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WHAT FUTURE FOR THE WELFARE STATE?

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Volume 5: Concurrent Sessions
Income Maintenance and Income Security

edited by

Peter Whiteford

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FOREWORD

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

No. 79 **Volume 1: Plenary Sessions**, edited by Peter Saunders and Adam Jamrozik.

No. 80 **Volume 2: Concurrent Sessions. Contributions from the Social Policy Research Centre**, edited by Peter Saunders.

No. 81 **Volume 3: Concurrent Sessions. The Ideology, Philosophy and Political Environment of Social Policy**, edited by Adam Jamrozik.

No. 82 **Volume 4: Concurrent Sessions. Social Policies in Australia and New Zealand**, edited by Russell Ross.

No. 83 **Volume 5: Concurrent Sessions. Income Maintenance and Income Security**, edited by Peter Whiteford.

No. 84 **Volume 6: Concurrent Sessions. Community Services: Policy and Practice**, edited by Sara Graham.

The papers in this report address issues central to the future development of income support policies, those relating to the integration of income support with the labour market, implications of increased rates of female labour force participation, income support for families with children and for the elderly, as well as fundamental questions of ideology, substainability and income support design. Readers wishing for a broader perspective on income support issues are advised to consult the papers on income support published in Report No. 79 in this series, specifically those by Fred Gruen and by Bettina Cass and Alison McClelland.

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

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

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

Finally, I would like to acknowledge the work of Jennifer Doyle who prepared the charts that appear in several papers in the report.

Peter Saunders
Director

CONTENTS

THE BREADWINNER MODEL: HOW MUCH DO WORKING WIVES CONTRIBUTE TO FAMILY EARNINGS?

Helen Brownlee
Australian Institute of Family Studies

1. INTRODUCTION

In recent years, there has been an ongoing debate about whether the individual or the married couple should be the appropriate income unit for tax and social security purposes. Some groups want to adopt the couple as the appropriate income unit, while other groups want men and women to be treated as individuals, irrespective of their marital status and the resources of their partner. Currently, the social security and taxation systems are based on a combination of the two approaches (Edwards, 1984). Unemployment benefit, for example, is paid to an individual because of that person's inability to find a job (individual unit), but the level of entitlement is determined by the combined income of the couple (marital unit) and assessed to cover the whole family (marital unit) (Edwards, 1984, p. 56). In the tax system, tax rates apply to incomes of individuals, although a feature of marital unit taxation is introduced into the tax system by the dependent spouse rebate (DSR) (Edwards, 1984, p. 35). A taxpayer is entitled to this rebate 'because of the contribution he or she makes to maintaining a ... (financially) ... dependent spouse' (CCH, 1984, p. 581).

Groups who want to minimise work disincentives for married women advocate replacing features of social and economic policy based on the marital unit with those based on the individual. Policies based on the marital unit entrench the 'breadwinner' concept of a working man with a dependent wife because they necessarily involve work disincentives for the second earner (Apps, Jones and Savage, 1981). Women whose husbands receive unemployment benefit, for instance, face high effective marginal tax rates when they start to earn income, because of the combined effects of the loss of the DSR and the stringent income test on unemployment benefit.

Policies based on the marital unit can also be inequitable to two-earner couples compared with one-earner couples. Taxation policies based exclusively on the marital unit, such as 'income-splitting', are inequitable for two-earner couples since they do not recognise the costs of working borne by the second earner.

In the past ten years, there has been a substantial increase in the proportion of wives in employment, and accompanying this, in the proportion of two-earner as compared with one-earner couples. For example, between 1979 and 1988, the percentage of married mothers who were employed increased from 42 per cent to 52 per cent, the percentage of two-earner couples with children increased from 41 per cent to 51 per cent of all couples with children, while the percentage of one-earner couples fell from 54 per cent to 41 per cent over the same period (ABS, 1979; ABS, 1988).[1]

Groups who advocate basing social and economic policy exclusively on the individual unit point to these employment trends as evidence that the 'breadwinner' concept is no longer appropriate in today's society. They consider that the dependent spouse rebate should 'be declared a heritage item, because it supports an outdated ideal of family life ... women are not dependents and should not be treated as such by the tax or social security systems' (Leonard, 1989). Other groups, however, consider that the marital unit should be adopted exclusively as a basis for taxing couples with children and advocate introducing family unit taxation in order to protect the 'traditional sole breadwinner' family (Australian Family Association, 1989).

