately or not, to obtain advantages for the relatively privileged sections of the population and often to the exclusion of the less privileged and the poor.

I have already demonstrated earlier that in the field of employment the main winners have been the middle-class individuals and particularly the middle-class families. The employment opportunities for both sexes in the expanding professional and related white-collar non-manual occupations has meant a closure of access to those occupations for the working class. Whether we like to admit it or not, the effect of the equal opportunity in professional employment for both sexes has been a factor in the growing class inequality. This is a dilemma of reconciling two principles of equality which are not easily reconcilable, but the problem should at least be acknowledged so that possible solutions could then be considered.

The opportunities in the labour market are closely related to education, and, as I have argued earlier, access to higher education remains grossly unequal and one of the reasons for this is a dual system of education. The welfare lobby is remarkably silent on this issue.

What has occurred in the early childhood services has been already examined at this Conference by Tania Sweeney. It needs to be pointed out that those services have been effectively 'appropriated' by the relatively affluent two-income middle-class families, and the poor have been virtually excluded; if they want to have even a minimal access they have to 'prove' their need - subject to review. The tradition of 'deserving' and 'undeserving' clients is again introduced into the system. It would be idle and dishonest to argue that this is not the case. When the minimum fee was to be increased to \$12 per week in 1986, the document from the Office of Child Care stated that not many low-income families would be affected because 'most low-income families do not use full-time care', and a minimum fee 'discourages families from inappropriate use' (Office of Child Care, 1985).

Of course, the middle-class child care lobby would argue that the main users of full-time child care are 'ordinary' or 'average' families. It is appropriate here to note the comments of Senator Grimes who was reported to say at the time the new arrangements were introduced,

It worries me a lot that some people who are activists in the childcare movement seem to be more concerned about looking after the interests of people at the higher end of the income scale than the people at the lower end .. (reported by Wyndham, 115.6.86)

One of the methods used to justify the demands for services or benefits to the middle-class recipients is to present these benefits or services as 'not welfare' but something else, e.g., health, education, child care. Now the same method is used in relation to family allowances, the argument being

this is not 'welfare' but a 'tax transfer'. I think, we should be clear on one thing: all welfare payments, in fact, all public provisions, including the salaries and benefits of all persons in the public sector, are tax transfers. If we do not like the name 'welfare', then we should perhaps dispense with the term entirely rather than engaging in semantics for the purpose of enhancing the interests of the relatively affluent.

This is not an argument against retaining the universality of family allowances. As I suggested at the Adelaide conference (July 1986, SWRC Reports and Proceedings No.61), the family allowances should be paid to all families with dependent children; they should be increased by at least 50 per cent and made taxable, thus maintaining the principle of universality with equity, as is the case with Medicare.

The other benefit under debate is the Dependent Spouse Rebate (DSR). The DSR might have given more benefit to the higher income families some 10 or 20 years ago but this is not the case now. It is the low-income family where one-income is now more frequent - the ABS data on participation rates clearly show this to be the case. It is thus remarkable that the welfare lobby argues for the abolition of the DSR. Is it because the middle-class families where both parents are so frequently employed no longer benefit from it? I have suggested that the DSR should also be increased but staggered in line with the recipient's income tax rate, with a complete cut-off point when the income of the recipient reaches, say, \$10,000 at the highest tax rate (49 cents). Those recipients whose income does not attract sufficient tax to claim full DSR, should be given a corresponding tax credit through a refund.

If we are to think in terms of 'tax transfers' rather than 'welfare', then it might be worthwhile to consider re-introducing tax rebates along the lines of the Hayden model (Commonwealth Budget 1975-76) for the cost of child support, combined with appropriate tax credits for those whose income is not sufficient to attract full rebate. Again, the rebate could be scaled, i.e., the lower the income the higher the rebate. This system could apply to all supporting parents, including the non-custodial parents, thus maintaining the principle of reducing the tax burden for those who are financially responsible for their children's maintenance. It would be possible to include in this system the present Family Income Supplement (FIS), thus simplifying the bureaucratic complexity, reducing administrative costs, and eliminate the necessity for people to prove their poverty if they want to receive FIS benefits. In order to ensure that people who are entitled to tax credits do not have to wait the whole year to receive these credits, a system of 'provisional tax credits', similar to provisional income tax, could be introduced.

To conclude, I want to repeat that, in my view, the principle of universality is the foundation of the social-democratic welfare state, and selectivity of services and benefits in favour of the economically disadvantaged and the poor can be effectively implemented within a universal framework. I am also aware that government resources are limited by the performance of the economy, but even with the current limitations a fairer system can be devised and implemented. The present government has been pursuing two mutually incompatible policies and it is unlikely that it can succeed in both. It has also endeavoured to capture and retain the middle-class allegiance, especially the new middle class. In that endeavour, it risks the danger of alienating the working-class and the 'underclass' who

then become an easy prey for the 'medicine men' from the Opposition and from the Deep North. This is what has happened in Britain and in the United States. But the allegiance of the new middle class is notoriously fickle; being aware of its voting power, it is also susceptible to the offers from both sides of politics. Moreover, as the examples I have given indicate, the middle-class welfare lobby has developed an interesting orthodoxy in its attitudes to the welfare state; not being content with being a beneficiary of the welfare state in the employment stakes, it also advocates policies which can lead to further inequalities in society. Unfortunately, similar orthodoxy has developed in some social research.

One thing is clear: the welfare state cannot exist without the support of the new middle class; neither can it exist without the support of the working class. To safeguard the future of the welfare state (and its own privileged position), the new middle class and the welfare lobby particularly might have to rethink some of their current orthodoxies in attitudes to and claims on the welfare state.

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**PUBLIC OPINION AND WELFARE POLICY :  
IS THERE A CRISIS OF LEGITIMACY?**

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**Approaches to the 'Crisis in the Welfare State'**

The Australian Welfare State is commonly perceived to be facing a crisis of legitimacy and to be coming under increasing attack from its critics. With this perception there is often the assumption that Australia is sharing this crisis with other western industrialised countries, and therefore much of the literature from, for example, Britain and Europe, is used in order to understand the causes, nature and effects of the supposed 'crisis'. There is certainly a sense of crisis in this overseas literature, and it is interesting to note that British writers are now seeing it as necessary to defend the idea of the welfare state in a more vigorous way than at any time since the early writings of Titmuss (Bean et al, 1985; Wilding, 1986).

There are three different theoretical approaches which can be discerned in the literature on the crisis in the welfare state, and it is useful to examine them before attempting to apply what might be called, 'welfare state crisis theory' to the contemporary Australian setting.

**1. The 'contradictions of capitalism' approach**

The first view of the crisis of the welfare state sees the apparent crisis as simply a manifestation of the contradictions of the late capitalist economic system. Taking a basic Marxist analysis, which views the capitalist system as likely to experience continuing and increasing contradictions as part of a historical process, this perception identifies parallel contradictions in the modern welfare state. These contradictions have been described by writers such as Gough (1979), Offe (1984), and O'Connor (1973), and help to explain the nature of the problems of modern welfare states, and the apparent ambivalence and often incapacity of governments when faced with hard social policy choices within the current economic climate.

This perspective allows little hope that governments will be able to resolve the problems of the welfare state by simple acts of policy development and policy change. The problems are of a basic structural nature, and therefore cannot be resolved without basic structural change which goes well beyond the normal scope of social policy. Policy changes are likely to create as many problems as they solve, and often only substitute one set of anomalies and injustices for another. Such a view is reinforced by research findings which point out the limited achievements of social policy in terms of bringing about a more just and equitable society (George and Wilding, 1984; Le Grand, 1982). The social services cannot by themselves be expected to resolve the basic contradictions of late capitalist society, contrary to the naive expectations of an earlier generation of

optimistic and theoretically inadequate Fabian social democrats. this 'contradictions of capitalism' perspective provides a degree of intellectual and analytical satisfaction, but it is only of limited assistance for government policy makers, who are required for practical reasons to make policy decisions within certain economic and political constraints.

## **2. The 'failure of ideologies' approach**

The second view of the crisis in the welfare state can be summed up by the simple statement 'none of the old ideologies has worked - we need something new'. The welfare state has been subjected to sustained criticism from both right and left, and the traditional Fabian basis of the welfare state has been unable to withstand this assault. Typical of this approach is Mishra's analysis (Mishra, 1984), which criticises both traditional socialist answers and also the position of the right (whether 'new' or 'old'), showing that both have weaknesses, and more importantly demonstrating that both have been tried and found wanting. Mishra's answer is corporatist policy making, attempting to bring together the leaders of business, labour and government in structures which emphasise commonality of purpose and which seek consensus solutions. This was a strategy which was warmly embraced in the early years of the Hawke government, but in the light of more recent experiences it must seriously be questioned whether it too should be classified with the other ideological positions as another 'good idea which hasn't worked'.

One concerning feature of the 'failure of ideology' position is that it can be used to justify almost any policy prescription, as long as that prescription has the appearance of being new. Advocates of either the far right or the far left, for example, can argue that their favourite ideology has not really been given a fair try, and should not have been so readily discarded. One consequence of accepting the 'failure of ideology' perspective can therefore be that it will serve as a justification (maybe a weak justification but possibly electorally popular) for extremist or for simplistic populist answers. Those who are understandably wary of simplistic analysis and populist politics should recognise the danger of providing an intellectual rationale for such policies by giving too much credence to a superficial 'failure of ideology' explanation of the crisis in the welfare state.

## **3. The 'crisis of theory' approach**

A third approach to the crisis in the welfare state is to question whether in fact there really is such a crisis of legitimacy. This view, argued in the British context by writers such as Taylor-Gooby (Taylor-Gooby, 1985; Taylor-Gooby and Dale, 1981), suggests that the legitimacy of the welfare state is still generally accepted by the public. The crisis is seen to exist largely in the minds of commentators and theorists who are aware of the weaknesses of the theoretical, intellectual and ideological justifications for the welfare state which have been uncritically accepted as conventional wisdom. It is, in other words, a crisis of theory, and the British public are seen as much more accepting of the welfare state and the idea of welfare than the commentators and conservative politicians would have us believe. Taylor-Gooby provides some empirical support for this view (Taylor-Gooby, 1985), and there is also some Australian evidence to support such a position (Coleman, 1985).

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The question is not a simple one of whether there is more or less public support for the welfare state per se. Taylor-Gooby's research suggests that some aspects of the welfare state have more public support and acceptance than others, and Le Grand has provided a theoretical explanation of which sort of services are more likely to receive such support, namely those with high levels of middle class participation (Le Grand, 1984).

This position does not deny that the welfare state is under attack. It rather identifies the sources of the attack as primarily with the theorists, politicians and commentators, and questions the assumption of generalised public disillusionment with the idea of collectivist welfare.

These three approaches to the crisis of the welfare state are not mutually exclusive. Taylor-Gooby, for example, places his analysis firmly within a structural perspective which recognises the contradictions of the capitalist state, and the limitations of any welfare system operating within these parameters in achieving any significant change towards a more just society. Nevertheless, the three approaches do raise different sets of questions to be answered, and provide alternative rationales for different approaches to social policy development as a response to the crisis in the welfare state. The significance of the 'crisis of theory' approach is that it requires us to take note of the issue of public opinion rather than just abstract theory, and it provides some scope for the social policy maker to utilise what social commitment may still be reflected in public opinion, in developing and implementing social policies.

In applying this theoretical material, primarily developed in European contexts, to the Australian welfare state, a degree of caution is required. It might be argued that the welfare state in Australia has never had the degree of legitimacy which is assumed by writers in the British tradition - Australia has had no equivalent of the Beveridge Report to act as a focal point providing coherence for social policy development, and in many ways Australia has lagged behind other developed nations in post-war welfare state development (Castles, 1985). This can be seen as evidence of a lack of public commitment to collectivist notions of welfare, on which the British experience has been based. It would make little sense to talk about 'the collapse of the post-war Fabian consensus' in the Australian context, if it can be seriously questioned whether such a consensus ever existed.

Despite such reservations, it is still appropriate to apply the analysis of a crisis in the western welfare states to the Australian situation. Australia is part of the world capitalist economy, and Australia's dependence upon that economy, reinforced by recent Government moves towards financial deregulation, has become clear from the recent domestic consequences of international economic change. We share, for better or worse, not only a common economy, but also common ideologies, world views and cultural traditions with other western industrialised nations, as well as increasingly common mass media, and there are likely to be more similarities than differences in the kind of problems perceived by both governments and public opinion, and in the kinds of solutions which are proposed. We therefore share, at least to some degree, the crisis in the welfare state.

This paper will address itself primarily to the issues raised by the third of the theoretical approaches outlined above, namely the 'crisis in theory' approach. This is not to deny the validity, or the value, of the

other two approaches in understanding the nature of the crisis; indeed such a structural/ideological analysis is essential. But the 'crisis in theory' approach does raise the crucial question of public opinion, and that is the focus of this paper - to what extent is there still a public commitment to the idea of collectivist welfare, and how might government policy decisions reinforce or undermine this residual legitimacy?

### **Is the welfare state worth saving?**

Before proceeding further, it is important to examine the question of whether the welfare state is worth preserving, and whether the apparent crisis in the welfare state is necessarily undesirable. In part this is a value question, and the value premise on which this paper is based is that the welfare state is important, and that government has both a legitimate and a necessary role to intervene in the social and economic order to ensure at least some degree of social equity.

If one thing is clear after 200 years of western capitalism, it is that within such an economic order the family and the market alone are not able to ensure that the basic social needs of all the population are met. Some additional form of allocatory mechanism is needed if even very basic levels of minimum standards are to be retained for all. Those who advocate a strong anti-collectivist position, incorporating the withdrawal of the state from a social welfare function, and who claim that this will lead to a more just society where all people can have their needs met, are doing so in complete disregard of a substantial body of historical evidence (Fraser, 1973; Gilbert and Specht, 1976), and economic theory (Knapp, 1984). It is, in fact, very easy to make a strong case for the continuity and indeed the strengthening of the welfare state - so easy that many people concerned with social policy do not even bother to do so, but accept it as given. Yet in the current political climate, where anti-collectivist views are repeatedly heard, it is imperative that the case for the welfare state be strongly and clearly articulated, not simply in the academic and professional literature, but in more public media.

Such a case need not rest on an ideological or compassionate argument alone, though this is, of course, important. There is ample evidence that the modern welfare state plays a significant integrative role in society, and supports rather than undermines political stability (George and Wilding, 1984). As Offe (1984) points out, in his delineation of the contradictions of the welfare state, not only can modern western governments no longer afford to **support** the welfare state, they also cannot afford to **do without** the welfare state. The first half of this dialectic is now accepted as conventional wisdom, but the second half is not commonly heard in the public forum. Advocates of both right and left positions prefer to ignore it, though for very different reasons - for the right it represents an unacceptable admission of the necessity for collectivism, while for the left it simply provides a rationale for yet another attack on the idea of welfare as reinforcing an unjust system and retarding social development. But perhaps it is an argument like this, regarding the social and political utility of the welfare state, which has the potential to gain new force in the current era of pragmatism.

One important source of support for the maintenance of the welfare state is the support of public opinion, as the 'crisis of theory' position

suggests that there is still likely to be a significant residue of public support for the idea of the welfare state, and although there is little empirical research on this subject, there is at least some evidence which supports this view. Despite the increasing dominance of individualist world views, the Australian public can still respond in a compassionate way, as exemplified by the large amounts of money pledged to Telethon campaigns. And there is some public opinion survey material suggesting that there is a good deal of public support for the proposition that government social welfare spending should be at least maintained at present levels (Coleman, 1985). Clearly more research needs to be done on the whole area of public opinion and social welfare in Australia, in order to identify which aspects of welfare state activity have more public support, and to clarify our understanding of public perceptions of welfare and of the role of the state in its provision.

Despite the lack of data about the extent and nature of public support for the welfare state, one can identify certain trends in public policy making, and in welfare policy in particular, which are likely either to reinforce or to undermine public support. The causes of the current crisis in the welfare state may be largely external, but by selecting particular policy options rather than others, the government may be only serving to deepen the crisis, by effectively reducing public support for its welfare role, rather than finding a way out of the crisis. Unfortunately many of the policies which seem to be rational responses to current economic imperatives fall into this category, and welfare policy in Australia seems set on a course of undermining its own legitimacy for the sake of short-term economic expediency. By its own actions, the Australian Government may be doing more to undermine the legitimacy of the Australian welfare state than will be achieved by the ideological attacks of either right or left (whether 'old' or 'new').

### **Corporatist Policy Making**

The Hawke Government has attempted to adopt a corporatist approach to policy making, very much of the form advocated by Mishra (1984). This has involved an attempt to bring together representatives of the main sectors of the economy, namely business, unions, and government, to attempt to achieve consensus in the light of common perceptions of the national good.

The aim of such an approach is to emphasise commonality of purpose, minimise the disruption of conflict, and force the various actors to accept compromises and trade-offs as a matter of negotiation and consensus, rather than being forced to a similar position only after lengthy conflict with inevitable economic and social destructiveness.

The success of this strategy is a matter for debate, and the long term feasibility of attempting to 'resolve' or define away basic structural conflicts (such as that between the capital and labour) is open to serious question. Such issues are not within the scope of this paper, but of critical importance to the question of public opinion is the essentially elitist and technocratic nature of the corporatist strategy. The corporatist approach requires that decisions be made by the leaders of peak organisations, and relayed 'down' to lower level organisations and to individual people, such as unionists and small business proprietors. There has been some understandable resentment of this approach, and it is not



uncommon to read or hear in the media the allegations that union leaders, business leaders, and cabinet ministers do not seem to understand the interests of individual unionists, small business, back benchers or the general public.

A similar trend can be seen in welfare. The Hawke Government, like the Fraser Government, has significantly not followed the lead of the Whitlam administration in encouraging forms of public participation and public debate about matters of social policy. Since the decline of the Australian Assistance Plan, there has been little attempt to involve consumers or the general public in the setting of social priorities, or the planning of services. Some degree of decentralization has been achieved, through programmes such as HACC, but such programmes fall a long way short of the participatory ethos of the Whitlam years. Public ownership, in the sense of control, of the welfare state is not emphasised, either in rhetoric or in actual programmes.

The problems with participatory strategies are well known and documented (Boaden et al, 1982), and a policy objective of meaningful and significant citizen participation is difficult to achieve, some would say impossible. Nevertheless an important consequence of participatory policies, even if not fully successful in their implementation, is that they help to provide and reinforce a perception of general public ownership of the welfare state, which is clearly missing from current perceptions. The relative absence of such participatory programmes provides a climate in which attacks on the legitimacy of the welfare state are less likely to meet with resistance, other than from those who stand to lose directly, namely consumers, who are usually among the least powerful members of society.

Rather than being owned by 'the people', the welfare system is therefore perceived as a creature of the bureaucracy - not the most popular group in Australian society at present. Welfare policy is seen as a matter for the experts and technocrats, and is interpreted basically from a social engineering perspective. This argument, of course, does not simply apply to welfare policy, nor does it apply only to Australia. It is part of the current perception of the state as somehow quite separate from ordinary people, rather than being an organic expression of 'vox populi'. It is only in such a climate, for example, that Margaret Thatcher could justify the privatisation of British Telecom with the rhetoric of 'selling it back to the people', evidently defining public ownership as meaning 'listed on the stock exchange', rather than being administered by public servants and overseen by the people's elected representatives. It is perhaps one of the greatest shortcomings of the Hawke Government that it has paid little attention to participatory policy making and programming, and has reinforced the distant, and essentially paternalistic view of government, supposedly representing a democratic socialist party, for paying only lip service to socialist principles, it could well be the failure to pay any attention to the 'democratic' part of the label which undermines public support for the social policies of the government. One important strategy for reinforcing the legitimacy of the Australian welfare state in the eyes of the public is therefore to adopt a more participatory approach, resurrecting some of the lessons learnt from the Australian Assistance Plan, and encouraging the idea of 'public ownership' of the welfare system.

### Selectivity

Australian social policy in recent years has seen an increasing emphasis on selectivity and targetting. This is a natural response to current perceived economic imperatives, requiring significant reductions in government spending. It is justified on the grounds of ensuring that scarce resources are allocated where they are most needed, and also on the grounds of attempting to achieve some degree of vertical redistribution. These arguments are frequently heard, and it is therefore worth reiterating the counter arguments which are in danger of being overlooked. Briefly, these are as follows:

1. A retreat from rights-based welfare to needs-based welfare, which is the inevitable result of increased selectivity, leads to increasing stigmatisation both of welfare services and of the consumers of those services, as it is only the most disadvantaged who are seen to receive welfare.
  2. Increasing selectivity leads to a situation of two different societies, one whose needs are met through the welfare system and one whose needs are met in the market place. Not only will these two groups be unequal in terms of quality of life, but destructive social divisions and conflicts will be likely to increase.
  3. Increasing selectivity and targetting leads to increasing complexity of programmes and services designed to meet different categories of need. This results in confusion on the part of both consumers and providers, and non take-up of benefits and services by eligible people.
  4. A welfare system based on selectivity and targetting requires accurate identification of groups in need, and accurate definitions of need, so that benefits and services can be appropriately targetted. The concept of need is itself a problematic one and definition of need groups and eligibility is technically demanding, and will change over time. The task can never be accomplished with perfect accuracy, and there will always be people whose individual need for assistance is clear, but who do not readily fit any of the categories of need groups as defined in the regulations.
  5. In order for a selective, targetted system to work effectively, considerable expenditure and bureaucratic effort are required in technical need definition, in advertising programmes to ensure that all those who are eligible receive the benefit or service, in policing to ensure that those who are ineligible do not benefit, and in the activities of referral to ensure that people are guided to the appropriate benefit or service within the necessarily complex welfare system. The administration of such a system is therefore complex and costly, and the resource benefits of selectivity may be more illusory than real.
  6. A selective targetted welfare system, through the operation of means and income tests, leads to the creation of poverty traps, denying people resources, opportunity or incentive for upward mobility.
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A strategy of increasing selectivity and needs-based welfare is not the panacea which is sometimes claimed. Like most shifts in welfare policy, it may solve some problems, but in the process it creates others. It is not a novel policy idea - the Australian welfare state has had a long history of selectivity, and from this experience it should not be expected that increased selectivity and targetting will be either very efficient or very effective in achieving social equity.

From the point of view of the central concern of this paper, increased selectivity has a further negative effect, in that it is likely to reduce still further the sense of ownership of the welfare system by the general public, as only those defined as 'in need' will be seen as directly benefitting from the welfare state. Thus the move to selectivity and targetting will serve only to undermine still further the already questionable public legitimacy of the welfare state. It represents yet another assault on the collectivist ethos, and on the view of a welfare system which belongs to the people and which assures them of assistance as a matter of right.

Increased selectivity will also inhibit the development of preventive programmes. The area of prevention has been a problematic one in the welfare field, and the preventive paradigm is not as clear as it is in the public health area. A major thrust of a preventive strategy must be the positive promotion of available programmes, encouraging people to make use of resources, facilities and services. This becomes very difficult in a predominantly selective system, because of the inevitable stigmatisation associated with selective programmes, and because most non-consumers will be reluctant to identify themselves as potential consumers. Preventive programmes can only be effective if there is a positive public attitude to the welfare system, and if the public legitimacy of the welfare state is maintained. Increased selectivity will therefore only serve to weaken the thrust of preventive strategies, and reinforce the essentially residual nature of the Australian welfare system.

### **The Middle Class and Welfare**

Underlying much of the above discussion has been the problematic position of the middle class in relation to the Australian welfare state. Along with calls for increased selectivity, concern is being expressed that the middle class receive inappropriately high benefits from the welfare state, such as universal family allowances, free tertiary education, subsidised medical care and old age pensions. This criticism has come from both the right and the left, though for different reasons; critics from the right argue a position which favours minimal state involvement, while critics from the left argue that middle class welfare is regressive and undermines vertical redistribution. A strong case is therefore being made in the realm of public debate for a reduction of the social wage for middle class Australians. Yet support for this policy thrust is coming at a time when standards of living of the middle class are coming under increasing pressure. Wages and salaries are in many cases not keeping pace with the cost of living, and with upward pressure on interest rates, the cost of housing, both rental and owner occupied, is rising. Housing costs alone are apparently leading more families to seek additional help from welfare agencies. A reduction in the social wage of the middle class is therefore likely to drive more families towards poverty, and towards dependency on selective and

stigmatising forms of welfare state support, as a substitute for the more institutional and socially acceptable forms of support through the social wage to which they have become accustomed. A humane and socially progressive welfare system would be attempting to move towards more dependence on institutional universal forms of welfare, in order to reduce stigma and social division, rather than the reverse.

At the same time, the more advantaged middle class families, which can more easily forego the benefit of universal programmes if they are withdrawn, will no longer have such a stake in the welfare state, to the detriment of broad public support for state welfare. Le Grand (1984) has argued in the British context that programmes in which middle class people are significantly involved, both as consumers and suppliers, are less likely to be easily cut by Government than are other programmes where personal investment by the middle class is lower. Coleman (1985) has adapted Le Grand's model to the Australian welfare system, and claims that public opinion survey data support this analysis.

Strong arguments at the present time are advocating reductions in middle class participation in welfare programmes, and the rhetoric of equity within which such arguments are expressed ('sharing the burden across the community') gives them considerable intuitive appeal, even to the middle class families who stand to lose. But the reduction of middle class participation does not simply reduce initial expenditure - by Le Grand's analysis it also renders these programmes more liable to further cuts in the future. It is a good strategy for a government intent on reducing the scope and generosity of the welfare state, but for those who are committed to welfare and to helping the disadvantaged, it is in the long term counter-productive.

The position of the middle class in relation to the welfare state is therefore problematic and contradictory. While it is argued that the welfare state can no longer afford to support the middle class (at least to the extent it currently does), in another sense the welfare state cannot afford **not** to support the middle class, as this is the basis of its continuing legitimacy. Middle class families are seen as needing to become more **independent** of the welfare state, while at the same time they are in fact becoming more **dependent** on it.

This contradictory position of the middle class in relation to the welfare state raises some interesting theoretical questions about the class basis of state welfare. In terms of more practical issues of policy development, it means that policy changes which affect the position of the middle class either as recipients of or as participants in welfare state programmes must be examined very carefully, as the ends of social equity and social justice may not be well served by a policy change which is intuitively appealing from the perspective of economic rationalism.

### Conclusion

The arguments presented in this paper are clearly open to the criticism of being impractical, and of denying the realities of the economic constraints of the time. It is true that this is not a time when social policy makers have much freedom of action, though it is also true that such times occur only rarely (Harris, 1973), and for the most part the constraints

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on policy makers are significant. Nevertheless the issues raised must be of central concern to those with an interest in maintaining and reinforcing the legitimacy of the welfare state. The precise extent of public disillusionment with the welfare state must remain an open question, in the relative absence of research on the topic. But it remains clear that governments by their actions can either reinforce this disillusion, and further reduce the level of public legitimacy of the welfare state, or can seek to reinforce a commitment to collectivist welfare. According to the 'crisis of theory' approach to the study of the welfare state, such a commitment may still be more prevalent than many commentators would suppose.

The current trend towards selectivity and targetting, and the technocratic and elitist approach which has developed from corporatist policy making, are both likely to reduce public perceptions of people's ownership of, participation in, and benefits from the welfare state. In doing so they are likely to do more to undermine the legitimacy of welfare state activity than would the ideological or theoretical criticisms of either the right or the left.

Behind many of the arguments of this paper is the fundamental question of the relationship between the individual and the state. This basic question of political philosophy is seldom aired in Australian society in anything other than a superficial and simplistic way, and this has contributed to much of the current confusion about these questions of social policy and the role of the welfare state. Coupled with the almost total lack of public debate about what might constitute the ideal society, this has resulted in some very ad hoc, poorly conceived, and in some cases contradictory social policy formulations.

The challenge facing social policy in Australia is to respond to the economic and political imperatives of the time, while retaining a basic commitment, in at least some fields, to universality and to public participation. This is necessary to ensure that some degree of societal allegiance to collectivist welfare is maintained, and that the welfare state can continue to operate with a degree of public acceptance and legitimacy. If this is not achieved, the pressure will increase for even more selective, stigmatising, and less generous welfare provision, and the ultimate losers will be the disadvantaged and powerless members of society. This is the opposite effect of the intention of many who advocate increased selectivity and targetting in Australian welfare at the present time.

To summarise, the following policy directions would seem to warrant serious consideration, as part of a strategy to maintain and increase public support for the welfare state:

1. Participatory strategies should be re-examined, and developed wherever possible, to increase perceptions of public ownership of the welfare state. Despite the well documented obstacles to genuine citizen participation, the rewards of making at least some steps in this direction could well be worth the effort.
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2. The remaining few universal programmes, such as family allowances, tertiary education and Medicare, should be abandoned only with great reluctance, as to take such steps is likely in the long term to prove counter-productive. Measures should be taken in order to articulate publicly the advantages of universal programmes, in an attempt to gain more support for their retention.
3. The case for the welfare state can no longer be accepted as given, but needs to be clearly stated in the public forum. This includes actively advocating the advantages of the social wage, and of a broader understanding of social policy.
4. There is evidence to suggest that increasing the amount of information available to people about the welfare state is likely to produce a more positive attitude to welfare (Graetz and McAllister, 1985). Thus increasing publicity for the social services can be an important strategy not only in improving utilisation rates, but also in promoting more public support for the welfare state.
5. There is a clear need for more research into public attitudes to welfare and the welfare state, in order to ascertain the extent of public support for particular aspects of welfare state activity, and for ideas of collectivist welfare.

These are not particularly radical suggestions, nor are they necessarily impractical within present economic and political constraints. They are, however, policy options which could be the first steps in restoring public confidence in the welfare state, and in building a basis of legitimacy for further welfare state development, in easier economic times, towards a more caring and equitable society.

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**TRAPPED IN AN HISTORICAL CUL-DE-SAC :  
THE PROSPECTS FOR WELFARE REFORM IN AUSTRALIA**

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It's not just what we inherit from our mothers and fathers that haunts us. It's all kinds of old defunct theories, all sorts of old defunct beliefs, and things like that. It's not that they actually live on in us; they are simply lodged there, and we cannot get rid of them. I've only to pick up a newspaper and I seem to see ghosts gliding between the lines.

Henrik Ibsen, **GHOSTS**

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**ABSTRACT**

As is also the case in the majority of advanced capitalist nations, Australia's welfare state today faces major new challenges - in particular, deep-seated problems of endemic unemployment and changing patterns of family support - but Australia's welfare state is unlike most others in terms of institutional patterns and underlying social policy preconceptions. Not coincidentally, Australia is amongst the least generous of modern welfare states. This paper suggests that the historical legacy which has made the Australian welfare state so distinctive may make it more difficult for Australia to meet the challenges she now faces in a progressive and humane manner.

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**New Problems and Old Responses**

This paper argues that our responses to the welfare problems of the late 1980s are likely to be heavily constrained by social policy attitudes institutionalised over the past century. That is far from implying that the nature of the welfare state is unchanging. The problems which demand state intervention certainly change with changing economic and social conditions. The transition from affluence to scarcity which began in the 1970s recreated problems of unemployment on a scale not experienced since the Great Depression. Changing cultural attitudes to the dependence of women, themselves integrally linked to changing structural conditions in the capitalist labour market, have led to the partial breakdown of traditional family structures and the emergence of substantial numbers of one-parent families, reliant on the state either for income-support or child-care facilities. The focus of innovation and reform in respect of welfare has - or, at least, should have - changed away from the care of the old through



pensions and subsidised medical care toward the support of families, many of which are unable to sustain a dignified existence through the participation of one or more members in the labour market.

These new problems are not restricted to Australia, but are manifested in varying degrees throughout the world of advanced capitalism. But despite common problems, responses to changes in welfare needs have varied very considerably from country to country. Sweden, that long-time exemplar of progressive social policy reform, has given top priority to minimising unemployment and has devoted enormous economic resources to an 'active' labour market policy which has succeeded in keeping unemployment below three per cent. Further, Sweden has devised radically new family policies designed to afford a generous level of income-support to families with children, largely irrespective of marital status, number of parents or labour market participation. Other countries, like Australia, Britain, and Canada, have made relatively little effort to maintain full employment through activist intervention and have treated new problems of increasing family poverty by utilising traditional, and frequently selectivist, instruments of relief rather than income-maintenance. Still other countries appear to have chosen or been forced to accept a trade-off between preserving full employment or maintaining welfare generosity; at one extreme Japan and Switzerland with extremely low unemployment and an underdeveloped welfare state and, at the other, Belgium and the Netherlands, with mass unemployment, but welfare provision designed to 'compensate' those outside the labour market for their lack of market-derived income (see Therborn, 1986).

For those who conceive of the welfare state in terms of the achievement of the goals of social solidarity and/or greater equality, the generosity with which society treats those outside traditional income-support systems should be of crucial significance. To the degree that those who suffer the misfortunes of disability, sickness, and unemployment or live on beyond the retirement age or exercise the choice to opt out of unsatisfactory marriages are made to pay a price in terms of a decreased level-of-living, we are accepting the existence of a two class society: the haves and the have-nots. To the extent that comparably rich societies provide vastly dissimilar benefits to comparable groups of claimants, we must conclude that different societies have very different estimations of the moral worth of some of their citizens.

Virtually all international comparisons of welfare state spending of Australia and other advanced western societies have shown Australia to be a welfare state laggard (see, e.g. Castles, 1987). But such comparisons are only indirectly relevant to the question of relative generosity, since they rarely take into account measures of demographic need, i.e. Australia may spend a lesser percentage of GNP or fewer dollars per capita of the population as a whole on the old or unemployed not because she is ungenerous to these categories of claimant, but rather because Australia has a smaller aged population or fewer unemployed than other comparably rich nations. Recent data from the OECD Secretariat, which do relate spending to need, make it possible to assess the relative generosity of the OECD countries over the period 1960-84 in respect of a number of categories of social security expenditure (see Varley, 1986). Demographic adjustment obviously only provides a relatively crude measure of generosity, since the adjusted figures do not make a distinction between benefit accruing from increases in expenditure per beneficiary and benefit arising from increases in programme

coverage. Moreover, it should be emphasised that governmental generosity as measured by such data is by no means identical with the individual well-being (or welfare) of recipients, since it takes no account of national differences in the private resources of individuals or the targetting of transfer payments. Nevertheless, since for most categories of welfare recipients in most countries, state benefits constitute all or by far the greatest part of current income, the demographically adjusted measures presented in Table 1 do provide a rough guide to differences in the way in which countries treat the old, the unemployed, the sick and the young.

Whether the term laggard is the appropriate one to describe Australia's welfare performance as revealed in Table 1 may be a matter of debate, but it is certainly clear that neither at the beginning nor the end of the period covered by this OECD data-set was that performance very memorable. Both in 1960 and 1984, and, for that matter, at all points in between, Australia fell below - and, usually, well below - the mean for this group of fifteen economically advanced states. Certainly, there have been changes in emphasis, with the Australian old falling further behind compared with the old in most other countries, as the latter adopted state superannuation schemes and Australia did not, and the apparent generosity of unemployment compensation increased as the shift from full employment to mass unemployment led not merely to a vast increase in the army of the unemployed but also to a greatly increased take-up of benefits. Those unemployed for short periods for frictional reasons often do not apply for benefits; those who are unemployed for longer periods for structural reasons have no alternative! Otherwise, things have remained much the same over the quarter of a century surveyed here: Australia's generosity to the young was and remains niggardly, its treatment of those who are sick for any length of time remains appalling, and overall there has been no improvement in Australia's standing in the international welfare state league table.

A conceivable defence of the Australian welfare state might be mounted by pointing out that Australia is no longer amongst the very richest of the advanced states and that its welfare performance is, hence, roughly in line with what the community can afford. There is some debate amongst economists about how Australian GNP per capita compares with other countries, with estimates varying from fourth to eighth of the fifteen countries featuring in Table 1 (see Ian Castles, 1986). The latter estimate might appear to make Australian welfare performance more comprehensible, if scarcely commendable, but, in reality, Australia's exact standing in the affluence stakes is largely irrelevant to comparisons of welfare generosity. For these fifteen countries, there is no obvious relationship between wealth and welfare: countries unequivocally richer than Australia (Canada, Switzerland and the USA) are also relatively ungenerous; countries clearly poorer than Australia (Austria and Italy) are substantially more generous, and the welfare state leaders (the Netherlands, Sweden, Germany and France) are countries which, according to most estimates, are at a level of affluence roughly comparable to Australia's. If the argument of what the community can afford does not stand up to examination for the most recent period, it is even more clearly fallacious for earlier periods, when there is no dispute that Australia was amongst the very richest countries in the world.

Thus, it would appear that, in an era of new problems and emergent welfare need, a consistent feature of the Australian welfare response has been its lack of generosity. There is nothing novel about such a conclusion.

A detailed study comparing the levels of subsistence provided by seven social security schemes in ten countries circa 1969, noted that Australia scored bottom or next to bottom on four and only the United States had a poorer performance overall (see Kaim-Caudle, 1973). Going back farther, the evidence is more inferential, but still very strong. In 1950, according to ILO estimates, only Japan and the United States of the advanced states, spent less than Australia (4.7% of GDP) on social security. Moreover, Australia was not merely ungenerous in what it paid to welfare claimants, it was also tardy in paying them anything at all, with child allowances, unemployment and sickness benefits all introduced during the Second World War, long after such schemes had been established in most western countries. There appears to be nothing new under the (Antipodean) sun, and fifty or so years ago commentators were already contrasting Australian welfare provision with that overseas and finding the former wanting. As F.A. Bland, Sydney's first professor of Public Administration, put it: 'Measured against the scope and content of social services in older countries, such as Sweden or Great Britain, ours in Australia are rudimentary' (see Grattan, 1949, p.130). Indeed, it is necessary to go back to the early years after Federation to identify a period when Australia, having established a national scheme of age and invalidity pensions (1909) and the world's first maternity benefit scheme (1912), can properly be regarded as a welfare state leader. All this prompts an obvious question: why has a country, so proud of its egalitarian ethos and once so willing to use the power of the state to procure egalitarian ends, responded so consistently ungenerously to those outside the labour market? That question is not merely of historical interest, for, if the circumstances which constrained welfare state generosity in the past continue to be operative, it has major implications for the possibility of future welfare reform in Australia.

### **Ghosts From The Past**

In what follows, I intend to concentrate on historical constraints of an attitudinal kind. This is not because they are necessarily more important in explaining Australia's comparative lack of welfare generosity than other factors, but rather because attitudes, once they become institutionalised and accepted as commonsense wisdom, act as an endogenous and long-lasting block on change, and, hence, are likely to constrain policy choice longer after more obvious exogenous constraints have been removed. Previous cross-national research on the causes of Australia's low level of welfare spending has shown that much of the weakness of postwar welfare development can be attributed to a combination of long-term right-wing political hegemony and relatively poor economic growth (see Castles, 1987). Such a finding is scarcely surprising, since rightist ideologies are characterised by a reluctance to expand public provision of goods and services and poor economic growth fails to deliver the additional resources which would make enhanced public provision relatively painless to the electorate. In some countries, the Right has been pressurised by the weight of public opinion (class politics) to concede welfare reforms, but hardly where concessions involve taking from those that have and giving to those who have not. Accepting, for argument's sake, the most optimistic of Labor scenarios, that the ALP could become the natural party of government and that the government's economic strategy can permanently reverse past economic weaknesses, the question is whether we would suddenly witness a reversal in Australian welfare miserliness. I believe that the answer must be a decisive no: that long-established institutional patterns and underlying social policy

preconceptions, the ghosts gliding between the lines of Australian welfare state thinking, will continue to frustrate progressive welfare reform long after more external constraints have been removed.

There is nothing particularly surprising about the fact that the shape of Australia's contemporary welfare state is strongly influenced by the past. In virtually all western countries, the form of welfare provision circa the mid-1980s has a recognisable affinity with the kind of schemes which set the basic social policy agenda many decades previously. In Germany, and in much of Western Europe, the social insurance model, resting on income-related contributions and benefits, was the form initially chosen and, today, remains the dominant mode of welfare delivery and financing. Much the same goes for the British notion of a 'national minimum', based on flat-rate contributions and universal entitlements, and the American system of social insurance for the employed and welfare relief for the indigent. Only in Scandinavia has there been any fundamental reappraisal of the character of the main characteristics of the welfare delivery system with an income maintenance objective grafted on to what was initially a system of flat-rate benefits (see Heclo, 1974). The long-term continuity of the shape taken by welfare institutions is partly a matter of designing new adjuncts to the social policy system along tried and tested lines. It also owes much to the institutionalisation of ideas and attitudes about welfare rights and entitlements: the existing shape of the welfare state defines for future generations the acceptable form and growth trajectory of subsequent reform. Since radical changes in guiding principles implicitly challenge the justice of existing entitlements, it is scarcely strange that they are often opposed by those who benefit from the status quo. Change can and does come about, but rarely of a kind which challenges the fundamental tenets of the present system. The virtual absence of radical change in welfare delivery systems over many decades, despite fluctuations in economic and political fortunes, itself argues strongly for explanations which give proper scope to the endogenous factors shaping the development of social policy.

All this is but a preface to pointing out that the initial guiding principles of Australian welfare provision were quite distinct from those of most other countries (see Castles, 1975). As exemplified in the pensions and invalidity scheme adopted by the Commonwealth in 1909, and institutionalised in virtue of it being the only major welfare programme in existence for more than a generation, these principles were:

- (1) Benefits were flat-rate.
- (2) Benefits were at subsistence level.
- (3) Benefits were means tested.
- (4) Benefits were financed from general taxation.

A glance at contemporary welfare provision shows that, although there are now many additional schemes covering further categories of need, much the same guiding principles remain operative today. Unlike virtually all other western states - and with the single exception of worker's compensation, which is not generally regarded as part of the welfare state proper - there are no schemes which relate entitlement to prior income. In Australia, earning-related schemes always come to grief, for, as Ronald Henderson has

pointed out in relation to Whitlam's intended sickness compensation scheme, there is a clash of principle between such schemes 'and the traditional Australian social practice of payment of flat-rate benefits according to need' (Henderson, 1978, p.175). Obviously, Australia's reluctance to introduce a state superannuation scheme owes much to this same clash of principles. Superannuation, by its nature, offends the established rules in too many ways: it is not flat-rate, it is designed to achieve income maintenance and it gives higher benefits to the rich than the poor. It could possibly be financed from taxation (as in New Zealand), but the cost would be prohibitive. Given these constraints, but also given the demand for income maintenance, the Australian solution is to define superannuation as part of the wages rather than the welfare system. In this characteristically Australian process, the possibility of using state superannuation schemes to effect some degree of redistribution between winners and losers in the labour market - i.e. by means of raising the benefits floor as happens in most European countries - is lost.

Benefits in Australia remain low and well below minimum wage levels (i.e. below the level required for a decent civilised existence). Indeed a cynic might sum up welfare progress 1909-1987 in terms of the 6 per cent improvement in the extent to which the single pension compared with average wages, i.e. from 18 to 24 per cent in seventy-eight years. Even a Fabian might consider that carrying the 'inevitability of gradualism' to the absurd! Despite the reforming zeal of the Whitlam government, means testing still applies to most benefits and the present government has reversed the trend towards the use of incomes tests by imposing an assets test on age pensioners and there has been much discussion of incomes testing the one universal benefit there is; namely, family allowances. It would be ironic, indeed, if, in an era of massively increasing child poverty, the logic of the Australian social policy system led to the curtailment of the only benefit which attempts to adjust income levels with reference to the additional needs imposed by child dependency. Certainly, in the late 1970s and the 1980s, governments in many countries have flirted with the idea of greater selectivity as a means of lessening the burden of welfare state finance, but Australia is one of the very few in which it might reasonably be argued that means tests were popularly approved (see Downing, 1970, p.10). Finally, welfare state financing, with the exception of the Medicare levy, relies, as it has always done, on financing from the general exchequer. It is apparent now as never before that this makes the welfare state a hostage bound hand and foot to the perceived health of the national economy.

Each of these principles separately - and, synergistically, all of them taken together - is conducive to a continuing lack of welfare generosity in Australia. The expensive and generous welfare states of Europe are so because they have moved from subsistence to income-maintenance, an objective clearly compatible with a benefits structure tied to prior income and financed proportionately to that income. Subsistence, which in Australia started out as a residual minimum of relief for the deserving poor, has in many circles become transmogrified into an essential principle of a welfare state compatible with the maintenance of the capitalist work ethic. The synergy is obvious enough, for a flat-rate system cannot be generous without appreciably reducing work incentives or, at least, so the argument goes. Selectivity, in an Australian context frequently justified in terms both of redistribution and cost minimisation, serves to make welfare recipients into a ghetto population separate from the greater society. Moreover, the notion

that welfare is only for the needy creates a political atmosphere in which the middle class has no interest in the generosity of a welfare system from which it cannot realistically benefit.

Indeed, given that the system is financed from general taxation, it is precisely those in middle class tax brackets who have the greatest interest in minimising 'welfare waste'. Contrary to the argument that selectivity makes the best use of limited resources, the truth is that selectivity actually makes sure that welfare resources remain limited. The Australian system of welfare financing compounds that effect. Australia is, apart from New Zealand, unique in having no contributory social insurance taxes, which, however notionally, link benefits to contributions. Yet studies of tax resistance clearly demonstrate that it is precisely contributory financing which is least likely to be resented by the citizen. Why then does Australia resolutely avoid a taxation system that would lessen resistance to greater welfare state generosity? An important component of the answer is clear: to finance the welfare state by contributions would create entitlements to benefit and undermine the moral basis of selectivity. Another component rests in the Labor Party's preference for progressive taxation as an instrument of redistribution, a topic to be explored subsequently. The existing shape of the Australian welfare state and its institutionalisation in public attitudes frustrates greater generosity at every turn. If the intrepid reformer can overturn or evade one or more of the traditional guiding principles of welfare provision, he is well-nigh certain to be blocked somewhere further down the line.

There have been some serious attempts to reshape the Australian welfare state: in the 1928 National Insurance Bill and the 1938 National Health and Pensions Bill, both of which would have taken Australia in a British direction, and through various reforms mooted in the Whitlam years, which had a somewhat Scandinavian flavour. All failed due either to external political exigencies or to entrenched political opposition to reform initiatives. In this story, what, perhaps, most interesting from a comparative perspective is that in all periods much of the resistance to reform came from within the working class movement. Throughout Western Europe, Social Democracy usually with the whole-hearted support of affiliated trade unions was the foremost protagonist of a strategy of social amelioration based on the extension of universal social rights of citizenship and the enhancement of the social wage. Yet, in Australia, Labor's conversion to universalism only came in the years immediately preceding Whitlam and subsequent events suggest that for many in the labor movement it was skin-deep at best. Given that rightist governments in a number of countries have been forced by electoral competition from the Left to concede important welfare reforms, an important aspect of the weakness of reform in Australia may well have been the absence of comparable electoral pressure from the ALP. Why that should have been the case is again a matter of long-held attitudes.

It is arguable that the Australian labor movement has, from its earliest origins, been in step with a drummer rather different from that inspiring its European counterparts. Its basic philosophy has been **laborist** and economic rather than social democratic and universalist (see Macintyre, 1986). Social amelioration was not a matter of the state intervening to redistribute from the haves to the have-nots, but was to be achieved by controlling the primary distribution of incomes from the labour process. The rewards structure of capitalism was to be tamed by compulsory

conciliation and arbitration, and the benefits of a civilised wages structure were to be passed on to the dependent population either through private savings to meet foreseen (i.e. old age) and unforeseen (i.e. sickness and unemployment) exigencies or through linkages of family dependence (i.e. the maintenance of wives and children). Given the heroic assumptions of adequate wage levels and limited unemployment, this strategy made an expansive welfare state unnecessary, and all that was required was residual support for those who (usually in consequence of their own lack of foresight) fell through the wages safety-net. In these terms, the basic principles of Australian welfare provision make perfect sense, and most conspicuously the principle of finance from the general exchequer, for taxes were to come from the rich and be redistributive rather than to come from workers and be an attack on real wages. If welfare state this was, it was one which rested not on universal rights of citizenship, but on participation in the labour market: it was a **wage-earner's welfare state** (see Castles, 1985).

Such a philosophy of social amelioration was a product of circumstances very different from those pertaining in Europe early this century; it was born of an affluent working class with the self-confidence to believe that its political representatives could sue the organs of the state to curb the rapacity of the owning classes. Much of what seems strange about Australian labor movement attitudes to the welfare state, and, indeed, much of what is distinctive about the organising principle of welfare provision, since Labor was to so great an extent the architect of welfare reform, may be attributed to ideas fashioned at a time when Australia appeared not only as the 'workingman's paradise', but as the place in which working class political power was most realisable. Much of what seems outdated and counterproductive in those attitudes, at a time when the continued assertion of the redistributive virtues of the Australian system conflict with the realities of a lower level of generosity of welfare benefits and a lower degree of equality of gross incomes (see Saunders, 1987), stems from an insistence that financing from the general exchequer can still achieve the same effects as it did when income tax was not paid by the ordinary worker. What was once genuinely redistributive is, today, arguably merely a built-in source of inertia preventing the expansion of the social wage.

The continued vitality of laborist political ideas together with the inertia supplied by the institutionalisation of welfare attitudes explains why overseas commentators so frequently see the Australian welfare state as being paradoxical as well as ungenerous. When Alice fell down the rabbit hole and found herself in a land, where normally large things became small and vice versa, it was surely Australia that the author must have had in mind. Alice's exclamation 'curiouser and curiouser' is sure the most appropriate description of a place in which a Labor party was until recent decades tied to the principle of selectivity in welfare provision and a Labor government as recently as 1984 imposed an assets test on age pensions, in which a Labor leader, understanding his trade union constituency's aversion to anything which interfered with maximising primary wage distribution, could describe his party as 'a low tax party' (Bill Hayden in the 1980 election campaign) and a Labor Prime Minister voluntarily commit himself to a Trilogy of economic promises which logically excluded any social reform that imposed additional financial costs, and in which the labor movement could quietistically accept the action of a state commission in deferring a proposed new superannuation scheme promised by a Labor government still in office.