1. These proportions do not add to 100 per cent because of the presence of couples with children where neither spouse was employed - around 5 per cent of all couples with children in 1979 and 8 per cent in 1988.

2. HOW APPROPRIATE IS THE 'BREADWINNER' MODEL TO TWO-EARNER FAMILIES?

Groups who advocate basing policy on the individual unit assume that two-earner couples do not fit the 'breadwinner' model. A more popular view, however, is that, since almost half of wives in two-earner couples are part-time workers (ABS, 1988), wives' contributions to family earnings are fairly insignificant.

Although information on employment trends among couples is readily available, information on the share of earnings contributed by wives is less accessible. A number of studies of wives' contributions to family income have been undertaken in the US, Britain, Sweden, Canada and New Zealand (Bell, 1978; Hall 1987; Moore, 1989; Rainwater, Rein and Schwartz, 1986). These studies have examined how factors such as husbands' earnings, wives' age, educational qualifications, occupational characteristics, age of youngest child and number of children are associated with wives' contributions to family income. In Australia, Cass and O'Loughlin (1984) used the 1978-79 Income Survey to examine the relationship between wives' contributions to family earnings and husbands' earnings as part of a study of family income inequality.

This paper uses the most recent annual income data, from the 1986 Income Survey unit record tape, to ask 'How much do women contribute in two-earner couples? Does the husband earn "most" of the earnings? Is he still the "main provider" or are both partners "co-providers"?' (Hood, 1986). The paper examines the relative contribution made by wives in dual earner couples and looks at the effect of differences in wives' and family characteristics on levels of contribution. Although it is recognised that husbands' characteristics may be important in determining the level of wives' contributions to family earnings, it was decided to focus mainly on wives' characteristics in this exploratory paper.

Because of the limitations of the data, most studies which have looked at the contributions of wives in two-earner families treat 'family income' and 'family earnings' as though they are synonymous, although the authors recognise that data on family income can also include unearned income such as investment income and government transfers (Bell, 1978, p. 190). Rainwater et al., however, demonstrate that using 'family income' as a surrogate for 'family earnings' tends to underestimate wives' contributions relative to that of husbands, because of the existence of these other components of family income (Rainwater, Rein and Schwartz, 1986, p. 64).

Because this paper examines the characteristics of 'two-earner' couples, it was decided to include in the analysis only those couples of working age for whom earnings make up the major portion of their income, that is, couples for whom the combined earnings of husband and wife are 90 per cent or more of their combined income (Table 1). Two-earner couples, that is, couples where both partners work and have earnings, account for 51 per cent of couples of working age without children and 49 per cent of those with children (Table 2). It was also decided that, since the paper examines the question of wives' contributions to earnings relative to husbands', family earnings rather than family income would be used in the analysis. In order to minimise the effect of artificial 'income splitting' arrangements by self-employed couples (Brownlee, 1985, p. 431), earned income from a business, trade or profession (self-employment) was only included for persons working during 1985-86 (ABS, 1987, p. 17).

The paper also compares the relative contributions of married women without children to those of wives with children in order to examine the effect of the presence of dependent children on relative contributions to earnings.

3. FAMILY COMPOSITION AND EARNINGS

Table 2 shows that a majority of 'earner' families are two-earner couples, although one-earner couples comprise a higher proportion of couples with children than couples without children. Wives are sole breadwinners in only a very small percentage of 'earner' families.

Two-earner couples have substantially higher median earnings than couples with a sole male breadwinner, 55 per cent higher for couples without children and 34 per cent for those with children. The higher proportional median earnings of two-earner couples without children indicates that working wives without children make a higher median contribution to family earnings than working mothers.