A Labor party which thinks and acts in these ways is obviously a very different sort of creature from parties inspired by a social democratic philosophy and hardly one that might be expected to exert great pressure for welfare reform, whether in or out of office. That is not to say that the laborist commitment to social amelioration is any less than the social democratic one. It may, however, under today's conditions of large-scale unemployment and an altered structure of family dependency be a less appropriate one. In the early postwar years, when unemployment was minimal and the nuclear family the almost undisputed norm, the wage-earner's welfare state may have afforded as great a level of social protection as the more universalist welfare systems of Western Europe. Today that is no longer true, and humane treatment of the disadvantaged demands a far more generous welfare state. Given the ghosts gliding between the lines of Australian welfare state thinking that may be far easier said than done.

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Table 1: Government social security and welfare transfers to households - 1960 and 1984 - at 1980 prices and purchasing power parities in US dollars. Rank orders in parenthesis.

Countries: <sup>1</sup>	NE.	SWE.	FR.	AU.	GE.	DE.	IT.	NO.	CA.	SWI.	USA	UK	FI.	NZ	AUS	Mean
Old age, survivors and disability transfers per persons aged 65 and over - 1960	2203 (8)	2587 (5)	2348 (7)	3121 (3)	4370 (1)	2353 (6)	2171 (9)	1346 (15)	2021 (11)	1601 (14)	3233 (2)	1757 (13)	1877 (12)	2709 (4)	2168 (10)	2391
Old age, survivors and disability transfers per persons aged 65 and over - 1984	8880 (4)	8014 (6)	9644 (1)	9049 (3)	8320 (5)	6168 (10)	9305 (2)	5881 (12)	6343 (9)	7176 (8)	7737 (7)	4055 (15)	5348 (13)	6032 (11)	4976 (14)	7128
Unemployment transfers per unemployed - 1960	6605 (1)	1361 (9)	1746 (8)	1156 (10)	2421 (3)	2097 (4)	267 (13)	1750 (7)	3456 <sup>2</sup> (2)	*	2034 (5)	2001 (6)	32 (14)	903 (11)	584 (12)	1887
Unemployment transfers per unemployed - 1984	6293 (5)	6047 (6)	6381 (4)	4169 (9)	4326 (8)	8145 (1)	1707 (13)	5083 (7)	7345 <sup>2</sup> (3)	7445 (2)	1531 (14)	2568 (11)	1404 (15)	2333 (12)	3484 (10)	4551
Family transfers per persons aged less than 15 - 1960	215 (7)	408 (2)	657 (1)	295 (5)	61 (13)	145 (10)	393 (3)	122 (12)	228 (6)	30 (15)	45 (14)	137 (11)	151 (9)	345 (4)	184 (8)	228
Family transfers per persons aged less than 15 - 1984	914 (4)	808 (6)	1305 (1)	1012 (2)	527 (9)	1012 (2)	423 (11)	684 (7)	318 (13)	177 (15)	232 (14)	855 (5)	383 (12)	603 (8)	511 (10)	651
Temporary sickness transfers per persons in employment - 1960	115 (3)	137 (2)	104 (4)	49 (8)	138 (1)	5 (13)	40 (9)	66 (7)	4 <sup>2</sup> (14)	99 (5)	19 (10)	68 (6)	*	17 (11)	11 (12)	62
Temporary sickness transfers per persons in employment - 1984	413 (2)	678 (1)	266 (4)	80 (10)	186 (6)	169 (7)	169 (7)	397 (3)	15 <sup>2</sup> (15)	163 (9)	42 (12)	62 (11)	211 (5)	37 (14)	42 (12)	195
Govt social security and welfare transfers per head - 1960	405 (5)	506 (4)	526 (2)	507 (3)	612 (1)	311 (9)	310 (10)	217 (14)	328 (8)	224 (13)	367 (7)	282 (11)	183 (15)	369 (6)	245 (12)	359
Govt social security and welfare transfers per head - 1984	2181 (1)	2130 (2)	2013 (3)	1692 (4)	1674 (5)	1612 (6)	1414 (7)	1366 (8)	1229 (9)	1142 (10)	1098 (11)	1001 (12)	903 (13)	837 (14)	816 (15)	1407

Notes: 1. Country codes: NE = Netherlands; SWE = Sweden; FR = France; AU = Austria; GE = Germany; DE = Denmark; IT = Italy; NO = Norway; CA = Canada; SWI = Switzerland; FI = Finland; AUS = Australia.

2. Canadian unemployment transfers include sickness and maternity benefits and are not strictly comparable.

Source: Rita Varley, 'The Government Household Transfer Data Base 1960-1984' OECD Department of Economics and Statistics Working Papers, No.36, Paris, September 1986.

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## PART 2

### ISSUES IN FAMILY POLICY

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**ISSUES OF FAMILY POLICY -  
MEETING THE CHALLENGE FOR WESTERN AUSTRALIAN FAMILIES**

Kay Hallahan, MLC  
Minister for the Family  
Government of Western Australia

**INTRODUCTION**

In 1986 the Burke Government fulfilled its election plan with the creation of a portfolio specifically concerned with the family.

This is an important Ministry, currently the only one of its kind in Australia. I therefore welcome this opportunity to present the broad themes and directions which are emerging at this still early point in the Ministry's development.

**BACKGROUND**

Central to the reasons for the Government's decision to create this portfolio were the following:

- . However one defines the family, the number of Western Australians living in families is a majority of the population;
- . A key priority of the Government is to ensure that its activities contribute to the wellbeing of Western Australian families;
- . The Ministry is a recognition of both the important role that families play in Western Australian society, and the pressures that confront modern families.

As well as forming the basis for the Ministry, these criteria provided, in the broadest sense, a framework for its role. The detail by which the portfolio was to be developed in practice was not elaborated prior to its implementation, - and given the complexities of the field, nor do I believe would it have been wise to do so.

**PLANNING FOR THE MINISTRY**

Planning for the Ministry did take account of and respond to three fundamental principles.

1. No single portfolio could be effective if it sought to 'own' the 'Family';
  2. Family policy is a major subset of general social policy;
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3. Despite the complexities, a formal response to the Family must be initiated by Government.

Let me expand on each of these:

#### **1. No Single Portfolio Can 'Own' The Family**

'The Family' is a multifaceted concept not a singular identity. The issues which affect families span the whole spectrum of Government activity, and the concerns which could come under the heading of 'family policy' are genuine considerations of other branches of policy. On this basis the Government has looked from the outset to a coordinating and linkage role for the Ministry. It has never given any thought to drawing 'the family' out into some form of separate jurisdiction.

The notion of a 'Department for the Family' is, as you can perceive, more than a little difficult to imagine. As one writer has put it, it would be "a department for everything ... or nothing!". A coordinating and linkage role is a more practical and realistic goal.

#### **2. Family Policy is a major subset of general social policy**

Whilst the activities of Government at all levels have some implications for families, the branches of social policy can be seen to have primary impact. Health, Education, Employment, Housing and Welfare are core areas of social policy which directly relate to families and their wellbeing. The Government's priority was therefore to connect the new portfolio with at least one of these major categories. Children, the Aged, the concept of dependency, the central role played by women and concern for families in poverty were anticipated as major considerations of the portfolio.

On this basis the decision was made to connect the Family Ministry with my other responsibilities for Community Services, Youth, the Aged and Minister Assisting the Minister for Women's Interests. An appropriate decision I believe.

#### **3. A Formal Response to the Family must be initiated by Government**

It is no coincidence that Family Ministries have not yet emerged as a significant presence on either the Australian or the international political scene. Sweden, France, Norway, Hungary and Czechoslovakia are the only countries which have been shown to have explicit and clearly stated social goals behind their family policy. Most other countries have a very much less clearly defined position, and Australia is amongst those defined as having no explicit or comprehensive policy.

Economic considerations are one major reason for this. The complexities associated with the concept of family policy are another. One writer has suggested that:

Family policy is an unmanageable and potentially dangerous concept. It promises more than it can deliver. (Barbaro 1979:457)

Another proposes that:

Family policy is irresistible in the abstract and impossible in the particular - at once unifying and divisive. (Steiner 1981:200)

I have no quarrel with these views. Indeed the list of quotes outlining the problems and pitfalls in this field considerably outweighs those commending action.

I have already conveyed my recognition of the pluralist nature of 'the family' and of the pluralist policy provisions which it requires. A family **perspective** on policy, rather than separate family policy as such, will be my orientation. This is, I believe, an appropriate and reasonable place at which to begin.

I am convinced nevertheless that some order of government initiative in this field is essential. And I believe this for two reasons - one is academic the other political.

Firstly, of the range of definitions which could be applied to the concept of Family policy - the one I believe governments must consider is that Family Policy may be defined as:

... what the State does by action or **inaction** to affect people in their roles as family members, or to influence the future of the family as an institution. (Kamerman & Kahn 1978:495)

I have added my own emphasis to 'inaction' to reinforce my view that whether its delineation is problematic or not, governments are in the business of family policy, and **by that fact** have a responsibility to be conscious of the nature, and as much as possible the impact of their actions. They must set about developing an informed response to this field of responsibility.

To leave the family perspective out of policy and service planning does not avoid potential difficulties. Rather, it allows 'good luck' ... or just plain 'tough luck', to be the haphazard criterion of family impact.

Secondly, at a political level, I agree with Frank Maas of the Australian Institute of Family Studies (1983:316) that the symbol of the family has enormous impact and invocation. The rhetoric surrounding the family can be a most powerful and pervasive political instrument.

Politicians have always been aware of this, but as an analysis of our State and Federal political scenes would demonstrate, it is the Conservative Parties which in recent times have tried to gain possession of the symbol to exploit its political potential. I repeat the word exploit, because unless you happen to fit the stereotyped image of the traditional family - the married couple caring for their own children with the male as breadwinner and seat of patriarchal authority; then exploited is what you are likely to be by a family policy which includes statements such as this, and I quote from The Foreword and Page 3 of the 1986 Policy Document of the Liberal Party -

The Traditional Family Unit has always been a cornerstone of Liberalism.



WA Liberals make no judgment on people's individual choices. However, having made that choice they should not expect to be treated equally with the traditional family on which so much of Liberalism is based.

I do not need to remind an audience such as this of the great injustices which such a narrow prescription of the family would impose on the large and growing numbers of families who do not conform to this stereotype. My point is that it would be both politically unwise and socially irresponsible to allow policies such as this to be launched into a vacuum. As Frank Maas (1984:309) has put it:

For reformists to abandon the power of the family symbol to neo-conservatives would be a strategic error.

The establishment of the Family portfolio is a clear signal from my Government of the priority it gives to issues affecting families. Justice and equity will however be its guiding principles - principles which will respond to the diversity and complexity of today's families.

#### **PROGRESS ON THE PORTFOLIO**

It is just over twelve months now since the Family portfolio was established. In that time my priority has been to develop a fuller understanding of family policy issues, and to consider the framework which should guide the Ministry's operations. In this time there have been no hasty actions, or formal administrative structures set in place which may pre-empt this groundwork. I now perceive that the tasks fall into three main categories:

1. Continued attention to the emerging field of theory and research.
2. Further examination of the means by which an across-government perspective may be achieved by the Family Ministry.
3. An initial focus of attention on the issues within the the structures of my existing ministerial jurisdictions.

#### **THE EMERGING FIELD OF THEORY AND RESEARCH**

In relation to the first task: the debate in this field is an active one, and is informed by theory and research which is receiving considerable priority on the Australian scene. A thumbnail sketch of some of the themes which I see as directly bearing on the Family Portfolio may be of interest. Three of these are:

- (I) The dilemma of definition,
  - (II) Barriers to consensus,
  - (III) The potential for unplanned consequences.
-

### (i) Dilemmas of definition

Briefly then: What becomes very clear from the literature is that nothing so simple as the standard recourse to the Oxford Concise Dictionary is going to provide a satisfactory definition of 'the Family'. Given the diversity of form, size and function of contemporary families, one writer has gone so far as to propose that:

the definition of the family is one of two critical dilemmas surrounding family policy. (Gilbert 1984:322)

The other being the unanticipated consequences of social policy which I shall discuss later.

I have already discussed the stereotype of the traditional nuclear family and the inclination of some groups to define it as somehow 'better' than other forms. This is certainly not accurate and must not be allowed to direct policy. The facts are that:

- . an increase in de facto relationships
- . an increase in separation, divorce and re-marriage, with the consequence that many children are raised by a single parent or experience serial parenting
- . the decline in the birth rate, and
- . changes in the gender-based roles in families

can all be cited to confirm that the traditional nuclear family has actually been declining as a proportion of all family units in the last two decades.

From a governmental perspective I am interested in the functional merit of the following definition:

A family is any social grouping of one or more individuals who has the responsibility and/or care of one or more children or other dependant(s).

This provides a focus on the notion of dependency which is a very meaningful one for governments, and on its corollary concept of responsibility. That is, the responsibility placed on economically independent adults to care for their dependants. The definition is also useful in that while in most cases we may expect to be referring to dependent children, it allows inclusion of other types of family dependants such as the elderly and the handicapped. Of particular importance is the fact that this definition coincides with the intent of Convention 156 of the International Labour Organisation concerning equal opportunities and equal treatment for men and women workers with family responsibilities. I am very pleased that Western Australia is the first State in Australia to have formally ratified this ILO Convention the objectives of which are:

- . to create effective equality of opportunity and treatment as between men and women workers with family responsibilities and, such workers and other workers
- . to improve the conditions of workers with family responsibilities

## **(II) Barriers to consensus**

I recognise that between the three core perspectives presented by the traditionalists, feminists and reformists there is an enormous range of individual combinations. Together these create formidable divergences of orientation and priority in relation to the family.

**Traditionalists:** We've touched on the aspects of the traditionalist perspective perhaps sufficiently to refer to the summary of their position as: viewing the family as the key unit in society and as a means of maintaining that society ... they will often view changes and signs of family breakdown as having dire consequences for the ongoing good of the society.

**Feminists:** The feminists are described as: concerned with oppressive elements and fundamental inequalities which exist in the family and which are based in the patriarchal capitalist social system.

**Reformists:** Reformists are seen to have special concern for family poverty, particularly as it affects children, and for the structural inequalities which promote it.

It is evident that the conflict of interests between these perspectives will be reflected in a wide range of policy areas such as employment, child care, social security, taxation and welfare. Specific family policies would have to expect to run the gauntlet of the divergent priorities, and I am conscious that this issue may also have implications for the cooperation which certain groups will be initially willing to extend to the Family Ministry

## **(III) Unplanned Consequences**

We now understand that governments and other makers of social policy must continually be searching for the negative and unplanned impacts of their policies. In the field of the family, a number of detrimental impacts have already been identified. These include:

- . the risks associated with implementing stereotypes of the family in policy and programmes, which I have previously mentioned.
- . the prospect that too great an emphasis on the family could neglect the interests of individual members.
- . the potential for a focus on the family to divert attention from other powerful influences on individual behaviour - such as peers.

- . As with the shift from institutional to community care of the past decade, the possibility that a focus on families could tend to shift the burden of social care onto the family unit.
- . the risk that the separation of family in policy terms could isolate issues affecting families from other areas of concern within society.

These then are some of the issues which I will continue to monitor as part of the development of my portfolio.

#### **AN ACROSS GOVERNMENTAL PERSPECTIVE**

The second major task which I referred to earlier was an 'Across Governmental Perspective'. I have already mentioned that with the complexities associated with the concept of family policy, the notion of a 'family perspective' on policy appears to be a more manageable approach. In broad terms this would involve taking the family more fully into account in the planning, monitoring and evaluation of policy.

Again no tried and true blueprints of how to achieve this in practice are available either in Australia or overseas. Family Impact Statements which would analyse how a proposed policy or programme would affect families, appear to have been the main focus of attention. Considerable interest in their potential still exists, despite the fact that a cost-effective format has not yet been achieved. In their absence there appear to be a number of general questions which policy people in government and elsewhere could be asking.

- . What is the likely impact of the proposed policy on different family units?
- . What assumptions does the policy make about family life, including male and female roles?
- . Does the policy recognise the unique needs of the individual as its starting point?
- . Does the policy promote or limit the family's opportunity for interaction with a social and generational mix?
- . Does the policy promote or constrain the capacity of informal social care systems, including the neighbourhood, to support the family's caring function?

Other strategies in relation to an across-government perspective are required - these include a **Dialogue** with my colleagues at a State and Federal level as an essential method of further generating momentum on this issue.

The Commonwealth has primary responsibility for many of the areas of government policy which directly impact on family well-being. These include social security, wage and taxation policy. As well, a range of the initiatives which the State Government may wish to promote will depend on the availability of Commonwealth funding support. The Commonwealth/State

relationship is central, and I am pleased to say that considerable progress is being made.

- A \$1.89 million Family Support Programme aimed at preventing breakdowns in families was recently announced. This is jointly funded by the Commonwealth and State Governments.

- In the field of Child Care, joint funding has also been extensive. Since 1983 \$8 million has been made available for the development of Child Care Centres in this State. Twenty five new centres have been established to date. This has been an historic breakthrough in family support.

The State Government has directly financed other major programmes to assist families. These include:

- A further \$1.9 million allocated in the current financial year for anti-poverty measures - including direct financial and material assistance to families on low incomes and grants to a range of community based organisations providing services for these families.

- The provision of approximately \$85 million for concessional supports to needy families. This assistance applies to essentials such as water, power and transport.

**Consultation and Research:** These will become ongoing features of the Ministry and to this end the 1986 election campaign undertook to allocate funds to enable research on issues of family life. A first priority will be the bringing-together of basic demographic data on Western Australian families. This is an essential preliminary to the implementation of a family perspective on policy which I am proposing be developed.

### **3. My own portfolios, and in particular the Department for Community Services**

Finally, it is reasonable, that my first priority has been to look within my own Ministerial responsibilities to consider the necessary lines of action.

Important progress has been made within the Department for Community Services. A Working Party has been established and has reviewed the Department's current position in relation to policy and programmes for families, and has prepared a draft position paper for further discussion and planning. This has been a substantial task given the scope of the Department's existing services, nonetheless it is something which both the Director-General and I see as providing an important beginning to this developmental process.

Subsequently I am planning to extend the process of consultation to the five special policy units which advise Government on particular areas of need within the community. These units are:

- . the Youth Affairs Bureau
- . the Bureau for the Aged

- . the Women's Advisory Council
- . the Multicultural and Ethnic Affairs Commission and,
- . the Children's Advisory Council

Four of these units, the exception being MEAC, are directly associated with my current range of ministerial responsibilities. Each of the five represents a key element of family membership and context. This, together with the broad overview which the units are able to develop on their particular field, has the potential to provide a valuable contribution to the undertakings of the Family Ministry.

Identifying important issues for families, and reviewing the impact of existing provisions are among the number of possibilities which could be formulated for joint effort.

#### **Consultation with the Non Government Sector**

The range of community based agencies serving families which are associated with my portfolios, is very extensive. Consistent with the partnership which exists between the Government and this sector of agencies in the delivery of social services, consultation with voluntary agencies and non-government bodies will be a high priority of the Ministry.

#### **A FAMILY SECRETARIAT**

The administrative means by which I will be most effectively assisted to pursue these various priorities has also been a matter which has been receiving careful consideration.

I now believe that a small and efficient resource is required which will emphasise the across-government linkage and coordination roles of the Ministry. To this end I will be proposing to Government that a Family Secretariat be established. Supportive links between this Secretariat, the Department for Community Services and the University of Western Australia are priorities which I shall be discussing further.

#### **CONCLUSION**

In closing, I would like to reiterate that I in no way underestimate the complexities associated with the issues in Family Policy nor underrate the challenge which they present. In full recognition of these complexities my intention has been to set off on a path which is critical, cautious, exploratory, and constantly guided by a concern for unintended consequences.

I am encouraged in the value of the exercise however by the findings of a recent survey which indicated that 70 percent of Australians ranked family life as their most important source of satisfaction, ranking far ahead of work, friends, religion, possessions and leisure. I am encouraged by the recognition that despite the pressures, the family unit in its many forms is continuing to evolve as an amazingly resilient and durable social structure. And I conclude with Moroney that - since the State is benefiting from the family's caring function ... families should be supported by a caring society.

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## SERVICES FOR CHILDREN AND FAMILIES : SOCIAL CONTROL OR PART OF THE SOCIAL WAGE?

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### 1. INTRODUCTION

Any current analysis of Commonwealth policies for children and their families presents a somewhat contradictory picture. On the one hand the Commonwealth, through its Children's Services Program, is attempting to withdraw from welfare type activities which it sees as a State responsibility, and on the other is actively supporting welfare services such as family support, emergency assistance and the provision of benefits.

This paper attempts to examine this somewhat confused picture and argues that the current Commonwealth response to children maintains the instrumentalist, reluctant and class-based response of previous governments. As such, current child care and family support policies are perpetuating social inequality. It is argued that policies for young children and their families are socially divisive in three ways or through three programs:

- (i) Firstly, through the new selective criteria for child care centres, the Commonwealth has developed child care as occupational welfare and part of the social wage provisions for the middle class, to the detriment of the lower income groups who, I would argue, are actively and effectively excluded.
- (ii) Secondly, the Commonwealth has, at the same time, increased its support to other provisions which are clearly seen as welfare and are used almost solely by welfare beneficiaries. Thus programs such as the Family Support Services Scheme (now called the Family Support Program) are regarded as welfare-type services and at the level of service delivery are likely to be characterised by coercion and stigma.
- (iii) Thirdly, the Commonwealth provides care and support services, other than direct child care, to the middle class by way of provisions through non-welfare departments. These provisions through the health, legal and educational systems perform a welfare function in the sense of helping families to maintain or enhance their lifestyle. However, while these services form part of the social wage they are not recognised as welfare, do not have the associated stigma and do not come under critical review as do so many welfare programs.

At this point it is worth clarifying the terms used in this paper, namely the welfare state, the social wage and social control. Depending on one's theoretical perspective, the Welfare State may be seen in one of the following ways:

- (a) as a universal, necessary, functional and benevolent aspect of society;



- (b) as 'an integral and functional component of advanced capitalism designed to improve the economic productivity of capitalism whilst buying off working class dissent' (Watts, 1982:226);
- (c) a social-democratic expression of reform and progress.

Among the provisions of the Welfare State may be income support for the poor, taxation concessions or subsidies, occupational schemes, cash transfers and social services such as health, education, welfare and housing, with the latter cash transfers and services generally being referred to as the social wage.

An analysis of the provisions of the Welfare State may be useful for the following reasons:

- (a) they are an indication of government priorities;
- (b) they provide an indication of the scale of government involvement in redistribution;
- (c) they may have an effect on wage demands.

It is the first of these issues, the priorities of the Commonwealth government in its provisions for children that is the concern of this paper.

For the purposes of this paper the social wage then is taken to be the package of cash payments, goods and services that are meant to have the effect of redistributing income. Services such as welfare, health, education and housing are supposed 'to add to the real incomes of those using them, and are intended to redistribute incomes via the promotion of more equal access, greater equality of opportunity and greater equity' (Harding, 1984:1).

A useful distinction can be made between benefits and services which have a maintaining function and those which have an enabling function, that is 'they enhance social functioning of recipients in the market economy' (Jamrozik, 1986:24). It is argued that often those services which have an enabling function are not identified as having this benefit and thus constitute 'hidden welfare'.

On the other hand it could be argued that benefits and services which have a maintaining function could in some circumstances have as their aim, social control. In this sense social control does not refer to the purpose of regulation in order to ensure the functioning of the social system. Rather, the term is used to refer to those planned and programmed responses of the state which involve coercion and repression by one group, namely those with resources, status and power over those who are poor and powerless. Thus the issue is not that some regulation is needed to maintain the social order but rather what is the basis of control, whether particular values predominate, whose values those are and over whom the control is exercised.

Recent analysis of provisions of the Welfare State (Higgins, 1982; Graycar, 1983; Harding, 1984) have concluded that a two-tiered system of 'benefits' one for the rich and one for the poor lends support to the view that the Welfare State was never meant to overcome inequality. However, what must be of concern in this paper is the fact that the state, in its

provisions for children, is presented as either a benevolent entity concerned with the child's best interests or as being 'neutral' having no particular interests in the outcomes of child-family-state interaction.

If we are to consider social policy options, it is important to realise that this is not the case and the state has certain interests in perpetuating class divisions, namely the maintenance of the social order. In this context, the state is defined as 'that part of the larger setting which has an official status, which has some legal responsibility for providing services and some legal rights over what families and children can do' (Goodnow and Burns, 1980:17). A policy which addresses the needs of children, as **children**, in terms of improving their lifestyle as children or increasing their life chances as adults essentially means that a number of structural changes are needed to redistribute resources to all children, regardless of the class position of their parents. This is a view that many would find unacceptable.

In assessing these issues, the following questions need to be considered:

- (a) What has the Commonwealth response been in each system of service provision identified above and what are the problems with these responses?
- (b) Given the nature of the Welfare State, what are the possible courses of action?

## 2. WHAT HAS THE COMMONWEALTH RESPONSE BEEN IN TERMS OF THE CHILDREN'S SERVICES PROGRAM?

### 2.1 Child Care

The Commonwealth, through the Children's Services Program has had major involvement in children's services since 1972/73. The degree of commitment, the policies pursued and the levels of funding have varied considerably over that time. However, obligations in terms of recurrent funding and a recent major injection of funds has meant that expenditure on the Children's Services Program has increased from \$2.495 m. in 19732-74 to \$146.5 m. for 1986-87 (in current prices) (excluding block grants to pre-schools which terminated on 31st December, 1985) (Commonwealth 1986-87 Budget Paper No.1:150).

It is not however the amount of funds that is expended that is the major or only issue. Rather, what is important is the way those funds are allocated, as is the case with all public expenditure. Child care policies of past governments will not be traced in detail here, as that has been undertaken elsewhere (Sweeney and Jamrozik, 1982; Brennan, 1982). However it is important to sketch the major features in order to draw a comparison with present-day policy.

The first major involvement of the Commonwealth Government was through the introduction of its Child Care Act 1972. This Act enabled the government to provide financial assistance to help establish and operate non-profit child care centres, and to provide subsidies to allow centres to reduce fees for low income and special need families.

Under the Interim Pre-school and Child Care Program introduced in 1973/74, an amount of \$10 m. was allocated to pre-school and \$8.2 m. to day care. The Labor Government initially saw day care as a welfare service and gave its priority to pre-school which it saw along with other forms of education as a social reform. Whilst this policy later changed to a universal child care policy where child care was seen to benefit all children and therefore should be universally available, there was another change of government with a different policy. The result was, at that stage little funding had been made available to day care.

The new government saw child care principally as a residual welfare service. As we have previously noted, this government's stated and emphasised principles of policy were: first, the primary responsibility for children's welfare belonged to parents; and second, public responsibility rested with the States (Sweeney and Jamrozik, 1982). In line with these principles the Commonwealth policy on children's services was to supplement the activities of the States, and to support those services which would assist families to be socially and economically independent. 'Need' was selective and child care a 'last resort' when no other care was available.

As a result of this policy, a number of significant changes were made to the child care program, now called the Children's Services Program. Among the changes was the introduction of 'welfare type' services such as the Family Support Services Scheme (FSSS), child care in women's refuges, youth services, namely accommodation for the homeless and so on. By 1981-82, the FSSS component of the program grew to represent 6 per cent of the program's funds (Sweeney, 1982). The growth in this and other 'welfare' type services caused some concern, with the result that the investigation of the Spender committee in the late 1970s recommended that 'mainstream services' should receive 75 per cent of allocated monies.

The present government came to office in 1983 with a universal child care policy (that is, child care as a right for every child). This policy was to be implemented by establishing multi-purpose centres that would meet a variety of needs for care. That is, any one centre would provide for short, long and occasional care. Shortly before coming to office, Senator Grimes outlined what a Labor Government policy on child care would be:

A Children's Services Programme under a Federal Labor Government will provide care for children 0-15 years which complements the care they receive from their parents. Access to community care is a right, and the aim of such care is to provide all children with developmental and social activities in safe surroundings provided by skilled and caring people for the range of hours which meets the children's needs and those of their parents/carers. Children's services should be federally funded and community based and should be financed from subsidies rather than tax deductions and rebates. (Grimes, 1982)

This policy statement implied that child care was again a Commonwealth responsibility and that it should be of benefit to the child's development and complement parental care. These were two important aims which were later to be replaced by quite different ones. The new goals related to the provision of care principally to meet parents needs (with working parents

being the target), to meet affirmative action requirements and to provide care in such a way as not to be seen to substitute for parental care.

These changes originated in 1983-84 with the introduction of what is referred to as the Commonwealth-State Program or Capital Works Program. The substantial financial commitment to a building program meant that recurrent costs would escalate and in the climate of recession there was the belief that Commonwealth expenditure in this area had to be contained in some way. In addition, there was the political pressure of some women's lobby groups to give priority to day care for those in the workforce. This demand was particularly strong, since funds for capital works had almost ceased in the late 1970s to early 1980s. These ends were achieved by redefining care itself, so that care referred only to day care for working parents, as outlined under the Child Care Act 1972 and by redefining the boundaries between child care and child welfare (Jones, 1985).

These redefinitions have been achieved by the gradual introduction of a number of measures, including:

1. a planning model for the distribution of services and funds according to the numbers of women in the workforce, using local government areas as the geographic unit;
2. changing access guidelines so that the children of employed women, or women needing retraining to re-enter the workforce, would receive priority; care is to be provided only whilst mother was working. Families with mothers at home are to be accorded fourth priority. If they are single parents or have several small children they may be granted regular short or occasional care.
3. restricting access to the children of other non-employed women, encouraging them to use pre-school (now handed over to the States) or occasional care. The use of the latter service is restricted to a certain number of hours per week.
4. 'children at risk' usually children referred to centres by State welfare departments, were relegated to third priority. Their use has increased over recent years and put cost pressures on fee relief claims. Their use is now to be for a limited period, their need for care is to be confirmed by a health or welfare official, and steps must be taken by welfare authorities to resolve problems causing the need for child care.
5. restrictions on the extent of use of 24 hour care, making it unsuitable for use as temporary care, foster care and even care for the children of shift workers who need extended care to enable them to sleep during the day.

In essence, the Commonwealth is seeking to re-affirm the only statutory commitment it has to child care under the Child Care Act 1972 to provide long day care for working parents, as the Department of Community Services has explained. As a recent document from the Office of Child Care states,

When the Child Care Act was first introduced in 1972 one of the prime objectives was to provide child care for working parents. Increased participation in the workforce by women in the workforce and the Government's affirmative action policies have generated a rapid expansion of the program.

Even with this expansion, however, only a small proportion of children can gain access to child care services. It therefore remains necessary to ration the available places by determining which child has the highest priority.

The amount of care offered to a family also needs to be rationed and that amount also needs to be determined by the reasons for care.

(1986a:3.6)

In practice this means that care can only be provided whilst parents are at work or travelling to and from work. Respite care for the parents or additional care to meet the child's needs are not sufficient reasons to provide care.

In summary, then, the effect of these changes has been to develop or confirm child care as occupational welfare. There remain however a number of unresolved issues:

1. the effects on parents and children who are low on priority of access are unknown. What is known, however, is that as a result of enrolments being constantly reviewed in accordance with the guidelines, families with a non-employed mother have been asked to remove their children from centres. In fact, a review of eligibility is now a condition of enrolment. In one centre in Sydney ten children were asked to leave in the course of one week. This is extremely disruptive both for the children who stay and those who leave. Policies which appear to destabilise care arrangements in such a manner must be questioned in the light of child development theories which advocate consistency and reliability of care arrangements.
2. the focus on parent's needs tends to divert attention from the needs of children as children.
3. current child care policy gives little recognition to the fact that lower income groups are disadvantaged in terms of labour market representation. It follows that within the group of parents that are given priority in child care, that is, those with mothers in the labour force, they are also underrepresented.

Evidence suggests that in the post-war period and more particularly in the late 1970s and 1980s as child care availability increased, it was the middle class who gained better access to this service. This situation has occurred either because of the location of services, their cost, knowledge of their availability or, as is currently the situation, their positive discrimination in child care policy access guidelines (see Burns, 1978; Dixon and Ferris, 1978; Social Research and Evaluation Ltd., 1981a,b; King and Wylie, 1981; Sweeney and Jamrozik, 1984; Australian Bureau of Statistics [ABS], 1986). What is important in the current situation is that

lower-income families have less chance of participating in child care, either because mothers are not in the workforce or both parents are unemployed.

What evidence is there that higher income families are more likely to use child care? In considering this issue, a number of matters need to be examined:

- (i) The higher the income of a family (with children under 12 years), the more likely that family is to have both parents in the workforce. It can be seen from Diagram 1 and Table 2a that 26.4 per cent of those families with both parents in the workforce, at least one part time, had a weekly income of \$601 or more in 1984. Of families with one parent employed, only 9.6 per cent fell into this income group. Of families with both parents unemployed or not employed, 82.9 per cent had an income of less than \$201 per week (ABS, 1986:12).

It is those families with neither or only one parent employed that are low on the priority list for child care. As we have seen, these are also the families on lower incomes. While this seems obvious, it is important to restate that it is the higher-income groups that are still getting better access to child care. This can be explained more clearly by (ii) and (iii).

- (ii) The higher the income group the more likely are families to use care arrangements, particularly formal care in conjunction with informal care. Over 24 per cent of families who used formal and informal care earned \$601 per week. Of the families who used formal care (with or without informal care) almost 20 per cent had a weekly income of \$601 (Table 3 and Diagram 2). Put another way, 56 per cent of families in the highest-income group use some form of child care, while only 40 per cent of the lowest-income group do so (Table 4 and Diagram 3).
- (iii) The highest-income group (\$601 plus per week) are the largest users of centre based day care (24.6%) and family day care (27.7%) (Table 5 and Diagram 4).

In summary, there seems to be little doubt that despite constant changes in priority of access and fee relief systems, higher income groups tend to be the largest group of users of care, particularly day care and family day care (the latter being fully government supported). It is argued here that giving priority to the children of employed mothers along with policies that limit or exclude use by other groups ensures the growth of child care as middle-class welfare.

These statistics lend support to the view that families, particularly middle-class families, regard child care as a 'public utility' (Sweeney and Jamrozik, 1984). That is, they regard child care as part of the infrastructure needed to support and enhance their own lifestyle as well as that of their children. In our survey of 156 families in Sydney, approximately 86 per cent of families stated they used child care because it was of value to the mother, whether she was in the paid workforce or not. Seventeen per cent of families regarded care as being of value so family activities could be carried out.

It must not be forgotten however that families also use child care to meet the needs of their children. In the survey referred to above, 66.0 per

cent of families cited this as a reason for care. It is this child focus which seems to be so frequently absent from policy.

## **2.2 Family support as a welfare service**

While the Commonwealth Government has attempted to redefine the boundaries between care and welfare, it has at the same time expanded its commitment to what is ostensibly a welfare service, that is, the Family Support Services Scheme.

This program was introduced in 1978/79, originally as a pilot scheme, to provide services which would prevent or alleviate family stress and disintegration. The initial and principal aim was to reduce the numbers of children being institutionalised in state or voluntary sector care.

Service types originally funded included family aid and homemakers, emergency accommodation, budgetting advice and information referral and advice or counselling. Some changes to the program took place in 1981/82, namely that no new services providing accommodation, cash relief or housing referral were to be funded. These changes aimed to eliminate duplication of Commonwealth activity across departments and to prevent overlapping with State welfare departmental activity. However, counselling and information services, a major State activity, received continued funding. That year, the Commonwealth allocated \$10 m. to the 'new' scheme.

Recent changes have now placed the program, now called the Family Support Program (FSP), on a permanent basis with all States sharing costs with the Commonwealth. Some welfare/family support services previously funded solely by the States have been taken into the program. Services which are supported under the new program include neighbourhood-based services such as family centres, homemaker services and family counselling and parent education programs. Services which are now ineligible for funding under the FSP include child protection services, child care, respite care and marital counselling among others. It is hoped to absorb these into other funding areas.

It is anticipated that this new program will grow by 25 per cent in the first full year of operation and a further 20 per cent in the second year (Department of Community Services, 1986-87:39). In financial terms the Commonwealth spent \$3.64 m. in 1985/86 and has allocated \$6.181 m. in 1986/87, a growth of 69.4 per cent in current prices.

Ninety-eight projects were supported by the Commonwealth under the program in 1985/86, with a further 62 family support type programs supported in that year (Department of Community Services, 1986-87:39).

Although the original aims of the program were couched in general terms such as aiding 'families in their child rearing functions and additionally to aid them in times of crisis' (Office of Child Care, 1984:4) the underlying goal of preventing institutionalisation and the types of services funded almost ensured that both the target groups and the final users would be the poor. Evidence both early and later indicates that the principal users are low income, Australian born, lone parent, female headed families with pre-school children. Many users are recipients of Commonwealth pensions and

benefits (McGahan and Alexander, 1982; Office of Child Care, 1984; Sweeney, forthcoming).

The discrepancy between the broad aims of the service implying use across the whole socio-economic range and the ultimate users of the services, that is, the poor, remains. The most recent Commonwealth policy statement outlines one of the aims of the service as providing 'support to families to develop their coping skills, and thus their competence to provide an adequate child rearing environment' (Department of Community Services, 1987:2). The particular target of the program are those families 'with dependent children whose capacity to function is limited by internal or external stress' (Department of Community Services, 1987:2).

Despite this the Commonwealth persists with the illusion that family support services are for all families, rather than the poor:

Services funded under the new program will help all kinds of families with young children by strengthening the helping resources that are already available in most communities. (Department of Community Services, 1986-87:38)

Does it matter if the Commonwealth persists with this universal image of family support services, although it is known that it is principally welfare beneficiaries that are the users? I would suggest it does matter for the following reasons:

- (a) firstly, the Commonwealth itself has acknowledged that families use these services because they lack a support network and access to material resources (Office of Child Care, 1984). Some services even provide child care. However, these are the families who are now actively excluded from permanent access to child care because they do not have a job and are seen as families with problems which the State welfare department has the responsibility of resolving (Department of Community Services, 1986).
- (b) secondly, these services on the whole have retained the stigma associated with welfare services because the users are welfare recipients often referred by welfare officers as an alternative to removing children from the family.
- (c) thirdly, use is not always on a voluntary basis. In our own study of family support (Sweeney, forthcoming) both the courts and welfare departments stipulated that families must attend family support services or further consideration would be given to the removal of their children. Family support agencies took on a surveillance and monitoring role and families were reported to the welfare department if they did not attend or their progress or change in attitude or behaviour was unsatisfactory.

Of these the most important point is that poor families, without parents in the workforce or under the surveillance of welfare authorities have no, or limited, access to stigma-free child care but have access or are forced to use clearly defined residual welfare services. In essence both child care and family support may provide relief care and support networks. The difference is that many family support services are associated with a



welfare stigma, while child care is not. In addition, child care may provide more development opportunities for children than services such as welfare-based occasional care and temporary care.

### 2.3 Family Support as Part of the Social Wage

In addition to the Family Support Program, the Commonwealth provides support to families through a variety of services funded under the auspice of other departments such as Attorney-General or Health. These services do not have the attached stigma and are used by the middle class. In this sense these services, like child care services, enhance the everyday functioning of families and may be regarded as part of the social wage package.

While services may be defined in legal, health or educational terms, in practice, they often operate as a family support service. Services provided under the jointly funded Commonwealth-State Community Health Program and even some services funded under Medicare will serve as examples.

The Community Health program is a joint Commonwealth-State program in the sense that the Commonwealth has contributed \$20.3 m. in 1986/87 currently paid for under Medicare arrangements (Australian Community Health Association, 1986:29). One of the main aims of the program, first introduced in 1973, was and is to

... provide high quality, accessible, comprehensive, co-ordinated, efficient health and related welfare services, with an emphasis on prevention.

(Australian Community Health Association, 1986:14)

After a period of decline in Commonwealth commitment in the late 1970s, the present government has announced its intention to restore funding for community health to 1975 levels (Director-General of Health, 1984:113).

The range of services provided under the program include health outreach and social advocacy, playgroups, parent centres, information and counselling, parental advisory services through nurse visitors and so on.

Although it may be argued that it is the States that are responsible for service delivery of the program, it must be assumed that through policy statements and increased funding the present Commonwealth Government is indicating its renewed support for the concept of community health.

In the last three years in New South Wales there has been a marked growth in what are called Family Centres. While some are located in low socio-economic areas, many have been established in higher socio-economic areas, where the users are middle class, two-parent families.

Family centres aim to assist family adjustment in the early period of family formation, that is, when the children are of pre-school age. Generally they provide information and advice about child rearing, counselling and in some cases arrange for respite care or sponsor child care.

These services are surprisingly similar services to those provided under the Family Support Program. However, evidence from our survey

(Sweeney, forthcoming) indicates that there was no stigma attached to the use of services in middle class areas.

Two providers of services at Family Centres in middle class areas outlined their aims reflecting this view:

The arrival of a new baby changes the existing family unit and creates a certain degree of stress. This is not a pathological condition only experienced by 'disturbed or at risk families'; it is experienced by everybody. The aim of the Family Support Unit is to help families through this period.  
(Family Support Unit pamphlet:2)

Behaviour modification to enhance a middle class lifestyle.  
Improve family cohesiveness for people not in life and death situations. To get people to use the talents available ... to make the most of their intellectual capacity.  
(Interview)

While service providers saw their middle class families as needing support and release from their urban isolation, there was the assumption that child-rearing problems were 'normal' and related to the nature of modern day society and not individual malfunctioning. Thus the notion of individual fault, inadequacy and responsibility for one's plight, a philosophy well-embedded in residual welfare services, was not evident here. In these instances, if there was an 'individual' cause for a parenting problem it was that these highly educated parents had too-high expectations of themselves and their children (Sweeney, 1986).

Similar sorts of family support services, though with a residential respite care element were funded by Medicare and the hospital system. These services were generally run by voluntary organisations. In three instances services funded as hospitals or nursing homes considered the most pressing parental need was in fact child care and had successfully applied for funds under the Children's Services Program. In another case, a hospital-funded Family Centre provided respite care for mothers by referring them to the hospital to which they were attached. This 'respite' care was again paid for by Medicare. These instances of respite care for health care were used by middle class mothers.

As in the case of child care, this is not to say that these parents do not need or are not entitled to this assistance. Rather, the point is that different systems of provision are available to families on the basis of their socio-economic position. The definition of what families need and how that need is to be met seems to vary according to their socio-economic position.

### **3. GIVEN THE NATURE OF THE WELFARE STATE, WHAT ARE THE POSSIBLE COURSES OF ACTION?**

Our analysis of current provisions for children and their families seems to lend support to the view that the Welfare State was never designed to overcome inequalities. Rather, it operates in such a way as to create and perpetuate differences. Through services such as child welfare (not discussed in this paper as it is a State provision) and family support the

state attempts to control the lives of poor families. It provides just sufficient support to help them cope with the difficulties of poverty during their child rearing years. By contrast through provisions such as child care and non-stigmatised family support provided under the auspice of health, the state assists middle class families with their child rearing responsibilities and tasks.

Provisions such as child care originally developed for the poor have become an accepted part of the social wage for the middle class. In child care this change took place after World War 2 when the emphasis of the service changed from care and health to child development. The value of child care to parents, especially mothers, became more apparent with their re-entry to the workforce.

The notion then that the Welfare State provides welfare services only for the poor must be questioned, as Janowitz notes:

... The idea of the welfare state is based on the assumption that the lower social strata require additional resources. The emergence of the welfare state has produced a system that has as its official goals 'assisting' those at the bottom of the social structure. But the long-term trend is one in which there is a diffusion of social welfare upward and throughout the social structure. In part, this is because the simplified and broad images of lower, middle, and upper social strata fail to encompass the real life dilemmas of the populations of an advanced capitalist society. Each additional dimension of social stratification or inequality of age, sex and residence creates new and enlarged definitions for social welfare services.

(1976:77-78)

The maintenance and reinforcement of class-based provisions for children and their families described in this paper, in fact, are not a confused response of government. They reflect the 'dilemma' of the Welfare State, that is, the state 'has to both guarantee the survival of capitalist economic processes over which it has no ultimate control and simultaneously make the social system appear to be fair, just and reasonable. Typically these legitimisation tasks require increasing expenditures in areas of social services like health, welfare and education' (Watts, 1982:227).

It could be argued that while the image of 'modern-day' child welfare and family support services may be one of fairness and benevolence, they are in fact instruments of social control. They are portrayed as a legitimate means of coercive intervention into the lives of poor families. They have dual aims, firstly to assist families to cope with poverty or failing that, to maintain the children when families have absolutely no resources to do so. The other aim is to maintain moral control over the behaviour of both poor parents and children. Children through removal from the family or exposure to other adult models hopefully will acquire more middle class values of industriousness and so on, but not to the extent that they may move out of their class. There is a widespread fear that poor children left to their own devices may become the next generation of delinquents. Thus poor parents and their children may be seen as being potentially socially disruptive.

On the other hand child care, as we have noted, can be seen as being part of the social wage for the middle class enhancing the lives of parents (by enabling them to work etc.) and their children. If child care enhances development, then it could be argued that child care compounds middle class privileges.

The answer seems not to lie with the maintenance of a divisive system of provision. Rather what is needed is some rethinking about what lifestyles and environments we would like for our children, often referred to as our nation's future resource. Child care that is accessible to all, of course, is not the only or even major solution to the problems of meeting the needs of children and their families. A social restructuring and redistribution of resources is needed to eliminate the poverty in which so many families live. However, given current child care policies, a position that advocates child care as part of the social wage might be a first step to improving the lifestyles and life chances of all our children.

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TABLE 1 : ESTIMATES OF EXPENDITURE UNDER THE CHILDREN'S SERVICES PROGRAM, 1986-87

Service	\$ ('000) 1985-86 Actual	\$ ('000) 1986-87 Estimate	% Change
Grants for children's services (excl. payments to or for States)	132,945	169,570	27.5
Grants for children's services (payments to or for States)	13,470	25,007	85.6
Sub-total	146,415 <del>4</del>	194,577 <del>70</del>	33.0
Pre-school block grant	16,545	-	-
Family Support Services Scheme	3,648	6,181	69.4
Grant Australian Early Childhood Association	105	112	6.7
TOTAL	166,723 <del>2</del>	200,870 <del>201,063</del>	20.6

Source: Commonwealth Government Budget Paper 1986-87, Budget Paper No.6, pp.92-93.

## Erratum for this report (No 65)

Table 1, on page 128 should read thus:

**TABLE 1 : ESTIMATES OF EXPENDITURE UNDER THE CHILDREN'S SERVICES PROGRAM, 1986-87**

Service	\$ ('000) 1985-86 Actual	\$ ('000) 1986-87 Estimate	% Change
Grants for children's services (excl. payments to or for States)	132,945	169,570	27.5
Grants for children's services (payments to or for States)	13,470	25,007	35.6
Sub-total	146,415	194,577	33.0
Pre-school block grant	16,545	-	-
Family Support Services Scheme	3,648	6,181	69.4
Grant Australian Early Childhood Association	105	112	6.7
<b>TOTAL</b>	<b>166,713</b>	<b>200,870</b>	<b>20.6</b>

**Source:** Commonwealth Government Budget Paper 1986-87, Budget Paper No.6, pp.92-93.

DIAGRAM 1.  
FAMILY UNITS WITH CHILDREN UNDER 12 YEARS OF AGE  
EMPLOYMENT STATUS BY INCOME GROUP.

Figure 1.  
Family Units with One  
Parent Employed,  
the Other Not.

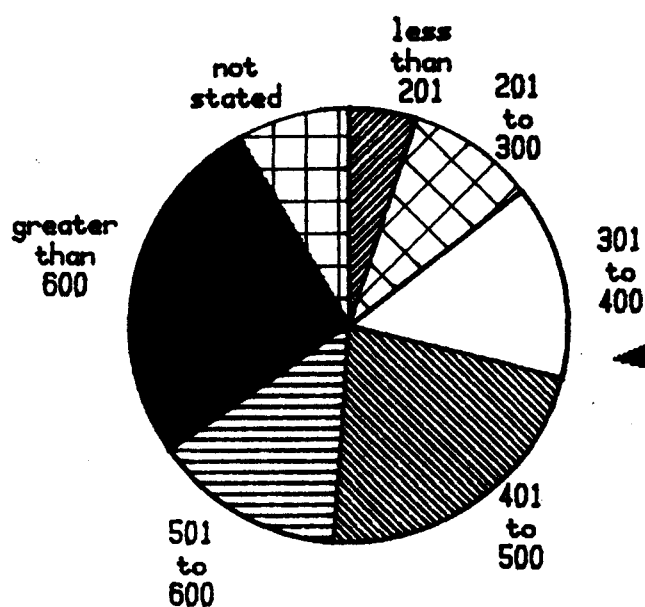


Figure 3.  
Family Units with Both  
Parents Not Employed.

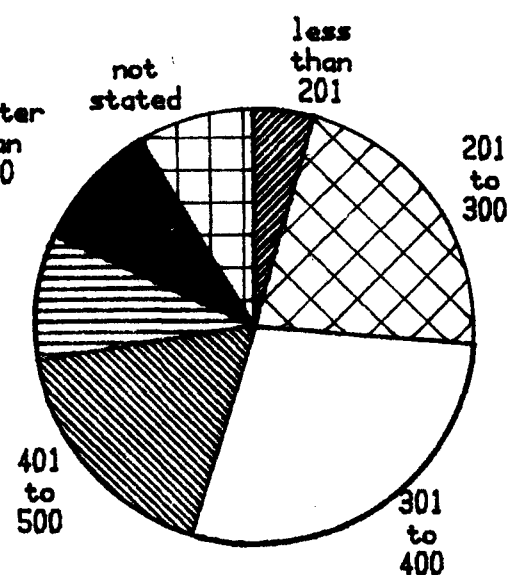
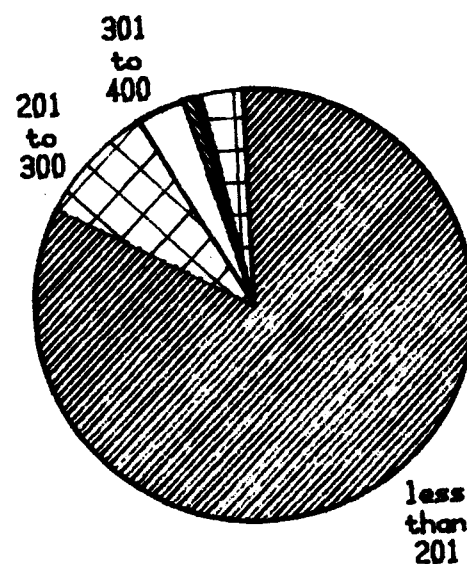


Figure 2.  
Family Units with  
Both Parents Employed.