TABLE 1: MARRIED COUPLES WITH AND WITHOUT DEPENDENT CHILDREN PRINCIPAL SOURCE OF INCOME BY FAMILY EARNED INCOME AS A PERCENTAGE OF FAMILY INCOME, 1985-86

	Family earned income as a percentage of family income					
	Without dependent childlren			With dependent children		
Principal source of income	<90% %	90%+ %	Numbers '000	<90% %	90%+ %	Numbers '000
Wages and salaries	15	85	708.7	11	89	1350.0
Business or partnership	41	59	150.0	32	68	364.7
Government cash benefits	100	0	94.0	100	0	125.0
Superannuation, rent, interest and dividends	100	0	69.2	100	0	41.3
Total	32	68	1022.0	23	77	1881.0

Notes: (a) Where husband's age <65 years and wife's age <60 years.
(b) 'Family Income' refers to the combined income of husband and wife, minus payments for children e.g. family allowances; 'family earned income' to their combined earned income.

Source: ABS, 1986 Income Distribution Survey, Unit Record Tape.

TABLE 2: MARRIED COUPLES WITH AND WITHOUT DEPENDENT CHILDREN ONE-EARNER AND TWO-EARNER COUPLES BY MEDIAN EARNED INCOME, 1985-86

	Without dependent children		With dependent children	
Type of earner	Median earned income $ per annum	Number '000	Median earned Income $ per annum	Number '000
Husband sole breadwinner	23008	155.1	24071	516.2
Wife sole breadwinner	13299	11.9	15486	10.6
Two earner couple	35671	524.6	32320	918.9

Notes: (a) Where husband's age <65 years and wife's age <60 years.
(b) Where family earned income is 90% or more of family income.

Source: ABS, 1986 Income Distribution Survey, Unit Record Tape.

Where wives are sole earners, median earnings are considerably lower than where husbands are sole earners. Median earnings of sole breadwinner wives are 58 per cent of the median earnings of sole breadwinner husbands for couples without children and 64 per cent for couples with children.

4. WORKING WIVES' CONTRIBUTIONS TO FAMILY EARNINGS

The median contribution of working wives in two-earner couples without children is around 43 per cent, approaching half of family earnings (Table 3). Although the median contribution of wives is highest at the lowest level of family earnings (i.e. below average weekly earnings (AWE), $21,648 in 1985-86), it does not vary much across the range of earnings. For married mothers, as indicated above, the median contribution to family earnings is lower, 31 per cent. Here, the median contribution of wives with children is highest at the highest level of family earnings, although it varies little across the earnings range. These findings are consistent with those of Rainwater et al., who conclude from their study of working mothers in the US, Sweden and Britain, that the mean percentage contribution to family income by working mothers is 'roughly the same' at each family income level (Rainwater, Rein and Schwartz, 1986, p. 67).

However, when the distribution of wives' contributions to earnings is examined, this shows that wives in families with the lowest level of earnings are more likely to be the major contributor than wives in families with the highest earnings. Thirty-eight per cent of wives without children contribute more than half of family earnings where family earnings are below $21,500, compared with 22 per cent where family earnings are above $43,000. Similarly, only 12 per cent of married mothers make this level of contribution where family earnings are above $43,000, compared with 29 per cent of married mothers with family earnings below $21,500.

5. HUSBANDS' EARNINGS AND WIVES' CONTRIBUTIONS TO FAMILY EARNINGS

Wives' median contribution to family earnings falls as husbands' earnings rise, both for couples with and without children (Table 4). This is because the distribution of wives' earnings is considerably flatter than the distribution of husbands' earnings, married womens' earnings being more equally distributed than their husbands'. These findings are similar to those of Cass and O'Loughlin (1984) and Hall (1987), although the results are not strictly comparable since their analysis includes wives with no earned income. Overall, the median earnings of married mothers are substantially lower than those of married women without children, $9,061 as against $15,000 per annum.

It appears from the data shown here that husbands' and wives' earnings have little relation with one another. Rainwater et al. similarly found, that for two-earner couples in Sweden, Britain and the US, the levels of husbands' and wives' earnings seemed 'to have almost no association with one another' (Rainwater, Rein and Schwartz, 1986, p. 70).

Rainwater et al. consider that there are two opposing theories about the association between husbands' and wives' earnings (Rainwater, Rein and Schwartz, 1986, p. 71). One theory claims that wives' earnings are higher when husbands' earnings are higher because women with high earning potential marry men with high earning potential. In contrast, the other theory claims that women with low earner husbands earn more than other working wives because of their need to keep families out of poverty. Rainwater et al. argue that the lack of association between the level of husbands' and wives' earnings supports neither theory. However, it is likely that the relationship between husbands' and wives' earnings is determined by the interaction of a number of factors and cannot be explained by one theory alone.

6. WIVES' EARNINGS AND THEIR CONTRIBUTIONS TO FAMILY EARNINGS

Table 5 shows that, for two-earner couples, as wives' earnings rise, so does their share of family earnings. Only 18 per cent of working wives without children and 9 per cent of working mothers earn more than $21,500, but these women, on average, contribute half of family earnings. These findings are very similar to those of a New Zealand study (Hall, 1987, p. 33).

TABLE 3: MARRIED COUPLES WITH AND WITHOUT DEPENDENT CHILDREN WIVES' SHARE OF FAMILY EARNINGS, 1985-86

a) Without dependent children

Family earned income $ per annum	Median %	Percentage distribution of wives' share of family earnings: 20% or less %	21-30% %	31-40% %	41-50% %	51%+ %	Number '000
<21500	46	29	7*	*	24	38	64.8
21500-32249	39	17	14	19	27	22	120.8
32250-42999	44	6	6	22	43	23	181.4
43000+	42	10	10	26	31	22	157.7
Total	43	13	9	20	33	25	524.6

b) With dependent children

Family earned income $ per annum	Median %	Percentage distribution of wives' share of family earnings: 10% or less %	11-20% %	21-30% %	31-40% %	41-50% %	51%+ %	Number '000
<21500	34	17	13	12	10	20	29	143.0
21500-32249	26	17	19	24	15	14	12	313.2
32250-42999	32	12	16	16	23	20	13	269.5
43000+	36	9	13	18	24	24	12	193.2
Total	31	14	16	18	18	19	15	918.9

Notes:
(a) Where husband's age <65 years and wife's age <60 years.
(b) Where family earned income is 90% or more of family income.
(c) Where both partners have earned income.
* Numbers too small to be statistically reliable.

Source: ABS, 1986 Income Distribution Survey, Unit Record Tape.

TABLE 4: MARRIED COUPLES WITH AND WITHOUT DEPENDENT CHILDREN HUSBANDS' EARNED INCOME BY WIVES' MEDIAN SHARE OF FAMILY EARNED INCOME, 1985-86

	Without dependent children			With dependent children		
Husbands' earned income $ per annum	Wives' median share of family earned income %	Wives' median earned income $ per annum	Number '000	Wives' median share of family earned income %	Wives' median earned income $ per annum	Number '000
<10750	64	10606	59.6	50	7549	99.9
10750-16124	50	13731	69.2	46	11009	109.0
16125-21499	45	15087	150.6	34	9792	227.2
21500-32249	38	17818	70.0	22	7986	137.6
32250-37624	34	18291	28.0	19	8317	67.1
37625+	24	16061	37.9	17	9351	86.4
Total	43	15000	524.6	31	9061	918.9

Notes: As for Table 3.
Source: As for Table 3.

TABLE 5: MARRIED COUPLES WITH AND WITHOUT DEPENDENT CHILDREN WIVES' EARNED INCOME BY WIVES' MEDIAN SHARE OF FAMILY INCOME EARNED, 1985-86

	Without dependent children		With dependent children	
Wives' earned income $ per annum	Wives' median share of family earned income %	Number '000	Wives' median share of family earned income %	Number '000
<5375	11	63.2	11	268.5
5375-10749	31	82.0	27	256.6
10750-16124	43	152.3	38	189.5
16125-21499	46	130.3	49	119.3
21500+	51	96.8	50	84.9
Total	43	524.6	31	918.9

Notes: As for Table 3.
Source: As for Table 3.

7. WIVES' AGE, AGE OF YOUNGEST CHILD, NUMBER OF CHILDREN AND WIVES' CONTRIBUTIONS TO FAMILY EARNINGS

Wives without children make a higher contribution to family earnings than married mothers of a similar age (Table 6). Wives' median contribution to family earnings is highest for wives aged less than 35 years of age with no children (44%) and lowest for married mothers of the same age (29%).

Working mothers' contribution to family earnings rises with the age of their youngest child, from a median of 28 per cent where the youngest child is under 5 years, to a median of 34 per cent where the youngest child is 15 years or older (Table 7). The low relative contribution of married mothers under 35 years of age probably reflects the greater likelihood of mothers of this age having young children.