WEEKLY INCOME (\$ per week)

Source : see Table 2(a).

TABLE 2(a) : FAMILIES WITH CHILDREN UNDER 12 YEARS, AUSTRALIA, NOVEMBER, 1984  
EMPLOYMENT STATUS AND INCOME

Income Group	Parents Employed Full- or Part-Time		One Parent Employed the Other Not		All Parents Not Employed		Not Stated Not Determined		Total Family Units	
	N ('000)	Income Group as % of Units with All Parents Employed	N ('000)	Income Group as % of Units with One Employed Parent	N ('000)	Income Groups as % of Units with All Parents Not Employed	N ('000)	% of Not Stated	N ('000)	Income Groups as % of all Family Units
< 201	32.9	5.1	33.9	4.6	198.2	82.9	1.3	3.8	266.2	16.0
201-300	61.1	9.5	164.1	22.1	21.7	9.1	4.2	12.4	251.2	15.1
301-400	93.4	14.5	209.2	28.1	8.4	3.5	7.9	23.3	318.9	19.2
401-500	141.6	22.0	133.1	17.9	2.0	0.8	8.1	23.9	284.8	17.2
501-600	92.4	14.4	69.6	9.4	-	-	3.1	9.1	165.6	10.0
601 +	170.0	26.4	71.0	9.6	1.1	0.5	4.6	13.6	246.8	14.9
Not Stated	51.9	8.1	62.6	8.4	7.1	3.0	4.7	13.9	126.3	7.6
TOTAL	643.3	100.0	743.5	100.1	238.5	99.8	33.9	100.0	1659.8	100.0

Note: Totals drawn from ABS figures which are rounded.

Source: ABS (1986) Child Care Arrangements, Australia, November, 1984, No.44020, p.12.



TABLE 2(b) : FAMILIES WITH CHILDREN UNDER 12 YEARS, AUSTRALIA,  
NOVEMBER 1984, INCOME DISTRIBUTION AND PARENTS'  
EMPLOYMENT STATUS

Parents' Labour Force Status	Parents Weekly Income Group \$ % of income group							Total
	Less than 201	201- 300	301- 400	401- 500	501- 600	601+	NS	
All parents employed F/T, P/T	12.3	24.3	29.3	49.7	55.8	68.9	41.1	38.8
One employed, the other not	12.7	65.3	65.6	46.8	42.0	28.8	49.6	44.8
All parents not employed	74.4	8.7	2.6	0.7	-	0.5	5.6	14.4
Not determined	0.5	1.7	2.5	2.8	1.9	1.9	3.7	2.0
TOTAL Family Units	99.9	100.0	100.0	100.0	99.7	100.1	100.0	100.0

Source: ABS (1986) Child Care Arrangements, Australia, November, 1984 :  
No.4402.0, p.12.

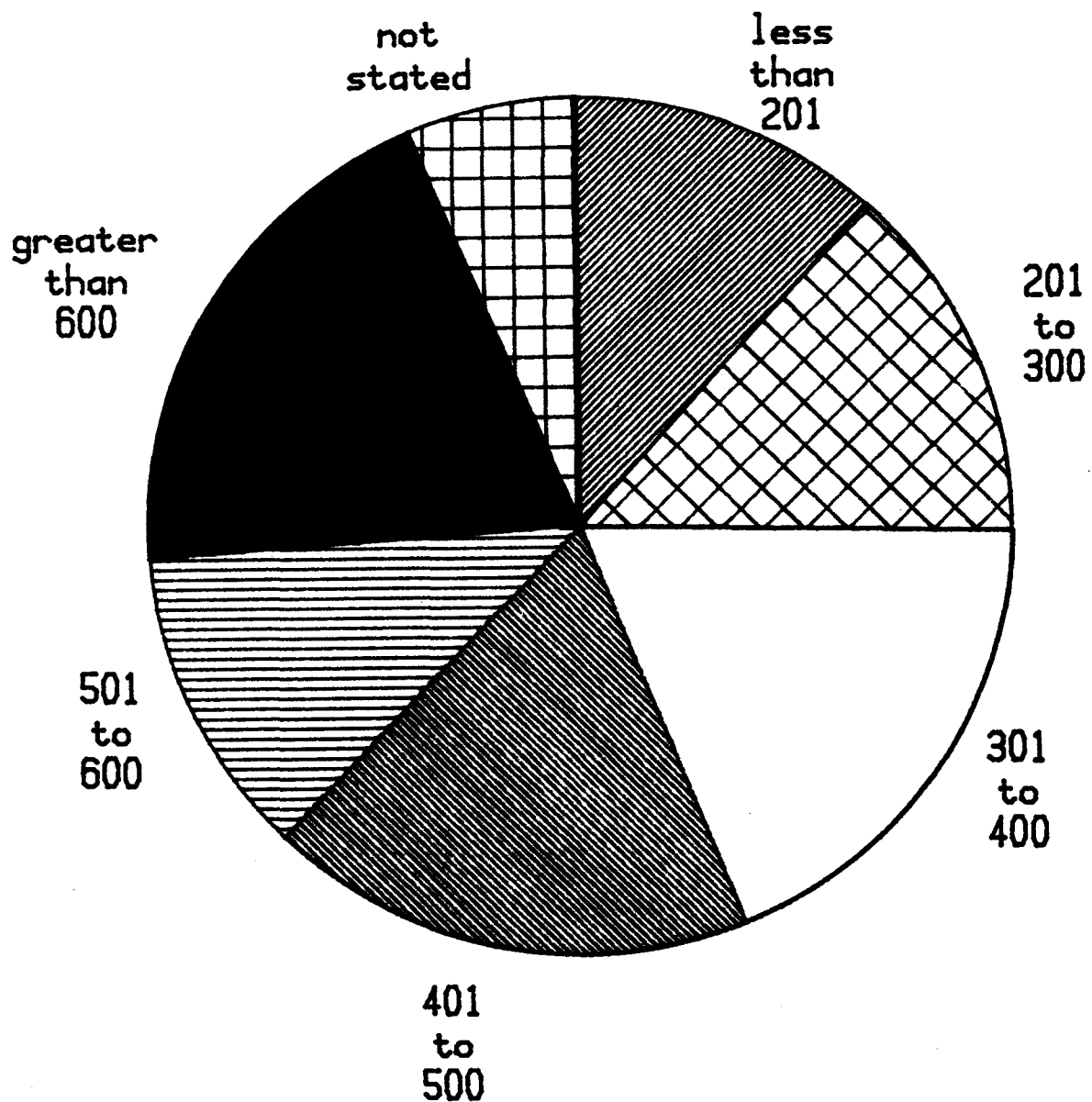
TABLE 3 : FAMILIES WITH CHILDREN UNDER 12 YEARS, AUSTRALIA, NOVEMBER 1984,  
USE OF FORMAL AND INFORMAL CARE

Weekly Income of Family Unit \$	Total Number of Family Units	Family Units Using Formal Child Care ONLY		Family Units Using Formal Care (with or without Informal Care)		Family Units Using Informal Care ONLY		Family Units Using Formal and Informal Care		Total Family Units Using Some Form of Care	
		N ( '000)	% of Units Using Formal Care ONLY	N ( '000)	% of Units Using Formal Care	N ( '000)	% of Units Using Informal Care ONLY	N ( '000)	% of Units Using Formal and Informal Care	N ( '000)	% of Units Using Some Form of Care
< 201	266.2	25.1	12.8	37.2	11.7	71.4	16.3	11.1	9.8	107.6	14.4
201-300	251.2	30.4	15.5	43.4	13.7	61.3	14.0	12.3	10.9	104.0	13.9
301-400	318.9	37.7	19.3	59.3	18.7	70.9	16.2	19.6	17.3	128.2	17.2
401-500	284.8	35.6	18.2	58.0	18.3	75.0	17.1	20.4	18.1	131.0	17.5
501-600	165.6	21.4	11.0	37.6	11.8	53.0	12.1	15.5	13.7	89.9	12.1
601 +	246.8	32.4	16.6	62.0	19.5	78.2	17.8	27.6	24.4	138.2	18.5
Not Stated	126.3	13.1	6.7	20.3	6.4	28.9	6.6	6.5	5.8	48.5	6.5
TOTAL	1659.8	195.7	100.1	317.8	100.1	438.7	100.1	113.0	100.0	747.4	100.1

**Note:** Excludes care by person responsible, self care or activities such as Scouts, music lessons.

**Source:** ABS (1986) Child Care Arrangements, Australia, November 1984; Cat.No.4402.0, Table 3, p.10.

DIAGRAM 2.  
FAMILY UNITS USING FORMAL CHILD CARE  
WITH OR WITHOUT INFORMAL CARE  
BY INCOME GROUP.



WEEKLY INCOME (\$ per week)

Source : see Table 3.

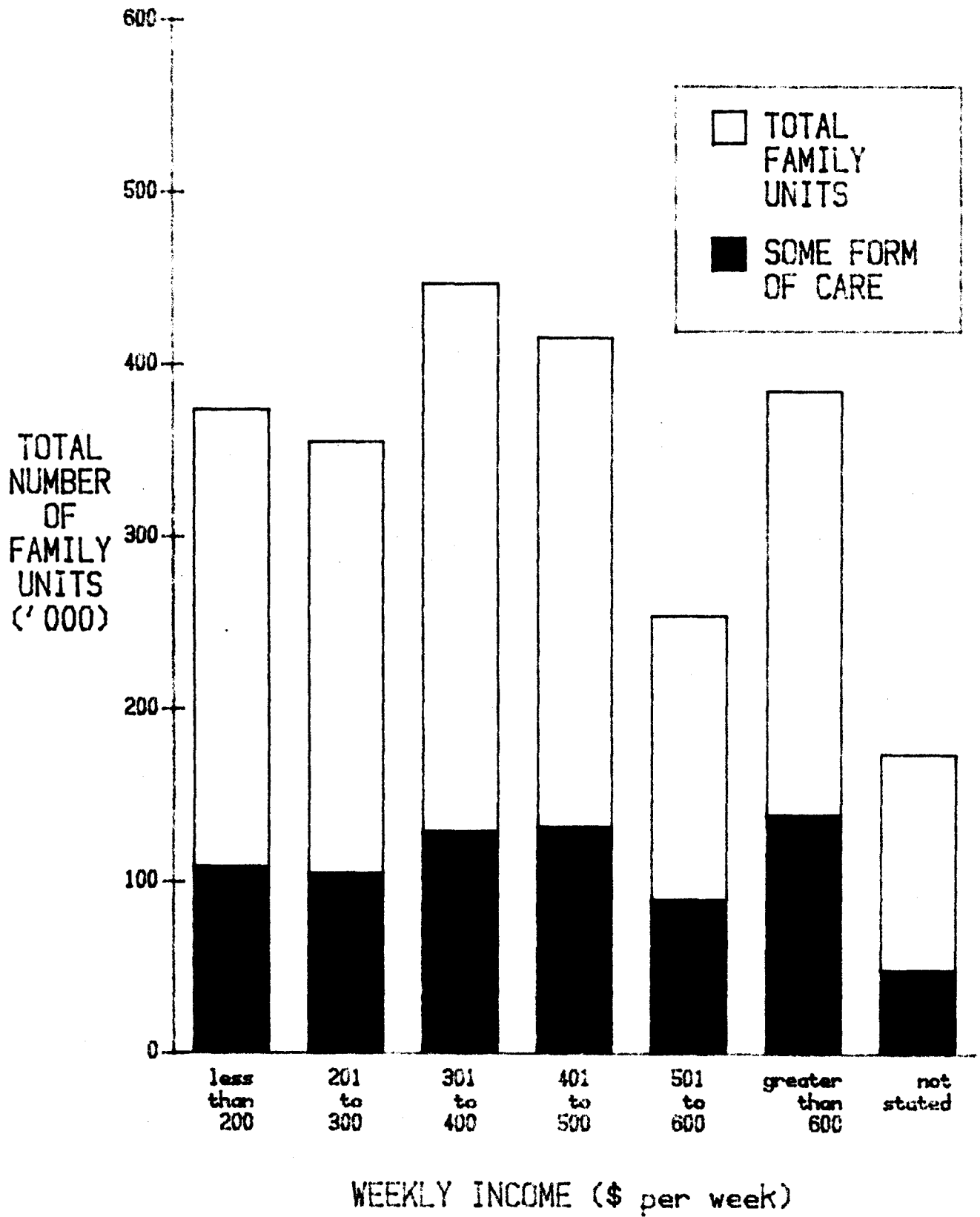
TABLE 4 : FAMILY UNITS USING CHILD CARE, BY INCOME OF FAMILY UNIT, AUSTRALIA, 1984

Income of Family Unit	Total Number of Family Units ( '000)	Family Units Using Formal Care Only		Family Units Using Informal Care Only		Family Units Using Formal and Informal Care		Family Units Using Some Form of Child Care	
		N ( '000)	% of Income Group	N ( '000)	% of Income Group	N ( '000)	% of Income Group	N	% of Income Group
< 201	266.2	25.1	9.4	71.4	26.8	11.1	4.2	107.6	40.4
201-300	251.2	30.4	12.1	61.3	24.4	12.3	4.9	104.0	41.4
301-400	318.9	37.7	11.8	70.9	22.2	19.6	6.2	128.2	40.2
401-500	284.8	35.6	12.5	75.0	26.3	20.4	7.2	131.0	46.0
501-600	165.6	21.4	12.9	53.0	32.0	15.5	9.4	89.9	54.3
601 +	246.8	32.4	13.1	78.2	31.7	27.6	11.2	138.2	56.0
Not stated	126.3	13.1	10.4	28.9	22.9	6.5	5.2	48.5	38.4
TOTAL	1659.8	195.7	-	438.7	-	113.0	-	747.4	

**Note:** Excludes care by person responsible, self care or activities such as Scouts, music lessons.

**Source:** ABS (1986) Child Care Arrangements, Australia, November 1984; Cat.No.4402.0, Table 3, p.10.

DIAGRAM 3.  
FAMILY UNITS USING SOME FORM OF CHILD  
CARE BY INCOME GROUP.



Source : see Table 4.

TABLE 5 : FAMILY UNITS USING FORMAL CARE ARRANGEMENTS, 1984

Weekly Income of Family Unit \$	Total Number of Family Units  N ( '000)	Family Units Using Pre-School			Family Units Using Child Care			Family Units Using Family Day Care			Family Units Using Two or More Formal Arrangements			Total Family Units Who Used Formal Care N ( '000)
		N ( '000)	% of Income Group	% of All Units Using Pre- School	N ( '000)	% of Income Group	% of All Units Using Child Care	N ( '000)	% of Income Group	% of All Units Using FDC	N ( '000)	% of Income Group	% of All Units Using 2 + Arrange- ments	
< 201	266.2	22.2	8.3	11.5	7.8	2.9	11.2	3.7	1.4	13.5	1.7	0.6	9.8	35.4
201-300	251.2	29.7	11.8	15.4	7.9	3.1	11.4	3.0	1.2	10.9	1.7	0.7	9.8	42.3
301-400	318.9	40.6	12.7	21.0	10.1	3.2	14.5	4.1	1.3	15.0	2.7	0.8	15.5	57.5
401-500	284.8	34.6	12.2	17.9	14.3	5.0	20.5	4.1	1.4	15.0	3.5	1.2	20.1	56.5
501-600	165.6	22.3	13.5	11.5	9.0	5.4	12.9	3.6	2.2	13.1	2.1	1.3	12.1	37.0
601 +	246.8	29.8	12.1	15.4	17.1	6.9	24.6	7.6	3.1	27.7	4.9	2.0	28.2	59.4
Not Stated	126.3	14.0	11.1	7.2	3.3	2.6	4.7	1.3	1.0	4.7	0.8	0.6	4.6	19.4
TOTAL	1659.8	193.2	11.6	99.9	69.6	4.2	99.8	27.4	1.7	99.9	17.4	1.0	100.1	307.5

Note: Excludes category 'not able to be classified' (n=10,300).

Source: ABS (1986) Child Care Arrangements, Australia, November 1984; Cat.No.4402.0, Tables 3 and 14, p.10, p.16.

DIAGRAM 4.  
FAMILY UNITS USING FORMAL CHILD CARE  
WITH OR WITHOUT INFORMAL CARE  
BY INCOME GROUP.

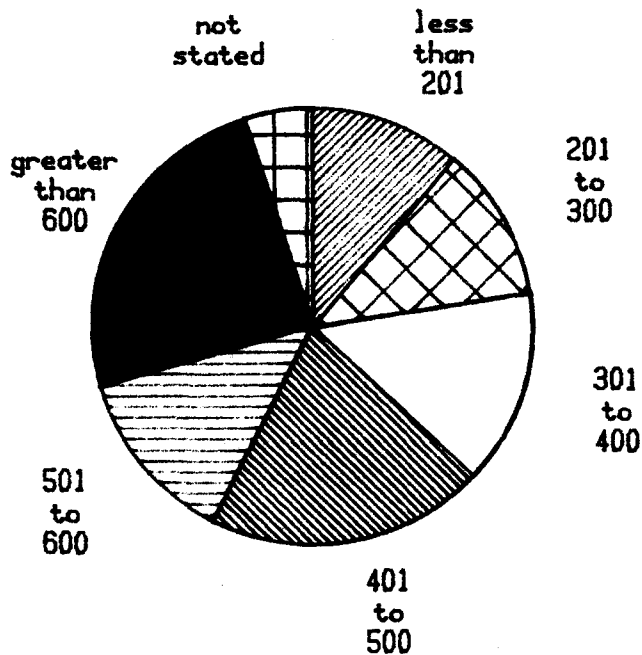
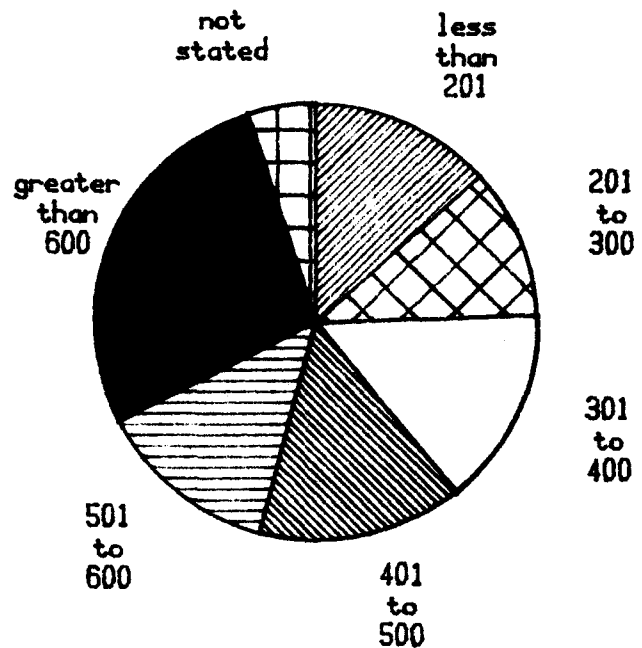


FIGURE 1.  
FAMILY UNITS  
USING CHILD CARE.

FIGURE 2.  
FAMILY UNITS USING  
FAMILY DAY CARE



WEEKLY INCOME (\$ per week)

Source : see Table 5.

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**FAMILY AND COMMUNITY SERVICES  
A STATE PERSPECTIVE**

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**Introduction**

The Minister for Community Services, the Honourable Kay Hallahan, has discussed with you this morning issues in the creation and development of the government's portfolio on the Family. She has emphasised the across governmental perspective which she will be developing, and the special support and initiatives which she will be expecting from the Department for Community Services.

I would just like to re-emphasise that the State Department for Community Services does not wish to dominate in any way ownership of family policy across government, but rather develop a family policy perspective which can be affirmed through the Department's various functions and services.

In my time with you I would like to look in some detail at the Department's position and perspective on the Family, and at several of the issues which I believe must provide the foundation of our initiatives. I will discuss some of the issues and outcomes of a departmental working party which was given the task of examining the issues of family policy in relation to the existing programmes and services and possible future directions. They have produced a document which is intended as a stimulus for discussion within the Department and with our colleagues externally. Finally I would like to talk briefly on some significant progress which has been in Western Australia in recent years and the nature of the Commonwealth/State relationships in the provision of joint funding for initiatives in this field. A matter which has been referred to by the Minister for Community Services.

I would like to emphasise that this discussion should not be taken as suggesting that the issues of family policy are simple, clear and neatly packaged by the Department. We recognise and respect that this is a sensitive and delicate field which will require long term effort to achieve mature policy provisions.

Much of the discussion at the conference yesterday placed appropriate emphasis on the economic and social theory in relation to social policy development. It is not appropriate for me to develop this theme any further as it has been given very adequate coverage by a range of eminent speakers. I do however wish to emphasise that whilst the Department understands that the Commonwealth has the mandate for the provision of income support, the Department does not adopt a position that such a crucial and major aspect should be exempt from its policy focus and programme developments. Later in the paper I will briefly discuss some of the poverty strategies the

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Department has been instrumental in developing with the non-government sector.

In considering the matter of family policy in relation to departmental activities there has been a number of occasions where different staff have queried the legitimacy or purpose for such a focus. Part of the reason I believe for this is that with the on-going development of programmes both within the Commonwealth and State spheres, it is a rather complex matter of examining ways in which a family policy perspective can be used across those programme developments. I recall some years ago Tierney delivering a paper on the dangers of developing too many social policy constructs which may only result in confusing not only service providers, but most certainly users, and the general community. I consider that there can be real dangers of the welfare sector mystifying the development of family policy. Too much jargon or esoteric content will result in a lack of action and planning and frustration by all. Thomas Szas in his book 'The Second Sin' goes as far as to describe these features as a specific strategy aimed at confusing and dominating users and the public.

I am emphasising this matter because I consider conferences such as these have a great potential to contribute to the development of informed practice only if they can maintain a practical sense of direction without mystification. The Department's adoption of a family policy perspective is one which we hope will not create such confusion as it will not replace current programme focus but more be an affirmative litmus test in examining the appropriateness and projected impact that such programmes and services will have on the family and the community.

I believe it is critical that a department such as Community Services develop a family policy theoretical framework as a basis for practice. It is an essential element of social welfare practice where our interventions do have such a direct and far reaching impact on the lives of children, families and the whole of the community. It is critical that departmental staff continue to seek out and apply theoretical understanding and perspectives in their practice in order to avoid applying set formula or stereotyped responses in the provision of services. This was very much reinforced by departmental experience in deinstitutionalising a number of residential child care centres. The very existence of those institutions resulted in departmental field staff referring cases to that system rather than consider family, extended family or other community placements. The system inertia encouraged set formula and stereotyped responses.

I consider that there are two important criteria that need to be met in order to ensure the practical application of theory.

**First, it must be seen as a guide and not a set of rules. Secondly, theory needs to be real and meaningful for the worker and relevant to users or no matter how valuable/relevant it is it will not be used.**

There is another important reason for such a focus. Clearly the concept of family and family policy is a matter which is gaining significant momentum both nationally and within the States. I consider this emerging focus is important for the Department in assisting with determining the roles of the State and the degree to which it can promote and support families in their undertakings. The notion of family policy is not just rhetoric

associated with the ideology of family but because, as Kahn says, 'inaction is policy' and that 'the real choice is between deliberate coherent family policy and one of inconsistency and mischance' - 'whether one approves or not, family policy is inevitable: if not explicit then implicit - probably both'.

Thus having an inadequate family policy is in fact a policy of sorts which may stand to hinder rather than to help families or their individual members in dealing with today's pressures in society. It is important that attention to family policy is also accompanied with appropriate theory and research findings and the positive application of these to planning and practice. In particular, research should be focused on outcomes and the perspectives of users in relation to the impact of services on the family.

I have identified three themes which I believe are important as a backdrop to departmental planning, these are:

1. The sociological perspective of the family (as a primary social group).
2. Social control considerations in the family perspective.
3. Family policy as a co-ordinating framework for a range of programmes.

#### **1. The Sociological Perspective of the Family**

A sociological focus is particularly appropriate for the Department having changed name and service emphasis from Child Welfare to Community Welfare and now Community Services. Such a focus needs to view the family as a primary social group with enormous power to influence its individual members - a power which may have very positive or negative impacts. Both of these potentials, which no doubt exist on a continuum of strength and quality of impact, must be recognised when considering families. As Mishra states the family is 'the site of deepest affection, loyalty and solidarity, [it] also harbours dissention, hatred and bad faith' to the extent that the family is a positive nurturing experience so does it have the potential to be hurtful and destructive.

A sociological perspective also assists in viewing the family and its members from a relationship focus rather than a psychological focus which emphasises the individual and a more clinical approach. A sociological focus also assists in considering the functions of the family rather than being unduly preoccupied with the structure or forms of families which can bog down on problems of definition. A sociological focus on the function of families emphasises that the family is about nurturing and about socialisation; it is about meeting the unchanging needs of both children and adults for intimacy and permanency in relationships, of meeting the need of all of us to have a sense of identity and of belonging regardless of the form of social grouping in which these needs are met.