The contribution of working mothers to family earnings is highest where they only have one child, a median of 34 per cent (Table 8).

8. WIVES' EDUCATION AND THEIR CONTRIBUTIONS TO FAMILY EARNINGS

Wives' contribution to family earnings is also related to their educational qualifications (Table 9). In general, the higher the level of wives' education, the greater their contribution to family earnings. For example, of wives without dependent children, the median contribution to family earnings of those with a bachelor's degree is 49 per cent, while the median contribution of wives with no secondary qualifications is 39 per cent. Moore's analysis of two-earner couples in Canada has similar findings (Moore, 1989, p. 25).

At every level of education, married mothers make a lower contribution to family earnings than wives with the same educational qualifications, but with no dependent children. For instance, the median contribution to family earnings of wives with a certificate, trade or diploma is 30 per cent for married mothers, compared with 44 per cent for women without dependent children.

The effect of the presence of children on wives' contributions to family earnings is demonstrated by findings that the median contribution of wives without children tends to be higher than the median contribution of married mothers, regardless of their level of education. Thus, the median contribution of wives with the lowest level of education, but with no children (39%) is very close to that of wives with the highest educational qualifications who have children (38%).

9. PATTERNS OF LABOUR FORCE PARTICIPATION AND WIVES' CONTRIBUTIONS TO FAMILY EARNINGS

Over 90 per cent of men in two-earner couples are full-time, full-year workers (Table 10). Wives' contribution to family earnings is higher in the small percentage of couples where husbands do not work full-year, full-time, the difference being greater where couples have children.

A majority of wives without children, 63 per cent, work full-time, full-year and make the highest median contribution to family earnings of 46 per cent (Table 11). Although a minority of married mothers, 30 per cent, are full-time, full-year workers, their median contribution is very similar, 45 per cent. This suggests that it is the effect of the presence of children in decreasing the extent of labour force participation of working mothers which depresses their contribution to earnings relative to wives without dependent children.

Where both partners are full-time, full-year workers, the median contribution of wives without children is 45 per cent, or 82 per cent of partners' contribution, while the median contribution of married mothers is 44 per cent, 78 per cent of partners' contribution. This is consistent with findings from other Australian surveys which show the median earnings of full-time married women workers as 77 per cent of those of full-time married male workers in 1986 (ABS, 1986).

TABLE 6: MARRIED COUPLES WITH AND WITHOUT DEPENDENT CHILDREN WIVES' AGE BY WIVES' MEDIAN SHARE OF FAMILY EARNED INCOME, 1985-86

	Without dependent children		With dependent children	
Wives' age	Wives' median share of family earned income %	Number '000	Wives' median share of family earned income %	Number '000
<35 years	44	226.9	29	410.8
35-44 years	38	87.8	31	411.2
45-49 years	39	209.9	32	96.9
Total	43	524.6	31	918.9

Notes: As for Table 3.

Source: As for Table 3.

TABLE 7: MARRIED COUPLES WITH DEPENDENT CHILDREN AGE OF YOUNGEST CHILD BY WIVES' MEDIAN SHARE OF FAMILY EARNED INCOME, 1985-86

Age of youngest child	Wives' median share of family earned income %	Number '000
0- 4 years	28	337.3
5- 9 years	31	245.0
10-14 years	32	228.8
15-20 years	34	107.8
Total	31	918.9

Notes: As for Table 3.

Source: As for Table 3.

TABLE 8: MARRIED COUPLES WITH DEPENDENT CHILDREN NUMBER OF CHILDREN BY WIVES' MEDIAN SHARE OF FAMILY EARNED INCOME, 1985-86

Number of children	Wives' median share of family earned income %	Number '000
One child	34	325.9
Two children	29	396.2
Three children	29	150.8
Four or more children	30	46.0
Total	31	918.9

Notes: As for Table 3.

Source: As for Table 3.