Such a focus should encourage a policy perspective which is directed at supporting and enhancing the family's ability to perform these vital tasks. This raises the question as to what functions do we expect of the family to

perform and what is the role of the State in supporting or intervening with families?

There is a view gaining increasing popularity, that the provision of assistance to families by governments has sapped the willingness of families to undertake their 'proper' responsibilities. This issue has been examined in depth by Morony in his 1976 research in the United Kingdom. This research showed that there was little evidence to support the view that families are less willing to undertake responsibility for their dependants but that they were faced with increasing difficulties in doing what they would like to do. More recent research quoted by Pinker in a 1985 paper demonstrated the same thing: 'What shines unequivocally through the research is that families **do** care. Indeed it can be safely said that more people do more caring for relatives in major need than at any other point recorded in history'.

It needs to be recognised that with the changes in society families are under more stress as is the community in general. The challenge is establishing services which can reduce those pressures in a tolerant wider community environment which is supportive through community networks. It is critical for a department such as Community Services to adopt a more sociological focus in order to avoid repeating some of the mistakes of the past such as those involved in 'the child saving' interventions which remove children from the family and community environments without giving sufficient regard to that child's interaction with family members and the wider community. This brings me to the second theme.

## **2. Family and Issues of Social Control**

As you are aware, the Department for Community Services has a number of social control mandates which apply in the areas of young offenders and child protection. There has been significant social policy debate over the past 20 years in relation to social control and welfare practice. This can be clearly demonstrated in West Australian history by the changes from child welfare to the present. Each of these changes has been based on the need to develop a less residual protectionist position by the Department and develop a more proactive and supportive community development role. As Jan Carter wrote in her report 'From Protection to Prevention' concerning the then Child Welfare Department's services in Western Australia,

It was assumed that users of the Child Welfare Services came from a special class of families who belonged to a group of families regarded as deviant or poor. To receive welfare services was a distinctive mark of social incompetence which carried with it disapprobrium and stigma. The response from the then Child Welfare Department was to take a child rescue focus. The emphasis on service was on substitute care. There was no philosophy or practice about restoration or rehabilitation in child welfare legislation and there was little comprehension of the child's identity as part of the family. The child was seen as being separate from his family and policies for children and families were not linked together - they were considered discontinuous.

Obviously there have been substantial changes in relation to the way in which the Department now exercises its social control mandate as compared

with the then Child Welfare Department. This has been reflected through substantial deinstitutionalisation programmes based on the recognition that children cannot be considered separately and in isolation from their families or the community. The focus on substitute care has moved to one which attempts to reunite the child with his or her natural family wherever that option is possible and seeks actively to maintain family ties. I will talk shortly of a substantial resource shift within the Department's budget allocation towards community findings.

Whilst there has been substantial improvements I do **not** believe that the Department can be smug about these achievements nor relax in its affirmative position towards the family and community support approach.

I am now going to focus briefly on juvenile justice as it represents one of the major social control mandates for the Department. The issues I raise will also indicate the importance for workers to maintain a family and community perspective in order to avoid a 'child saving' approach that ignores the wider social context for the child.

In the mid-1970s in the United Kingdom, research was undertaken to study the impact of a **Young Offenders 1969 Act** introduced through Parliament which professionalised services to young offenders. As a result of the bill being introduced a number of social work services were established. It was originally the intention of the government to close down the old non-professional probationary services. This did not occur and hence there was the opportunity to evaluate the services that were provided by both the probationary officers and the professional social workers. In summary the study indicated that if a professional social worker was assigned the responsibility of preparing a pre-sentence report on a child, that child would have three times more likelihood of being removed from home and placed in an institution than if the report had been written by a probationary officer.

Equally importantly if a court report had been written on an older juvenile offender in a family and a younger sibling offended, then the younger child would have twice the likelihood of being placed into an institution than his or her older brother. This 'child saving' approach totally underestimated the importance of the family and community environment of the child. The intervention was based solely upon a view that changes to the child's behaviour could only be effected if the child was removed from the community environment. I have raised this study as the practices that occurred in the past within Western Australia in relation to juvenile justice were similar. A large proportion of the children that used to be admitted to maximum security institutions was for the purpose of assessment. This approach completely ignored the principles of justice and the recognition that children should only be incarcerated if it was considered that they constituted a danger to the community.

I now wish to address the matter of child protection as I consider that currently in Australia there are very significant developments and debate which will determine the future direction this State will take in relation to protection matters.

Questions such as whether there should be mandatory reporting raise the very issues of the extent to which departments and governments adopt an

approach of community education and responsibility in child protection versus the necessity for the state to legislate for compulsory mandatory reporting. Whilst I recognise that it is overly simplistic to polarise these two approaches, I do consider that the developments and debates in the next year in this state and other states of Australia are critical in determining the philosophical basis of the community's responsibilities in matters of social control such as child protection.

Whichever ways these dilemmas are resolved, it is most important for there to be the appropriate balance of protecting individual members of the family whilst recognising the strong influences and ties those individuals have with their family and other members of the community. Departments such as Community Services must always be aware of the dangers of viewing the child in isolation, as such a focus can result in overly zealous child rescuing without sufficient regard to the powerfulness of a range of other influences in the community.

A recent experience with the Department provides an appropriate example to further demonstrate the importance of a family and community focus rather than individual focus. It relates again to the matter of child protection and the recognition that community awareness programmes need to be developed in Western Australia with a preventive focus. The majority of these programmes which have been conducted in other countries frequently highlight the sorts of circumstances which may result in children being abused. Whilst such a focus is an essential aspect to a community awareness programme, the Department is of the view that such an approach must also incorporate the positive aspects of the family and not singularly portray aspects of what may be seen as only negative aspects of the family. Whilst recognising the potential for the family to harm, our emphasis must be on strengthening the positive qualities of the family.

Recently in Western Australia a marketing company undertook a small survey which indicated that 85 per cent of the Western Australian community considered child protection to be a community problem and not a government problem only. It is important that service providers recognise these community perceptions and develop approaches which encourage appropriate community participation in such an important issue. I am not suggesting that departmental programmes should not give sufficient regard to the individual rights of family members. Clearly the State has a right and an obligation to intervene in families where it can be demonstrated that vulnerable members are being harmed or at serious risk of harm. Such intervention when it involves children should be aimed in the first instance at family support. Other interventions should be based on the principle of the least detrimental alternative. The onus should be on the department to demonstrate that such interventions are justified. Interventions to assist adults must respect the wishes of the adult. It is of course most important that the department emphasise the positive community support programmes which rely on mutual support rather than distrust within the community. These programmes have the additional benefit of being non-stigmatising, more readily accessed by family members who are requiring help in times of trouble, rather than being oriented to an overly child rescuing focus which may unintentionally intrude on the privacy of families or increase the profile of state intervention. It needs to be recognised that families have an obligation to care for their own members and that the state should intervene only when the family has demonstratively failed.



There is also a risk that family policy can be used as a tool of social control in maintaining traditional gender roles. As Bettina Cass has indicated in her writings on this subject 'policy needs to enable individuals to make choices about their roles within the home and within the paid workforce'.

### **3. Family - A Focus for Programme Co-ordination**

Recent developments in community services throughout Australia have placed significant reliance on the developments of particular programmes. Whilst such a development is necessary there is a danger that programmes can be developed without sufficient regard to a broader social policy framework. The family policy focus provides an opportunity to view the delivery of services through a family perspective. Such an approach should identify the need for co-ordination of individual programmes as well as indications of where there are gaps in services.

#### **Commonwealth/State Roles and the Department for Community Services' Progress**

As mentioned earlier in the paper, there has been over recent years an increasing emphasis on programme development both within the Commonwealth, the State and on a joint basis. Much of the design of these programmes has resulted in rationalising a number of smaller projects as well as substantially increasing the resources for particular programme services. These developments are to be applauded; however, they do raise a number of matters of importance. The first relates to the need for a broad and comprehensive policy framework in which programme development occurs. Without this framework programmes can be designed in isolation from each other and hence become too narrowly focused.

The major Commonwealth/State current programmes have clear criteria; objectives, however, may not always be as flexible as the State would consider the programme design should accommodate. Generally the areas where this State has had differences with the Commonwealth have been in matters of access to community support networks by those users of departmental services who are most economically and socially disadvantaged.

That is not to say that the programme objectives are not meeting very necessary needs in the community, but more a question of priorities of access to those services.

As I mentioned earlier in my paper the Department has given recognition to the importance of poverty in the family by the development of a range of services which complement the Commonwealth responsibility for income support to families. These initiatives have included an integrated furniture assistance scheme; child family support; school clothing scheme; reviewed guidelines for financial assistance - payment for basic domestic expenses; and poverty programmes through non-government sector. These initiatives total \$5 million for the 1986/87 financial year. Whilst it is important to emphasise that these priorities do not reduce the Commonwealth mandate for income support, they do assist a number of financially disadvantaged persons in Western Australia and seek to address poverty and work towards social justice. During recent years there has also been a substantial increase in the number of state concessions which now is estimated at \$85,000,000 per

annum. These initiatives underline the important focus on families in poverty.

I have emphasised the matter of Commonwealth and State arrangements because the current allocation to these programmes can and does substantially distort the State's spending priorities. As mentioned earlier this is not to suggest that the programmes are not well directed. However, they do not always sufficiently address the need for a community development networking approach to which the State would give more priority.

I believe a number of these concerns will also be addressed through the recent expansion by the Commonwealth and State in the programme area of family support services which does provide more flexibility and a community network approach. These problems have been recognised by both Commonwealth and State governments and currently there is a working party on the development of principles and guidelines in relation to co-operation between Commonwealth and State governments which is addressing a number of these issues.

To demonstrate the very substantial proportion of budget growth that is currently subject to Commonwealth and State agreements as well as the shift in budget emphasis within the West Australian Department for Community Services, I have two overhead slides. The first is a bar chart which represents the budget growth within the Department for Community Services for the past five years from 1982/83 to 1986/87. You will note that the budget in 1982/83 was approximately \$40 million. At that time 64.13 per cent of the allocation represented the Department for Community Services' salaries. 35.87 per cent represented other funding. In contrast for 1986/87 the budget was \$79.8 million. The proportion of budget which incorporated departmental salaries had been dramatically reduced to 47.5 per cent. Other funding constituted 52.5 per cent which demonstrates the substantial shift in emphasis to community non-government funding and direct services.

The second chart (pie chart) represents an analysis of budget growth from 1982/83 to 1986/87 for the Department for Community Services. The chart relates to what is approximately \$40 million growth during this period. It is important to outline that the chart does also include CPI. As indicated in the chart there has been substantial increases in Commonwealth/State programmes (27.86%) and the Department (representing 7.66% and 14.5%). These three categories all of which are paid to community and non-government groups, represents 50 per cent of the overall budget increases. The category of payment to clients (10.83%) has increased principally as a result of poverty strategies developed by government which have resulted in direct payments to clients.

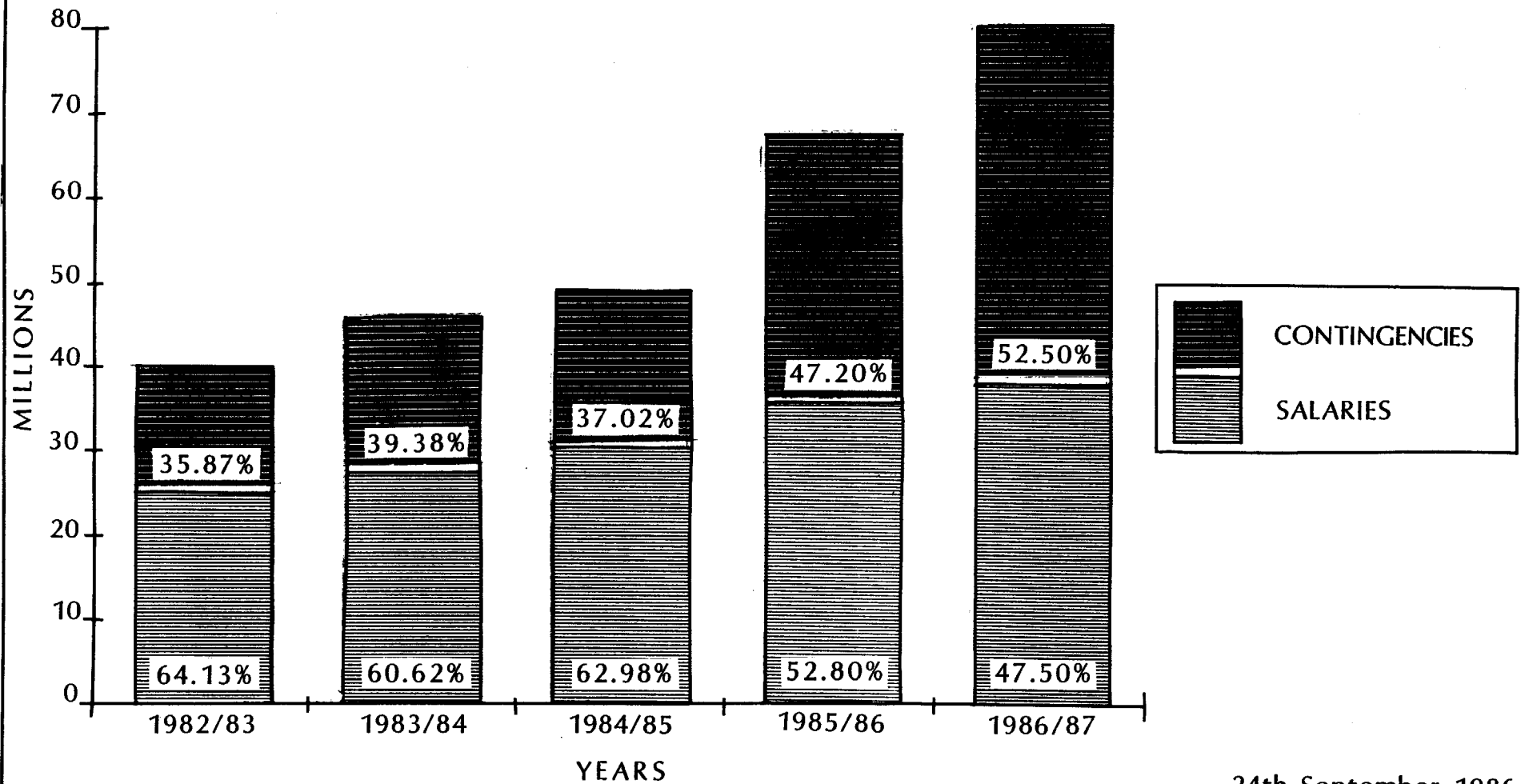
Both these charts demonstrate the very substantial change of focus and resource shift into the community. It demonstrates that the department's funding priorities are focused on a range of community services which can provide users with increased access and multiple choice. Both of these aspects are critical in ensuring that welfare services encourage independence within the community and not reliance upon the State welfare programmes. The shift recognises that families wanting and needing support will more readily go to localised community services which they trust and are accessible.

The details contained within the Department's draft family policy does take into account of the need for local networks' support and recognising also that the family as a whole is affected by changes in a wider environment which include matters such as housing, employment and income support.

The changes provide a more equitable balance between supportive and protective and preventive activities of the Department in relation to families. I believe it is important that the Department maintain its steady shift of context from the reactive statutory authority role to a more proactive community based service emphasising prevention support and sponsorship as much through local networks.'

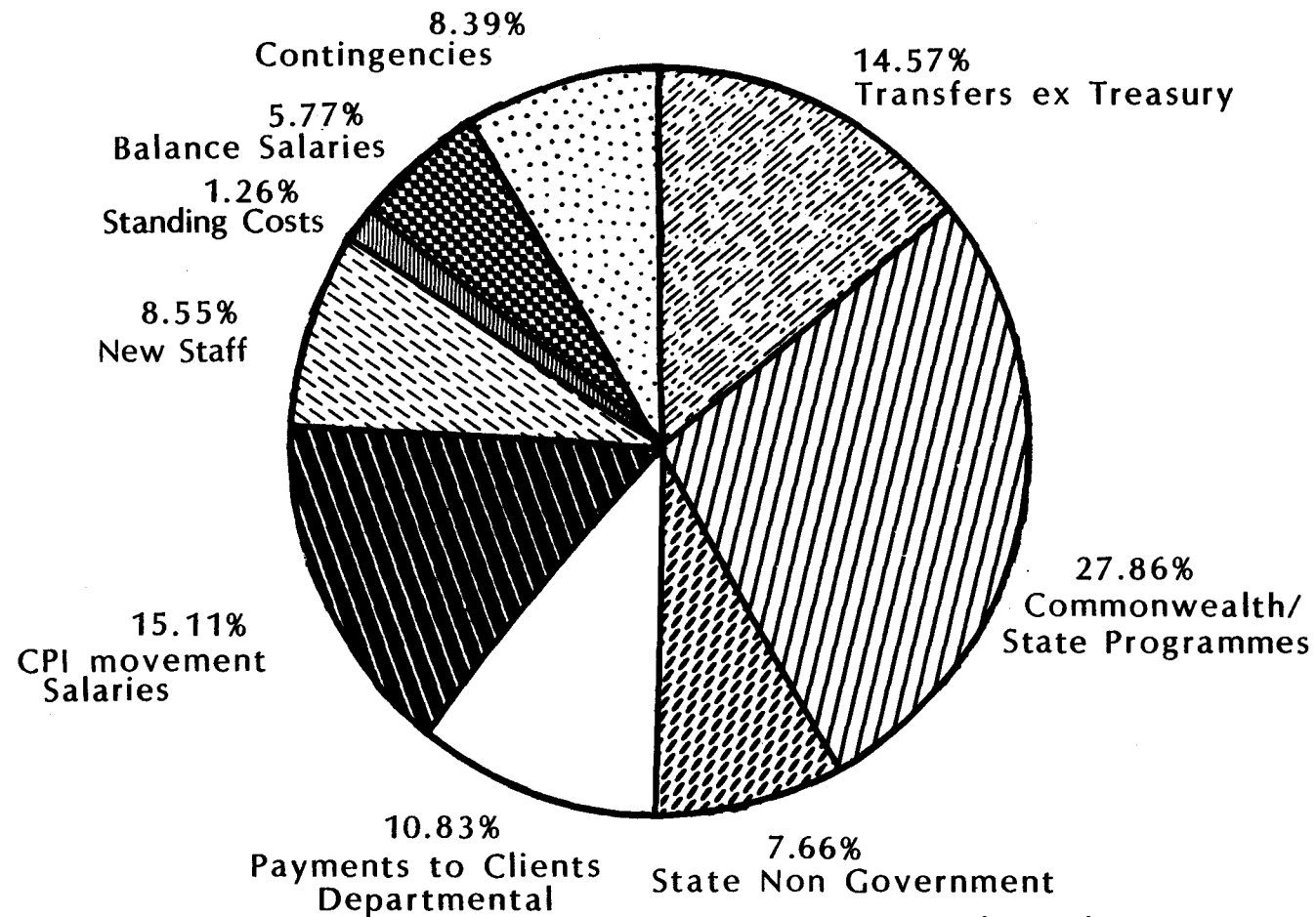
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DEPT FOR COMMUNITY SERVICES  
BUDGET GROWTH 5 YRS COMMENCING 1982/83

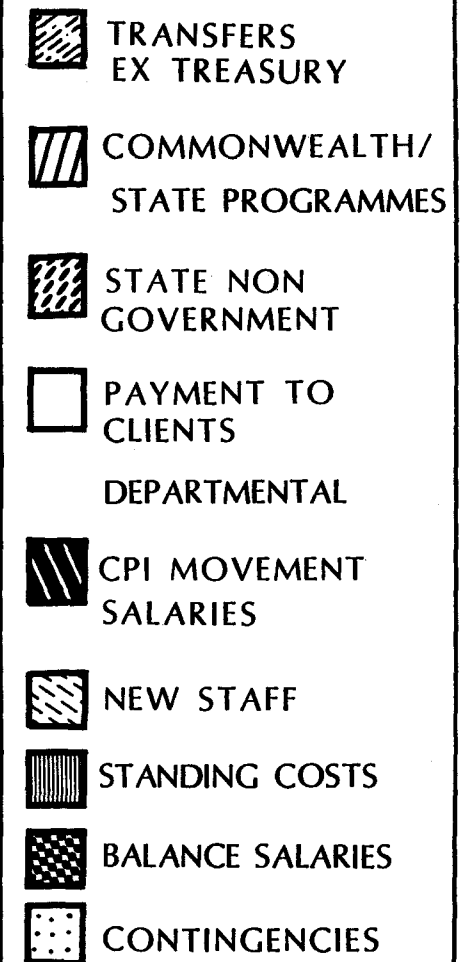


24th September 1986

DEPARTMENT FOR COMMUNITY SERVICES  
ANALYSIS OF BUDGET GROWTH 1982/83 - 1986/87



3rd October 1986





# INCOME SECURITY AND ECONOMIC DEPENDENCY : SOME QUESTIONS ON THE ROLE OF THE FAMILY AND THE STATE

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## Introduction

In this paper I argue that the state's responsibilities for dependent family members should be reviewed and extended. The importance of maintaining alternative support systems and of producing some kind of balance between family, state and market is, nevertheless, acknowledged. Basically I am maintaining that the New Right and other advocates of small government and family writ large are weighting the balance in a way which would hurt some of the most vulnerable members of our community.

The argument that more responsibility should devolve upon the family, and less upon the state, has grown more popular over recent years. Its advocates seldom support their case with a reasoned justification since appeals to 'family responsibility' and 'individual self-sufficiency' do the hard work for them. For those of us who react against a retreat from the welfare state into the privatised domain of the family, the case is not quite so simple. Our slogans ('economic security for **all** children', for example) do not have the same appeal and we are therefore sometimes left trying to win our case purely by pointing out the absurdity of theirs.

The painstaking work of those who built the theoretical foundations of the welfare state - I am thinking of writers such as T.H. Marshall, Richard Titmuss and David Donnison - will have to be matched by those who write in its defence. Some, like Robert Pinker, maintain that the early foundations were never laid quite securely enough. If he is right, our defence will be all the more difficult. In any event, there is no short cut to renewing the social democratic case for state welfare, and I am therefore doubly aware that the arguments I provide here will cut a number of corners.

They rest on four interrelated propositions concerning dependency, family and state. I argue first that a dependency relationship is characterised by enforced reliance, asymmetrical power relations and exploitability. Secondly, that all of our three main systems of economic support - the family, the market and the state - produce their own forms of dependency, which vary however in the extent and nature of protection afforded to the subordinate. Thirdly, that the level of protection provided for dependent family members is less adequate than that available to either social security recipients or unionised labour. Finally, I maintain that the state can and should reduce the vulnerability of dependent family members by (a) providing an alternative and complementary system of support; and (b) reducing the discretionary power of superordinate family members.

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## Dependency

Debates about the adequacy of the income security system are centrally concerned with questions of equity and social justice. However, when the relative responsibilities of the family and the state are raised, dependency becomes a key issue. The irony is that it (dependency) is seldom defined, is used in various and ambiguous ways, and is left unrelated to the broader normative arguments.

The problem which surrounds any attempt to define dependency is clear - given that we all rely, and are bound to rely, on each other, what sense does it make to suggest that some are dependent and others are not? Rein (1970:87) suggests that dependency is, in fact, little more than a value judgement, used to describe forms of reliance that are considered socially undesirable - dependence on the public welfare system in particular. He therefore contends that the 'most fruitful understanding' will come from 'examining degrees and conditions of interdependency, rather than from isolating ... a dichotomy between the dependent and independent.

This reconstruction of dependence as interdependence does, however, present some difficulties. For to insist on the fact of interdependence (on the grounds that all social relationships involve some form of exchange) may well be to miss the most significant aspects of the relationship itself. Put another way, while exchange theory may offer a good account of what is actually going on, it may be incapable of explaining those aspects of the relationship which are most important to those involved. Further, to suggest that dependency is 'merely' a value judgement ignores the nature, source and consequences of such judgements. We need to take seriously, for example, the fact that the welfare beneficiary is made to feel quite different from the private superannuant even though both are seeking economic security for retirement. The social construction of dependency is a product of hegemony and thus part of our social and cultural domination.

In an early paper (Tulloch, 1984:23) I argued that a dependency relationship is characterised by compulsion, asymmetrical reliance, asymmetrical power relations and exploitability. The element of **compulsion** arises because a dependent person not only relies on another for support, but also because he or she is virtually compelled to do so. This may arise because a person is unable to act on his or her own behalf or is prevented from doing so, and/or because he or she can only obtain an essential resource from a single source. The **reliance** is **asymmetrical** because the dependent party to an exchange relies on another to provide a necessary resource which he or she is unlikely to obtain elsewhere, whereas the donor is not similarly reliant on the recipient.