TABLE 9: MARRIED COUPLES WITH AND WITHOUT DEPENDENT CHILDREN WIVES' EDUCATIONAL QUALIFICATIONS BY WIVES' MEDIAN SHARE OF FAMILY EARNED INCOME, 1985-86

	Without dependent children		With dependent children	
Wives' educational qualifications	Wives' median share of family earned income %	Number '000	Wives' median share of family earned income %	Number '000
Left school under 16 years	39	181.5	30	306.8
Left school 16+ years with no qualifications	39	67.6	28	136.8
Completed secondary school	45	57.6	30	289.0
Certificate, trade of diploma	44	159.9	30	289.0
Bachelor or higher degree	49	57.9	38	87.0
Total	43	524.6	31	918.9

Notes: As for Table 3.

Source: As for Table 3.

TABLE 10: MARRIED COUPLES WITH AND WITHOUT DEPENDENT CHILDREN HUSBANDS' LABOUR FORCE PARTICIPATION BY WIVES' MEDIAN SHARE OF FAMILY EARNED INCOME, 1985-86

	Without dependent children		With dependent children	
Husbands' labour force participation	Wives' median share of family earned income %	Number '000	Wives' median share of family earned income %	Number '000
Full-time, full-year	42	476.5	30	872.4
Other	48	48.1	42	46.5
Total	43	524.6	31	918.9

Notes: As for Table 3.

Source: As for Table 3.

TABLE 11: MARRIED COUPLES WITH AND WITHOUT DEPENDENT CHILDREN WIVES' LABOUR FORCE PARTICIPATION BY WIVES' MEDIAN SHARE OF FAMILY EARNED INCOME, 1985-86

	Without dependent children		With dependent children	
Wives' labour force participation	Wives' median share of family earned income %	Number '000	Wives' median share of family earned income %	Number '000
Full-time, full-year	46	332.4	45	274.4
Part-time, full-year	32	101.6	30	292.3
Full-time, part-year	36	44.4	27	124.1
Part-time, part-year	28	46.2	14	228.2
Total	43	524.6	31	918.9

Notes: As for Table 3.

Source: As for Table 3.

Wives' median contribution to family earnings is lowest where wives work part-time, part-year, 14 per cent for married mothers and 17 per cent for wives without children. The median contribution to earnings of married mothers who work part of the year, full-time is lower than for those who work a full year, but part-time, while the opposite is the case for wives without children. It is not possible to tell from the data whether 'part-year' workers are 'casual' workers who move in and out of the workforce throughout the year, or whether they are workers who commence or finish working at some period during the year, but work without interruption for that period.

10. OCCUPATION, LABOUR FORCE PARTICIPATION, PRINCIPAL SOURCE OF EARNINGS AND WIVES' CONTRIBUTIONS TO FAMILY EARNINGS

Wives in managerial and administrative occupations make the greatest contribution to family earnings, a median of 49 per cent for those without children and 43 per cent for married mothers (Table 12). Professional working wives make a similar contribution to wives working in managerial and administrative occupations, where there are no children. Unskilled working wives make the lowest contribution to family earnings, a median of 36 per cent for wives without children and 27 per cent for married mothers.

It thus appears that the level of wives' contributions to family earnings is related to the level of wage rates prevalent within an occupational category. It also appears that for any given occupation, the level of wives' contributions is related to patterns of labour force participation in that occupation (Table 13). Thus, wives' median contribution to earnings is high in high status occupations, not only because of high wages rates, but also because wives are more likely to be full-time, full-year workers.

It could be suggested that professional working wives tend to make a lower contribution than wives in managerial and administrative occupations where there are children, because their earnings tend to be lower, since they are less likely to be full-time, full-year workers (Table 13). An examination of wives' median earnings by occupational status, however, does not bear this out, since the median earnings of professional working mothers are 68 per cent higher than those of mothers in managerial and administrative occupations (Table 12).

An analysis of wives' occupational status by couples' principal source of earnings shows that wives in managerial and administrative occupations are more likely to be in self-employed couples than professional working wives, or working wives in general (Table 14). Comparing wives' median contribution to earnings according to couples' principal source of earnings (Table 15) shows that married mothers' contribution to earnings is substantially higher for self-employed couples than for wage and salary earners. It is not possible to tell whether these contributions represent the genuine market value of the participation by a wife in the couple's business (Edwards, 1984, p. 52; McDonald, 1986, p. 208) or indicate the operation of artificial 'income splitting' schemes used as a way of minimising tax liability. Median earnings for self-employed couples are considerably lower than for couples dependent on wages and salaries (Table 14).