Asymmetrical reliance generates **asymmetrical power** relations. The bargaining power of a recipient is limited, particularly when a donor holds a monopoly on an essential resource. The donor, in contrast, can impose obligations on the recipient and establish the conditions of the exchange. Because of this, dependent relations carry an inherent risk of **exploitation**. Exploitation is most simply defined as the act of taking unfair advantage over other people (Goodin, 1985(a):194), and while it is impossible to provide any single statement about what constitutes 'fairness' or 'unfairness' in an exchange, we do have strong moral intuitions on that score. The point about dependency relationships is that they provide

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opportunities for the powerful to exploit (capitalise upon, take unfair advantage of) the vulnerabilities of the dependent. As Goodin (1985(a):201) points out, this risk is greatest when the superordinate party has both a monopoly and exercises discretionary control over resources which are essential to the subordinate party. A dependent person is therefore at his or her most vulnerable when alternative sources of support are unavailable and when there are few or no institutional constraints on the superordinate party. It is to anticipate the argument to point out that this is precisely the position of many dependent family members.

This somewhat abstract model may be helped by an example. An elderly, disabled woman is institutionalised. She has had little choice in the matter and alternative sources of support are lacking. She is thus **compelled** to rely on the hospital staff. She is dependent upon them for her food, day to day care, medication and accommodation. In short, for her life. In exchange, the hospital receives part of her pension and a subsidy on the bed she occupies. When she dies, however, she will be easily replaced. The reliance, therefore, is **asymmetrical**. Under such circumstances, the patient is virtually **powerless**, unable to resist the conditions (e.g. of routine, diet, hospital discipline) that are imposed upon her. Her only power, in fact, lies in passive resistance, in turning her face to the wall. The opportunities for **exploitation** are thus numerous, including factors such as threats to 'make the patient behave', ridicule and neglect.

The relationship between dependency, powerlessness and exploitation has been more fully explored in the field of international political economy than in the social policy literature. Andre Gunder Frank and his supporters suggested a 'development of underdevelopment' thesis in which underdevelopment in part of the Third World were causally linked to 'the expansion of dominant nations and tied to the needs of the dominant economy as opposed to the needs of the dependent economy' (Higgott, 1981:76). Despite the problems of traditional dependency theory, and in particular the failure of the 'development of underdevelopment' thesis to explain the emergence of the NICs, it seems that a central point can be salvaged. This is that the superordinate party can impose certain conditions on the relationship in a manner which **increases the dependency** of the subordinate party. This point has implications for an understanding of dependence both on welfare institutions and on the family.

It has not yet been fully explored, although writers such as Pinker (1971) and Uttley (1980) have demonstrated the ways in which the welfare exchange disadvantages clients, imposes conditions upon them and increases their powerlessness. They also illuminate the stigma attached to dependency; the ways in which dependent status becomes a condition of **moral**, as well as **political**, inferiority. The rhetoric of 'self-sufficiency', 'thrift' and 'self-help' celebrate the notion of self-reliance and perpetuate the notion that those dependent on welfare are supplicants, perpetually indebted to the productive (Goodin, 1985[b]). In a similar fashion, feminist writers (e.g. Cass, 1981; Edwards, 1980; Land, 1978) have pointed out how assumptions about female dependency can be reproduced in social security and fiscal policy. When this occurs, women's disadvantaged labour force status and domestic dependency is reinforced.

The power of superordinates to increase the dependency of subordinates is likely to have far reaching effects. One very simple example may help to

make this point. A supporting parent, dependent on the social security system, is faced by regulations concerning de facto relationships. These, at one and the same time, increase her dependency on the pension (since the option of pooling household resources is unavailable to her) and control her sexual and domestic behaviour.

Dependency, then, is an unenviable state. It robs people of autonomy, restricts their choices and renders them vulnerable to exploitation. Our particular concern here is **economic** dependency - the situation in which people are forced to rely upon others for material resources over which they have little or no control. Economic dependency is not, of course, synonymous with poverty since the lack of autonomy **over** resources and the lack of resources, **per se**, can be distinguished. In many instances, however, they are combined. Members of poor families and social security recipients experience poverty and dependency in concert, and the powerlessness associated with poverty is greatly amplified by dependency. It is women and children who are at particular risk of this double vulnerability.

### **Dependency - Family, Market and State**

In this section of the paper I will consider the next two parts of my argument together. I suggest first that each of our three main systems of economic support - the family, the market and the state - produce their own forms of dependency, which vary however in the extent and nature of protection afforded to the subordinate. Secondly, that the level of protection afforded to dependent family members (women and children) is less adequate than that available to either social security recipients or unionised labour.

Relationships within the family, the labour force and the welfare state are all characterised by the asymmetries of dependency. Men's obligation to provide economic support is valued more highly than women's domestic labour (Cass, 1984[a]:40). Most employees need their masters more than their masters need them, then, the patterns of both reliance and power are asymmetrical. Welfare beneficiaries, workers, wives and children are expected to be deferential.

While dependence on the welfare state is highly visible, the patterns of power and dependency within the family and the labour force are hidden by some dominant mythologies. Intrafamilial dependencies are considered to be natural, unavoidable or desirable; market earnings are equated with self-sufficiency (and thus the dependencies associated with labour force status are completely obfuscated). Furthermore, popular thought is concerned with the obligations which dependency places on the donor rather than with its consequences for the recipient - hence the high visibility of dependence upon the welfare state. Myths about self-sufficiency, the family and the market are thus closely related to views about the role of state support.

Two lines of thought on this can be detected. The well-worn residual model relegates the welfare state to a necessary, but ultimately undesirable, adjunct to the main sources of support and survival in our society. Its dependencies are the only ones visible, and are considered to be problems of individual self-sufficiency, family responsibility or temporary market failure. The characteristics of this model (still far more influential than its institutional rival) have been well described elsewhere (e.g. Wilensky

and Lebeaux, 1965). Possibly more troublesome because more persuasive, are some of the arguments put forward on the other side by proponents of the welfare state. Even for Titmuss (1963:43) the market was self-evidently the place where a man 'earned life' for himself and his family, while an enlarged and more generous welfare state was to safeguard against the dependencies created by childhood, schooling, old age, child bearing and rearing.

It is not difficult to challenge the suppositions on which such views rely. We can point out how the dependencies related to childhood and old age are created by labour force demands not innate capacity (e.g. Burns and Goodnow, 1979; Walker, 1980), and how the popular view of female dependency does not take account of women's economic contribution to the household. The neat Parsonian division of labour within the family has been successfully challenged by feminist writers, while Harris (1983) writing from a different ideological standpoint, has drawn attention to the relationship between patterns of subordination within the household and the labour force. Finally, our knowledge of the dual and sex-segmented labour market betrays the myth of equal competition, and suggests instead the patterns of enforced and asymmetrical reliance, asymmetrical power relations and exploitability.

The dependencies that persist within the family and the labour force can be ultimately related to the same factors - namely the distribution of power and resources in our society. I am not sure, though, that such an explanation takes us very far, for it is an understanding of the middle-range factors (the labour force status of the young, the old and of women; the regulation of domestic welfare; women's domestic labour; patterns of inequality within the workforce; unemployment and underemployment) that is likely to throw most light on the social construction of dependency. There is, however, another question which is equally, if not more, pressing. This concerns the level of protection **currently available** to those in positions of dependency.

I argued earlier that the dependent person is most vulnerable to exploitation when (a) alternative sources of support are lacking and (b) the provision of resources is at the discretionary control of the superordinate party. Lacking alternative sources of support, the dependent person has little or no bargaining power, i.e. he or she cannot threaten to find another job or to move out of the household. However, even when this condition holds, the power of the superordinate party to exploit the relationship is only commensurate with his/her degree of discretionary control. This argument has been effectively advanced by Goodin (1985[a]:29), who concluded that while level of need and the available alternatives are clearly factors which influence a person's vulnerability to exploitation, 'the superordinate has no power to exploit subordinates unless he (sic) can dispose of the resources at will'.

Let us compare, then, the position of employees, social security recipients and dependent family members in these respects. Workers are most vulnerable when they can be easily replaced and when other job opportunities are unavailable to them. Unskilled workers in times of high unemployment are dependent upon their employers in a way that skilled workers in a tight market are not. Substitutability and dependency are thus closely related. This does not mean, however, that substitutability and **exploitability** are necessarily so closely interconnected. One of the main tasks of unionised labour is precisely that of breaking the nexus between the two by reducing

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the discretionary power of employers to hire and fire workers and establish wage levels and job conditions. In the same way, the system of arbitration acts as another institutional constraint upon employers and helps safeguard the position of award wage labour.

Social security recipients lack the alternatives available to some members of the labour force. In a means or income tested system such as Australia's most pensions and benefits are the last port of call. Unemployment benefit, sickness benefit and the supporting parents benefit, for example, are only available when income from other sources is considered seriously inadequate. As a result beneficiaries are dependent on a single source (the state) for their essential needs. Their vulnerability is, however, reduced through institutional constraints such as the Social Security Act. The discretionary power of the bureaucrat, while it still exists, has been greatly eroded since its zenith under the Poor Law. This is not to argue, of course, that the law itself is fair, or that it does not disadvantage beneficiaries in the first place. It is simply to point out that the discretionary control of the welfare state is now hedged and limited, and to that extent the vulnerability of social security recipients is reduced.

The position of employees and social security recipients can be contrasted with that of dependent family members. Like social security recipients, many women and children have only one economic option. Children lack alternatives because we believe that the family should be ultimately, and solely, responsible for their economic welfare. The restricted options available to women derive from their place in the domestic division of labour, their position as secondary income earners, from segmented labour markets and the effect of public policies (Cass, 1984[a]; Land, 1976, 1979; McIntosh, 1978, 1981). However, unlike either social security recipients or employees, the economic position of dependent family members is left largely unprotected.

The state does, of course, intervene in the family in all kinds of ways. Compulsory education and public health regulations protect as well as control. The discretionary powers of parents over children are greatly limited by state intervention or the threat of it. There is, however, no body of law which sets out the economic **rights** of dependent family members - no direct counterpart to the Social Security Act, the minimum wage or industrial relations legislation. Indeed, the only point at which the state recognises the separate rights of family members is following the breakdown of the family unit. It is not till then that a parallel can be drawn between the Arbitration Commission and the Family Court. The economic vulnerability of women and children remains the intact family's own concern.

Cass (1984[a]:41) suggests a further reason for the particularly powerless position of dependent family members. She argues that private dependency, precisely because it is based on 'intimacy, informality, love and obligation', provides a 'much greater capacity for enforcing the compliance of the economically weaker partner'. In contrast, she maintains, 'dependency on state transfers involves formality, no love, no intimacy and little obligation; hence there is much less capacity to enforce compliance and a greater capacity for resistance by recipients'.

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Her suggestion is that the fusion of affective and economic bonds increases the power of the superordinate party to exploit the relationship. If she is right, our assessment of the vulnerability of dependent family members **vis a vis** social security recipients (or labour force employees) needs to be taken further. The issue is not only their lack of institutional protection but also their particular and unique risk of exploitation. The argument could be made even stronger if issues of **proximity** and **substitutability** are taken into account. The powerful family member is a constant presence and - unlike the bureaucrat - cannot be readily replaced. Control is thus intensified, and the subordinates' lack of autonomy continually re-inforced.

This, however may draw too sharp a distinction between state and family control. Several qualifications have to be made. In the first place, while the law may reduce exploitation by decreasing arbitrary control, it may also institutionalise exploitation in the first place. Secondly, the very factors which can promote manipulation in family relationships may also operate to reduce it. 'Intimacy, informality, love and obligation' are two-edged swords in this respect. Finally, some of these same factors, in particular personal or intimate knowledge, may be reproduced in public dependencies. Professionals and bureaucrats often gain knowledge of clients' private affairs. This intrusion may be hard to withstand (it constitutes a particular form of exploitation) and increases the power of superordinates.

Notwithstanding this, it remains evident that dependent family members are particularly vulnerable on both counts (the lack of institutional safeguards and the very nature of family relationships). This situation arises from central beliefs about the role of the family and of men, women and children within it. Further, state intervention into the economic welfare of individual family members is considered **unnecessary** because families are (supposed to be) built on love and mutual respects and **undesirable** because it would undermine or destroy those foundations.

The question which now arises is obvious. **Given** the vulnerability of dependent family members, **should** the state play a more active, interventionist role? The answers, of course, are not equally obvious. They cannot be provided from abstract, a priori, principles, and have to take into account the centrality of the family and the social values attached to it. Nevertheless, some conclusions can be drawn and I therefore turn to them.

### **The question of state intervention**

The general case for state intervention can be stated fairly simply. It is to ensure that all members of our society have a right to economic security which is not infringed by the discretionary control of others. If this principle is considered legitimate and desirable we need to ask how it could be achieved. Two possible and complementary strategies need to be considered. The first involves extending the alternatives of dependent family members (and thus, in a sense, decreasing their dependency per se), the second entails a reduction in the discretionary control of superordinates (thus limiting the negative effects of dependency). The kinds of policies which might result from either strategy could be radical or cautious, and would be differently construed in the case of women and children.

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I will start by outlining some of the more modest alternatives available to the state. These will not constitute a 'policy package' in any sense, merely a consideration of some of the ways in which the options of dependents might be increased and the discretionary control of superordinates decreased. These two strategies will be considered separately and attention given to the different position of women and children. I will only focus on more cautious strategies since the case for radical intervention is, in essence, an argument for the reorganisation of the family unit, of husband/wife and parent/child relationships. I assume that these relationships will change only gradually and over time. Having outlined a limited case, I will consider the main arguments against even this response.

The dependency of children is far more difficult to challenge than that of married women. The status of children is intimately tied up with their needs in infancy, schooling and their legal position. The responsibility of parents to care for their children, as well as the control which they exercise over them, is scarcely open to question at this time. In contrast, both the facts and myths of female dependency have already been widely challenged, and the image of the 'dependent spouse' disguises the extent of labour force participation among married women. In a nutshell, then, while early and middle childhood remain almost equated with dependency, the position of women is no longer so clearly synonymous. Nevertheless and despite this, the discretionary powers of 'breadwinner' over 'spouse' have never been quite so radically challenged as have the powers of parents over children (e.g. by the introduction of compulsory schooling, or through the growth of the health and welfare industries). The picture, then, is complex. All that can be safely said is that any challenge to traditional power relationships within the family is likely to provoke resistance and opposition.

Let us look, however, at the possibilities of state intervention. We start with the question of the alternatives open to dependants and will consider the position of children first. While younger children are almost invariably economically dependent on their parents, the status of older children is ambiguous. This is reflected in the contradictions within public policies and these constitute a good starting point for reform. Unemployment benefit is available to a 16 year old irrespective of family income, while the income-tested component of the provisions governing family allowances and tertiary study assume dependence on the family income. The underlying logic appeared to be an assumed relationship between independence and labour force status on the one hand, and education and dependence on the other.

Such assumptions are, at best, faulty. Unemployed teenagers may live at home and derive some benefits from the family income while those in full or part time education may live independently. These, however, are not necessarily the main issues here. I would suggest instead that children who have left school have a legitimate claim to independence. Put another way, the choice to continue in full time education or training should not be equated with dependence on parental income. On these grounds alone there is a strong argument for the substitution of present benefits with a youth allowance (and, conversely, a most emphatic rejection of the suggestion that parents should be economically responsible for unemployed 16 and 17 year olds). I will return later to the obvious problems involved (viz the questions of costs and distributional impact).

Women's options are perhaps less restricted than those of the (younger) children they care for. They enjoy restricted access to the labour market and (under certain strict conditions) the option of state benefits. State intervention should thus be designed to extend the confined alternatives already available to them. Some of the ways of doing this are already in train. They include programmes designed to increase women's labour force opportunities - training and re-training programmes, equal employment opportunity legislation, child care provision and so forth. If such programmes develop and are successful, women's economic dependence will be lessened (and with it intrafamilial poverty).

A complementary strategy lies within an expanded income security system. At present, the situation is one of alternatives. A woman **either** depends on her husband and/or her own earnings **or** the state. This is necessarily so under a means tested system which treats a married couple as a single unit. The weight of the argument so far has been against such restrictions, in favour of multiple sources of support. We face, therefore, the case for universal payments. It can be made most strongly for those whose economic options are affected precisely because of their social responsibility to care for dependent others. Such payments could be seen as compensation for the 'opportunity costs' borne by those responsible for young or old, and would constitute an expanded and revamped version of the present family allowance system. The benefits could be used either to offset increased domestic costs if a woman returns to work, or to provide some measure of direct, economic independence if she chooses not to. (This type of proposal can be opposed on the grounds that it **institutionalises** women's subordinate status, as the famous 'wages for housework' debate demonstrates. However, if such payments are related to the number and age of dependants, and paid irrespective of workforce status, the danger is avoided.)

We turn now to questions of discretionary control. This issue is far more contentious, far more politically volatile, than the question of state action to expand alternatives. Any suggestion that the state should intervene in the pooling of household resources might appear both farfetched and dangerous. The (supposed) inviolability of the family, the rights of parents and breadwinners immediately seem threatened. I will return to this later. For the moment, I simply accept that state intervention needs to be distant and unobtrusive, and that it can only provide minimum safeguards (not true equality) within households.

One of the possible means for doing so has already been considered in Australia and rejected. This is the provision of a guaranteed minimum income (GMI) to each household member. Such schemes were originally and mainly designed as part of a larger offensive against poverty, and formed a major part of the Australian Poverty Commission's recommendations in 1975. The possibility that GMI programmes might lead to a reduction in mainstream state expenditure on health and education was one reason for doubt about their effectiveness. However, their potential for income redistribution **within** households was pointed out by feminist writers such as Meredith Edwards (1978). This potential could only be realised if payments were made separately to husband and wife (in distinction to the Commissioner's preference for a 'household' payment). The economic rights of dependent children, however, would remain limited unless a GMI payment were made separately and directly to them (when for example they left school).

The institution of a GMI would provide at least some dependent family members with a small income over which they exercised autonomy. In this way, the problem of discretionary control would be mitigated - and mitigated in an unobtrusive fashion. It would not, however, establish the principle that separate family members have a legitimate claim on a **proportion** of the household finances. This is a substantially more far reaching principle, much more radical in its consequences. Yet its rationale is partly visible in the current proposals for child maintenance. Such intervention (even if it were restricted to establishing a framework of legal rights and a court of appeal) would remove the distinction concerning the appropriateness of state intervention in intact versus separated families. It would thus constitute a major departure from current practices and is unlikely to be seriously considered in the near future.

The arguments against even the more limited forms of intervention now need to be considered. There are two main grounds for opposition, each of which deserves to be taken seriously. The first, of course, is the general case against state intervention, and more particularly against the rationale for intervention suggested here. The second concerns issues of horizontal versus vertical equity. In this context, this refers to the possibility that programmes which benefit dependent women and children will do so at the expense of the poor (men, women and children).

The first thing to note about the case 'against' state intervention in the family is that it is not really against intervention at all. Rather it is in favour of a **particular type** of intervention and against another. It supports intervention which promotes the family as an economic, social and moral unit and which reinforces the traditional responsibilities and obligations of family members. Conversely, it is against any form of intervention which results in a greater degree of responsibility being devolved upon the state and/or encourages the separation of family members.

The Liberal/National Party's (Lib/NP, 1987) recently published overview of family policy illustrates this point. It asserts the primacy of the family in transmitting 'the enduring moral, spiritual and ethical values which underpin a civil society', and suggests that changes in the education and social welfare systems and in the labour market have undermined attitudes. The moral supremacy of the family is thus established, and with it the responsibility of government to promote and protect it. Government policies should thus acknowledge and support 'the efforts of individuals who do meet their family responsibilities', 'encourage and help families to stay together' and 'restore the primary obligation of parents to maintain their children'. Above all, perhaps, it is said that family responsibilities are 'of their very nature personal; they are not responsibilities that should be lightly transferred onto the shoulders of others' (Lib/NP, 1987:1).

The debate about state intervention is thus a debate about why, how and under what circumstances the state should intervene. On all sides, it has long been accepted that the state has a mandate to promote the nuclear family and to provide a measure of control and/or assistance if it breaks down. However, if and when it becomes apparent that an increasing proportion of families do not fit the 'ideal' form, the state's policies are thrown into question and issues of family policy are thrust onto the political agenda. This is precisely the current situation. The rising proportion of single-parent families, the continued entry of married women into the labour force



and the increased incidence of intrafamilial poverty have all undermined the myth of the 'average' family. The breadwinner spouse, dependent wife and economically secure children constitute neither our sole, nor our dominant, family type.

The conservative response, as I have described it, is to call for public action to resurrect and strengthen their vision of the traditional family. Critics maintain, I believe rightly, that the plea is misconceived, based on outmoded assumptions about the family form in general and female dependency in particular. Further, it is seen to ignore rising levels of intrafamilial poverty and the particular risks suffered by women and children (as described, for example, by Cass, 1984[b] and Gallagher, 1985). It could thus deepen the divisions between families able to provide for their dependent members and those who cannot. Further, and crucially in this context, it would increase the patterns of dependency **within** families and reinforce the traditional structures of power and subordination.

The arguments, however, cannot be entirely dismissed at this point. At the heart of the conservative position there is a mistrust of government. Insofar as family policy is concerned, this translates into the fear that state intervention would undermine the very bonds of family life. Love and obligation, let alone privacy and individual freedom, do not sit well with bureaucratic interference. The argument is, of course, persuasive and the case for the night-watchman state is probably more compelling in the area of family relations than anywhere else.

It has, however, already been pointed out that state intervention should be distant and unobtrusive, and that the means for ensuring greater economic equity within households should rest with administrative/legal solutions rather than direct personal interference. (Indeed, it is the moral concerns behind the conservative cause which would exert the more powerful form of control.) It is also important to look more closely at the arguments about protecting the freedom and privacy of families. In this case, liberal principles about individual liberty have been translated into ideas about **family** freedom from intervention - and the unequal freedoms of individual family members are thereby ignored. We need to remember that love and mutual obligation do not necessarily ensure equity. There is, furthermore, no reason to suppose that they (love and obligation) would be undermined by the legal recognition of separate economic rights.

It is, in fact, this view of the family as a single unit which pervades the whole conservative position. At first glance it is ironic that it is their critics to the left (normally inclined to focus on the collectivity rather than the individual) who are accused of championing disaggregation. The apparent paradox is resolved when attention is given to **whose** rights and interests are protected in either case. While both schools might claim they have the interests of the vulnerable at heart, it is only when **separate** attention is given to the position of dependants that their position becomes clear. Conversely, the unitary view protects patriarchal interests.

The authority of the male breadwinner sustains the unitary view of the family as much as it is protected by it. We have here one reason for the persistent belief that state intervention into the economic welfare of dependants is appropriate in the fractured but not the intact family. The absence of the socially constituted authority figure changes the whole

appearance of the family, the vulnerabilities and separate interests of dependants are laid bare, and state intervention is legitimised. It should be added that the state has been a reluctant actor even in this instance, and has had to balance the drain on its own resources with its hesitance to impinge on the discretionary control of non-custodial breadwinners. However, the new maintenance provisions establish dependent children's right to a proportion of the family income. Until the same logic is applied to the intact family, the economic positions of dependent family members will be left unprotected. At some stage in the future, this situation with its underlying rationale and supporting mythologies may well seem as inequitable as that of the feudal serf.

The weight of the argument so far is that the case 'against' state intervention is in reality a plea for a particular type of intervention designed to protect traditional patterns of power and subordination. At an earlier point, I also suggested that action of this kind would increase the divisions between families able to provide for their dependent members and those who cannot. We now have to face, however, a similar challenge - the claim that policies which assist all dependent women and children would do so at the expense of the poor.

It is the tension between horizontal and vertical equity which is apparently at stake here. To some extent, however, the issues have been misrepresented. Conflict between horizontal equity (treating people in the same circumstances equally) and vertical equity (treating people who are worse off more favourably than those who are better off) only exists under the following conditions. First, the potential claims must be for the **same** resources. Secondly, the distribution of these resources to one group must **necessarily** disadvantage the other - i.e. the distributional budget must be fixed and the resources unavailable from any other part of it. Neither of these conditions fully holds here.

In the first instance, it is clear that the resources needed to reduce dependency and poverty are different in certain important respects. I have argued that dependent family members (particularly older children and married women outside the workforce) deserve more **autonomy** over resources. And I accept, unequivocally, that the poor need more resources **per se**. It should be noted, further, that in both cases a 'vertical' transfer is involved (i.e. from those with more power to those with less, and from those with more material resources to those with less). It needs to be acknowledged, though, that many of the strategies suggested earlier also involve a transfer of resources **per se**. An expanded system of family allowances, to take one example, would provide women with more money as well as more autonomy. Equally, clearly, the costs would be considerable. We therefore face the question of whether this expenditure would necessarily be at the expense of the poor.

The answer is that it does not have to be and certainly should not be. The supposition that budgets are fixed can be challenged and the capacity of the wealthy to avoid tax remembered. It can also be pointed out that programmes designed to reduce dependency should ipso facto impact on poverty given that (a) the disproportionate risk of poverty suffered by women and children is intimately tied up with their dependent status; and (b) intrafamilial dependency hides poverty within the household thus perpetuating state inertia. Nevertheless, it must be reaffirmed that action on behalf of

the dependent has its own moral imperative, different and separate from that underlying action against poverty. There is no reason why the two should be set one against another, for in both ethical and practical terms they are complementary and not rival claims.

Finally, we need to ask whether the state does not have an **obligation** to protect the dependent. If it does, then an expansion or redirection of state spending is necessary. The fact that we are unwilling or 'unable' to meet those costs should not be confused with the misleading assertion that they could only be defrayed at the expense of the poor.

### Conclusion

In contemporary western democracies, the authority of one person over another is generally legitimated by legal-rational claims and is thereby constrained on the same basis. In comparison, the power of subordinates to challenge superiors is greatly limited when traditional or charismatic authority prevails (Weber, 1947). Nevertheless, if we share Weber's pessimism about the iron cage of bureaucracy, we might be hesitant to suggest that power relations within the family - one of the more enduring bastions of the traditional type of authority - should be transformed and placed on a legal-rational basis.

Yet they have already been partly so transformed. Marriage and divorce are legal contracts and the status of children is well defined in law. I have suggested, however, that within this framework the rights and interests of dependants have been left largely unprotected. I have also argued that their position should be ameliorated by state action.

This could well be interpreted as a request for yet more government, more control, more interference. It suggests, perhaps, the appearance of 'Big Brother' in the sitting room and could be caricatured as such. The proposals made here, however, would not intrude on family privacy but merely provide at least some dependants with more security and autonomy.

I have suggested that the danger of personal intrusion in fact comes from the opposite quarter. Those who urge the reinforcement of family responsibilities and a particular set of values are thereby calling for stronger moral and social controls. Freedom is a valuable commodity, particularly for those who enjoy little of it. It is the less free in our society, those who have already been defined as deviant, who would be further restricted by the strengthening of such controls. While the case for moral intervention is thus distasteful, it is also misconceived. The state cannot compel us to be good, to care for each other, to be loving and responsible. Such things are best left alone. The state can, however, attempt to compel us to distribute our economic resources fairly.

At the moment we do not do so. The divisions between rich and poor help demonstrate the hesitance of the state and the resistance of the wealthy to even a nominally progressive tax system. The inequalities within families have hardly been tapped and questions of autonomy over, and access to, resources are barely on the political agenda. The danger is that they could be still-born in a climate of economic uncertainty and political conservatism. The arguments provided here constitute one reason why it is important that they are not.

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**FAMILY POLICY AND THE TAX/TRANSFER SYSTEM:  
A LONGER-TERM AGENDA AND PRIORITIES FOR REFORM**

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This paper is concerned with developing a family policy in the tax/transfer system which addresses two major and related issues: the provision of greater equity for families with childrearing responsibilities through the restructuring of general family income support programs, and the redistribution of more adequate support to low income families. The paper pays particular attention to the income security of families where the parents are either unemployed or outside the labour force, and to low income working families. In so doing, my concern is to identify those areas of the Australian social security system where inherent anomalies and weaknesses militate against the provision of equitable, efficient and sustainable family income support.

I have chosen this area of concern from the total fabric of the social security system because the welfare of families, and the needs of people in the prime of their lives requiring income support because of unemployment or more hidden forms of joblessness, constitute an issue whose **dimensions** have not been experienced before in the post-war periods. Furthermore, we have inherited from the time of the consolidation of the social security system in the 1940s a set of pensions, benefits and children's allowances which have commendable strengths, but also a number of weaknesses, which have become apparent particularly since the marked economic and labour market changes dating from the mid 1970s.

In particular, the Australian social security system was designed and consolidated as a progressively redistributive, income-tested and sometimes assets-tested, flat-rate, non-contributory, tax revenue-based set of pensions and benefits which would provide a 'safety net' in a period of **full employment**. The major beneficiaries of the system were expected to be, and in fact were the aged, people with disabilities and de jure widows, with younger people of workforce age and capacity receiving benefits, because of unemployment or sickness, only for relatively brief periods.

Before proceeding to outline some of the major issues in developing longer term policies in the area of income support for families, and in identifying more immediate priorities for reform in a period when we do not have full employment, it is crucial to outline the principles on which this analysis is based.

Firstly, a fundamental perspective is that social security policies constitute a key component of the 'social wage' as identified in the ACTU/government ACCORD. Income Maintenance is more properly thought of as part of a tax/transfer system, a key allocative mechanism in the redistribution of income, resources and opportunities. As such, it must be developed as a partner with community services, housing, education and labour

market programs in allocating resources and redistributing income in ways which are equitable, adequate and efficient; providing protection through the vulnerable periods of people's lives; supporting and facilitating opportunities for workforce participation, and promoting a more just distribution of income.

The residual notion of social security as 'poverty alleviation' has met with considerable criticism from analysts concerned with a more fundamental role for the transfer system in promoting a reduction of income inequality and protection in periods of vulnerability through the life-cycle. I share this concern but wish to 'unpack' further the notion of poverty alleviation. Firstly, it is not poverty alleviation, but more positively, protection from poverty which is a thoroughly laudable objective for a social security system, since the reduction of poverty is the first and most important step in tackling the larger but related question of reducing inequalities.

Secondly, poverty research in Australia since the mid 1960s has indicated that while our system of pensions and benefits does redistribute to low income people and households, and does cover many of the major categories of need in people's lives, the **quantum** of redistribution has not been sufficient to provide **adequacy** of support for particular groups in greatest need, in fact, for the very groups covered by the social security system. Since the extremely important reforms and increases to social security which took place in 1972-75 and the indexation of most pensions and benefits which was legislated in 1976, the key groups for whom adequacy of support is far from being achieved include pensioners and beneficiaries with **children**, low income families in private rental accommodation, sole parent families and long-term unemployment beneficiaries. These are the key groups who have been most affected by the partial and inconsistent implementation of the principle of indexation. A social security system which protected from poverty the most vulnerable groups whose workforce opportunities are lowest, and whose responsibilities are great, would be a very significant achievement.

Protection from poverty may be a major objective of a reformed social security system, but income maintenance alone cannot carry the burden of redistribution. What the period of recessionary changes since the mid 1970s has shown is that for people of workforce age and capacity income maintenance must be complemented by positive employment policies. The dual objectives must be to widen and increase opportunities for workforce participation and self-sufficiency, while continuing to provide adequate income support for people in the periods when their life circumstances of job shortage prevent them from entering the workforce.

The weaknesses in our social security measures covering the needs of people of workforce age and capacity, particularly of people caring for children who are without jobs predominantly because of unemployment, or sole parenthood, have become apparent in the years since the mid 1970s, a period of marked economic, social and demographic change.

Economic uncertainty and labour market downturns in the mid 70s and most recently in 1982/83 have seen increased unemployment rates and longer durations of unemployment which have had a significant impact on the economic circumstances of families with dependent children. In 1976 there were 89,000 children living in families dependent on a social security benefit; in 1986 there were 257,000 children whose parents were dependent on a benefit,



predominantly unemployment benefit, an increase of nearly 200 per cent. Research carried out by Peter Whiteford at the Social Welfare Research Centre (1986) shows that working people with children have borne a significant share of unemployment in the 1980s. In 1981 there were about 300,000 people receiving unemployment benefit, but in all, counting the spouses and children of unemployed breadwinners, there were almost 480,000 people dependent for their support on unemployment benefit. After increasing dramatically in 1983 (following the recession of 1982/83) to more than 600,000 unemployed people with a further 440,000 dependants, the number had fallen by 1986 to about 560,000 unemployment beneficiaries with a further 367,000 dependants. This in effect entails an increase in beneficiaries of 86 per cent, but an even greater increase of 107 per cent in the number of spouses and children living in families where one parent is receiving unemployment benefit.

Furthermore, over the last decade, an increased formation of sole parent families resulting predominantly from separation and divorce has also occurred in a climate of economic insecurity, resulting firstly in an increase of sole parent families from 9 per cent to 14 per cent of all families with children, and even more importantly, an increase in the proportion of sole parents dependent on social security, from 57 per cent to 83 per cent. In this period the numbers of children whose parents are dependent on a pension, predominantly as sole parents, increased from 284,000 to 530,000, a smaller increase than for the children of the unemployed, but still a dramatic increase of 87 per cent.

Overall, the percentage of children in pensioner and beneficiary families has more than doubled from 9 per cent to 19 per cent of dependent children. A further 1 per cent of children live in families where the parental income is low enough to entitle the family to receive family income supplement. It is important to note that while sole parent families comprise about 56 per cent of all families receiving social security support, the greatest increase in families reliant on income security has been amongst those dependent on unemployment benefit.

Changing economic and social conditions have been associated with a substantial increase in rates of poverty for families with children since 1972-73, the year when the Commission of Inquiry into Poverty estimated poverty rates for the early 1970s. Using the detailed Henderson poverty line which provides an estimate of trends in poverty which is most sensitive to the costs of children, Phil Gallagher found that families with children had suffered disproportionately from the decade of changes. While the rate of poverty amongst all adult income units had not increased substantially in the period 1972/73 to 1981/82 (from 10% to 11% of income units), the rate of poverty for all income units with dependent children had increased much more (from 7% to 16%) resulting in an increase for children from 8 per cent to 19 per cent living in a family where income is estimated as inadequate to cover the families' needs (Gallagher, 1985).

It must be emphasised that inadequate income amongst families with children is closely associated with joblessness: the incidence of poverty for sole parents and married couple families where one parent is employed full year, full time is relatively low at about 6 per cent. But poverty rates rise dramatically when parents are unemployed for more than 6 months (with almost one half of families in poverty) and are even higher when the

parents are unemployed or out of the labour force for a full year (with poverty rates approaching 65%).

It is important to note at this stage that neither unemployment nor other forms of joblessness are distributed randomly through the community. The rate of unemployment is highest for young people, for people who have not had the opportunity to acquire formal job skills or to complete the highest level of secondary school, and this holds across the age spectrum; for more recently arrived migrants, and for Aboriginal people. Durations of unemployment are greatest for older people, people without formal job skills and those who left school early; and for Aboriginal people (Chapman and Gruen, 1984).

In addition, there is a close relationship between unemployment and receipt of low income when in employment. Peter Whiteford's research has shown that people experiencing a period of unemployment tend to be drawn from those whose earnings are low when they are in the workforce, and furthermore, that the experience of unemployment, particularly longer durations of unemployment, tends to reduce future earnings (Whiteford, 1986).

To gain an even more comprehensive profile of the social impact of unemployment, it must be noted that labour market disadvantage tends to be concentrated in families. Children from low income families and particularly from families with an unemployed parent have a higher rate of unemployment than do children where one or both parents are employed. The wives of unemployed men have an unemployment rate which is 9 times higher than that of all wives, and a labour force participation rate which is more than one third lower.

The situation for sole parents is similar. Female sole parents in particular have very low rates of educational attainment: over 63 per cent have not attended the highest level of secondary school; and only 28 per cent have post-school qualifications. This constitutes a structure of educational disadvantage much greater than for either wives with children, or for fathers in married couple and sole parent families. The level of sole parents' educational qualifications is directly related to their labour force participation, and hence to their capacity to become self supporting (Cass, 1986).

On all these indicators, it is clear that unemployment and joblessness and the attendant high risk of poverty are closely associated with a number of labour market and other socio-economic disadvantages.

This would suggest that income security programs which support parents' transition to work, in conjunction with childcare assistance, labour market training and employment creation programs are key strategies for combatting family poverty. But in the area of the social security system, other reforms are urgent, particularly in relation to the position of **children**, and their anomalous treatment.

The evidence noted previously of marked change in the financial circumstances of families focuses on the extreme of income inequality. But it must be emphasised that since 1976 all families with dependent children have experienced a decline in their disposable income relative to individuals and couples without children. This has occurred largely because the major

programs which redistribute income through the tax/transfer system to families with children, in recognition of the increased costs which parents incur, are not indexed to rises in the costs of living. Neither family allowances, which increase the disposable income of all families with children up to the age of 16, nor the income-tested payments for the children of pensioners and beneficiaries and low income working people, nor the tax rebates for taxpayers with dependants are indexed to cost of living increases. The treatment of payments for children is one of the most glaring anomalies in the Australian tax/transfer system.

As a result, all parents caring for children have seen a decline in their disposable income relative to income units which do not have child-rearing responsibilities, but low income families, particularly sole parent families, and larger families have experienced the greatest relative decline. This has resulted in families bearing a greater share of the effective tax burden.

Both of these two trends, relative decline in the disposable income of families compared with income units without children, and increase in the number and proportion of very low income families have become issues of concern in a period characterised by very tight restraint in government expenditure. This has created an apparent conflict in income security priorities: what emphasis should be placed on improving adequacy of payment for low income families, or on increasing and maintaining the value of assistance for all families?

The fundamental position adopted in the Social Security Review Issues Paper on family income support is that these two objectives are **not in conflict**, for the following reasons:

- . use of the tax/transfer system to redistribute income to families with children through family allowances is a matter of **tax equity**, maintaining fairness in the tax system for taxpayers with responsibility for dependent children.
- . use of the tax/transfer system to redistribute **additional income** to low income families with children where the parents are outside the workforce because of unemployment or sole parenthood or other contingencies or whose workforce earnings are low is a matter of **vertical equity**, or **redressing inequalities** for parents and children whose job opportunities and earnings capacity are severely constrained.

It should be noted that the trend in expenditure and priorities in income support for families over the last decade has been towards **vertical equity**, towards an increase in income-tested payments as a proportion of all expenditure on family assistance. Because of the large increase in the number of pensioner and beneficiary families, because of the introduction of family income supplement in 1983, because family allowance payments have been increased only once since 1976, while the current government has increased the income-tested children's allowances substantially since 1983, emphasis has shifted very considerably towards income-tested payments. In 1976-77 about 15 percent of children's payments made through the Department of Social Security was income-tested. By 1985-86, 34 per cent of the \$2.3 billion

spent on family income support was income-tested. However, as low income families also receive family allowance, an estimated 48 per cent of total spending on child related payments is targeted to children in low income families receiving pensions, benefits or FIS, i.e. almost 50 per cent of total expenditure is directed to the 20 per cent of children in disadvantaged circumstances. Despite this increase in the proportion of total expenditure, the evidence is clear that assistance for low income families with children remains inadequate.

The fundamental questions of priority to be addressed are:

- . To develop an integrated social security, labour market training, and job placement strategy together with the provision of community services like childcare which will assist parents of workforce age and capacity to re-enter the workforce. An adjunct will need to be income support policies which encourage and support job search, minimise work disincentives and support parents' transition to work.
- . In the area of family income support we must address the fundamental question: how can the two major principles of family income support: tax equity for families and providing additional resources to protect low income families with children from poverty be pursued and strengthened? While working towards the longer-term objective of **redressing the decline** in disposable income of families with children relative to people without children, what immediate priorities should be adopted to direct additional resources to low income families and to the most vulnerable periods of family life?
- . Finally, what are the components of longer-term goals for restructuring the system of family income support in ways which are equitable, efficient and simple, which redistribute income, resources and opportunities to people caring for children, and more particularly to low income people whose workforce opportunities and earnings capacity are reduced by both labour market changes and lack of job skills?

The Review sees the following goals for reform of income support for families with children:

- 1 **to rectify the anomalous** treatment of children in the social security system;
  - 2 **to extend tax reform** - to provide tax equity for families with children;
  - 3 to provide a **counterpart to wage fixation** - wage equity for employees with children;
  - 4 to achieve **adequacy** in income-tested payments for children of pensioners, beneficiaries and low income working people;
-

- 5 to minimise work disincentives and support parents' transition to work.

To provide a brief explanation of each objective:

## **1 Rectifying the anomalous treatment of children in the social security system**

Since their introduction in 1941 as a counterpart to wage fixation, child endowment payments and following them family allowances in 1976 have not been indexed in a routine way to cost of living or wage increases. This stands in stark contrast to the treatment of wages, which are either indexed, or at least subject to routinised advocacy in a centralised wages fixation tribunal. Since transfers for children developed as an **integral component** of wage fixation, with the gradual devolution to the tax/transfer system of allowances for children and the removal of the concept of 'family needs' from wage fixation, it is anomalous that the child-related component of the real wage is not the subject of routine and regular increases.

Since 1976 the value of family allowances has declined by 30 per cent in real terms. Payments for 2 children represented 4.7 per cent of average weekly earnings in 1976/77, falling to 3.1 per cent in 1985/86. Furthermore, the income-tested additional payments for the children of pensioners and beneficiaries have not been indexed. This anomaly persists notwithstanding the legislative introduction of indexation of most basic pension and benefit rates in 1976. As a result, a significant proportion of the total payment for pensioner and beneficiary families is not indexed, (12% for couples, 33% for sole parents). The end result is the strong tendency for these very low income families to fall behind other social security recipients who do not have dependent children and also to fall behind wage and salary earners (Moore and Whiteford, 1987).

Despite the current government's substantial increases in the rate of additional pension and benefit for children and mothers/guardians allowance since 1983, the real value of these income-tested child related allowances are respectively 4 per cent and 19 per cent below their value in 1976-77, because of a long period of decline.

It is clear that on the criterion of indexation pertaining to wage fixation and to maintenance of the value of the basic rate of pension, indexation of payments for children would rectify a very significant anomaly.

## **2 Tax Equity**

Family allowances when introduced in 1976 amalgamated tax rebates (formerly deductions) with child endowment payments, bringing into the transfer system most components of income support for children. This was a reform consistent with changes in that period in most other countries of the OECD and of the International Social Security Association, a change which was widely and correctly acclaimed as equitable on two grounds: firstly in increasing support for children in low income families previously unable to benefit from tax measures, secondly in directing larger payments to mothers. While transfers on children's payments now became highly visible as a social security expenditure, in effect what had occurred was a transfer of expenditure from revenue forgone in the tax system to an outlay in the social security system. In addition, what had also occurred was a greater measure

of redistribution to people with the responsibility of caring for children, predominantly women.

In the current context of tax reform, with cuts in the marginal rates of tax and widening of the tax base, it would be appropriate to see increased children's payments as an extension of tax reform, targeting tax relief measures specifically to families.

### **3 Wage Fixation**

The ACTU/government Accord noted that the 'social wage' (in particular community services) must be seen as an important component of employees' real wages. In the current context of negotiation about the introduction of a two-tiered wage fixation system, the historic role of family allowance payments has been identified as a major mechanism to protect wage earners with children. Reform of family allowances and additional income-tested family assistance payments can be seen as a key component of current wage fixation concerns.

### **4 Adequacy of income-tested payments for children of pensioners/ beneficiaries and low income working people**

These payments have been subjected to ad hoc increases, bearing no relationship to the costs of children, since the 1940s. There is a strong case for arguing that while 'adequacy' is an inappropriate concept to apply to universal family allowance payments, it is a totally appropriate concept to apply to the income-tested payments for children in families dependent entirely or substantially on pension or benefit or receiving an income supplement when their workforce earnings are low.

The question to be asked is: how can we establish a benchmark of adequacy? The OECD, in examining equivalent costs of families with children, recommends for a pensioner couple with one child a payment equal to 20 per cent of the adult married couple rate of pension. In Australia the current additional payments for one child comprise 12 per cent of the married rate of pension. For single parents the OECD recommendation is for a payment equal to 40-49 per cent of the single adult rate. Currently in Australia the payments for one child in a single parent family are equal to 33 per cent of the single rate of pension.

An imperative of public policy could be to adopt a criterion of adequacy and a strategy which aims progressively to achieve this benchmark and then to index the income-tested payments for children so that they move in line with adult payments.

### **5 Supporting Parents' Transition to Work**

Concern with adequacy of payments for low income working families raises the critical issue of take-up of family income supplement payments. A corollary of adequacy is that eligible families should receive the payments to which they are entitled. Family income supplement was introduced in 1983 with the inter-related objectives of firstly, targeting additional child payments to low income working families, and secondly, countering the work disincentives which face unemployed people with children when they are making the transition to employment.

Problems have been identified which militate against both objectives. Family income supplement appears to have a take-up rate which is possibly less than one third of potentially eligible families. Further, only a small minority of families moving off unemployment benefit become FIS recipients within four months. This is so despite the research showing that people experiencing a period of unemployment are drawn disproportionately from groups whose incomes when in employment are relatively low (Whiteford, 1986).

Another set of issues have been raised about the effectiveness of family income supplement: the relatively low-income threshold at which families are eligible to receive the full payment (currently about 59 per cent of average male weekly earnings where there is one child) and the taper rate of 50 per cent which can impose very high effective marginal tax rates as family income rises above that threshold. It has been argued that the low threshold and the high rate of taper preclude from additional assistance low income families whose needs are high. Clearly, it is an imperative that measures be devised to improve the take-up rate of family income supplement, and in particular to make the payment more effective in supporting the transition to work.

### **Priorities for Reform**

Clear priorities for reform emerge from the Social Security Review's Issues Paper on **Income Support for Families with Children**. The increase in the numbers and proportion of families dependent on pension or benefit, the effects of labour market changes and economic uncertainty on the disposable incomes of low income working people with children, and the decline in the real value of total assistance which low income families receive suggest strongly that the urgent need is to address the situation of low income families.

This would involve firstly, policies which direct additional resources to the income-tested components of family income support payments and policies which reduce work disincentives and support parents' transition to work. A restructuring of low income family payments would need to achieve greater adequacy, to improve take-up of payments by working people, to simplify and clarify the purpose of a low income family payment, and to sustain the real value of that payment after a more adequate rate has been achieved.

The Issues Paper makes a case for integrating the additional payments made for children in pensioner and beneficiary families with the family income supplement to create a single low income family supplement to the family allowance program. The components of such a payment might recognise certain family needs which are not recognised in the current system of family support: the increased costs of caring for teenage children which bear heavily on low income families, and the increased costs of families in private rental housing.

Summarising these objectives suggests the following approaches to developing an integrated program which redistributes resources to low income families with children:

- . increasing substantially the rate of additional pension/benefit and family income supplement;
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- . providing an age-related payment for children which recognises the increased costs of older children;
- . integrating the payments for children of pensioners, beneficiaries and low income working people into one payment where the basic eligibility criterion is low income, not labour force status or reciprocity of benefit;
- . providing child-related payments while parents are making the transition from receipt of pension or benefit to employment, so as to recognise the increased costs of establishing a place in the workforce;
- . raising the threshold for receipt of family income supplement;
- . increasing rent assistance for pensioners and beneficiaries with children in private rental housing and extending rent assistance to low income working families who receive family income supplement;
- . directing income-tested children's payments to the parent caring for children; and
- . indexing all income-tested additional payments for children.

This proposal entails a longer-term agenda for reform and restructuring of low income family payments, while at the same time indicating the elements which might become the focus of immediate attention.

#### **Options for Longer-Term Reform**

Turning to the family allowance program which provides general family assistance, the Issues Paper notes the critical importance of improving and maintaining the disposable incomes of all families with children relative to individuals and couples without children. This objective is formulated in the light of the substantial deterioration in the real level of payments for families over the last decade, and in the context of tax reform and wage equity where family allowances can play a key role.

The paper notes the strengths of the argument for maintaining the universal system of family allowances as a tax equity measure and a measure for directing resources to the mother as the parent primarily responsible for children's care. Further, the problems associated with income-testing family allowances are outlined. Income-testing would entail: redistribution **between** families rather than **to** families, therefore making a significant departure from recognition of the increased costs incurred through the child rearing stage of the family life-cycle; creation of high effective marginal tax rates over the income-ranges where the allowance is withdrawn, which would be particularly disadvantageous for large families, and imposing higher effective tax rates for families than for those without children.

In steering a course through the dilemma of preserving universal payments for children in a period characterised by expenditure restraint, the Paper offers a phased approach to the long-term reform and restructuring of



the family allowance program. Proposals are made for maintaining a basic family allowance payment, while at the same time identifying those parts of the family life-cycle, and categories of families associated significantly with increased need.

The following areas of special need are identified:

- . when there is one or more pre-school children in the family, which coincides with a period of the family life-cycle marked by relatively low median incomes, low levels of mothers' workforce participation, very high costs of housing and household formation;
- . larger families, those with four or more children, associated with relatively low median incomes, reduced workforce participation rates for the mother and higher costs;
- . sole parent families, whose median incomes are very low, and where the parents also have increased difficulties associated with workforce entry or re-entry;
- . families with a disabled child, who have greater needs associated with the markedly increased care and attention which the parents must provide.

It is suggested that a restructured family allowance system comprise a basic payment for all children, and several supplements which provide additional support to families when their needs are greatest. The objective is to identify the periods of family life and the types of families to enable additional support to be directed in the most equitable and efficient manner, without exacerbating work disincentives. Further, indexation is essential to maintain the real value of these children's payments.

### Conclusions

In the context of a long period of economic and social change whose effects have been borne disproportionately by families with children, in particular low income families, there is a strong case for placing our priorities on those reforms to income support policies which provide greatest assistance to low income families, and to supporting parents' transition to work. This would need to be accomplished through an integrated labour market/social security strategy whose objective is to enhance job skills, assist with job search, job placement and child care. There are good reasons to believe that such a strategy would be rewarded not only by reduction of social security outlays in the long term, but by reduction of poverty levels and by a reduction in the output losses which result from high levels of joblessness (estimated by Chapman and Gruen (1984) at 11 per cent 21 per cent of likely GDP for 1983/84, and then only in respect of recorded unemployment, without considering joblessness).

Secondly, reforms to the general system of tax/transfer support in the long term could be treated as a counterpart to tax reform and wage fixation, redressing the deterioration in tax equity for families and protecting the disposable incomes of parents with childrearing responsibilities.

Thirdly, rectifying the anomalous treatment of children in the social security system, namely the non-indexation of children's payments and the strong tendency for their real value to deteriorate, is a matter of great importance for enduring and sustainable reform.

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