This suggests that the major reason for married mothers in managerial and administrative occupations having a higher median contribution to family earnings and lower median earnings than professional working mothers is because they are predominantly in self-employed couples.

It is apparent, therefore, that wives' occupational status affects wives' contributions to family earnings not only through the wage rates and patterns of labour force participation, but also because of the representation of self-employed as against wage and salary earners within an occupational category.

11. OTHER FACTORS AFFECTING WIVES' CONTRIBUTIONS TO FAMILY EARNINGS

Wives' contributions to family earnings may also be related to a number of other factors which have not been explored here.

TABLE 12: MARRIED COUPLES WITH AND WITHOUT DEPENDENT CHILDREN
WIVES' OCCUPATIONAL STATUS BY WIVES' MEDIAN SHARE OF FAMILY EARNED INCOME, 1985-86

	Without dependent children			With dependent children		
Wives' occupational status	Wives' median share of family earned income %	Wives' median earned income $ per annum	Number '000	Wives' median share of family earned income %	Wives' median earned income $ per annum	Number '000
Managerial, administrative	49	15438	29.7	43	9232	47.9
Professional	49	24310	70.9	36	15485	96.6
Para-professional	44	20650	23.6	42	14497	45.7
Trade	37	11489	21.9	32	8250	30.7
Clerical	42	16026	192.6	32	9978	328.7
Sales and service	40	11920	86.0	25	6767	165.7
Machinist	43	13407	22.2	35	11543	49.1
Unskilled	36	10848	77.7	27	7103	154.4
Total	43	15000	524.6	31	9061	918.8

Notes: As for Table 3.

Source: As for Table 3.

TABLE 13: MARRIED COUPLES WITH AND WITHOUT DEPENDENT CHILDREN WIVES' OCCUPATIONAL STATUS BY WIVES' LABOUR FORCE PARTICIPATION, 1985-86

Wives' occupational status	Without dependent children: Wives' labour force participation Full-time Full-year %	Other %	Number '000	With dependent children: Wives' labour force participation Full-time Full-year %	Other %	Number '000
Managerial, administrative	78	22*	29.7	50	50	47.9
Professional	81	19	70.9	37	63	96.9
Para-professional	72	28*	23.6	40	60	45.7
Trade	47	53	21.9	35	65	30.7
Clerical	70	30	192.6	27.	73	328.7
Sales and service	51	49	86.0	21	79	165.7
Machinist	76	27*	22.2	47	53	49.1
Unskilled	38	62	77.7	25	75	145.5
Total	63	37	524.6	30	70	918.9

Notes: As for Table 3.

Source: As for Table 3.

TABLE 14: MARRIED COUPLES WITH AND WITHOUT DEPENDENT CHILDREN WIVES' OCCUPATIONAL STATUS BY COUPLES' PRINCIPAL SOURCE OF EARNED INCOME, 1985-86

Wives' occupational status	Without dependent children — Principal source of earned income: Wages and Salaries %	Business or Partnership %	Number '000	With dependent children — Principal source of earned income: Wages and Salaries %	Business or Partnership %	Number '000
Managerial, administrative	57	43	29.7	32	68	47.9
Professional	89	11*	70.9	95	5*	96.9
Para-professional	90	*	23.6	89	11*	45.7
Trade	88	*	21.9	84	16*	30.7
Clerical	85	15	192.6	70	30	328.7
Sales and service	84	16	86.0	81	19	165.7
Machinist	95	*	22.2	85	15	49.1
Unskilled	90	10*	77.7	86	14	145.5
Total	85	15	524.6	77	23	918.9

Notes: As for Table 3.

Source: As for Table 3.

TABLE 15: MARRIED COUPLES WITH AND WITHOUT DEPENDENT CHILDREN PRINCIPAL SOURCE OF EARNED INCOME BY WIVES' MEDIAN SHARE OF FAMILY EARNED INCOME, 1985-86

	Without dependent children			With dependent children		
Principal source of earned income	Wives' median share of family earned income %	Family median earned income $ per annum	Number '000	Wives' median share of family earned income %	Family median earned income $ per annum	Number '000
Wages and salaries	42	36318	448.5	27	33677	711.6
Business or partnership	46	28473	76.1	47	25623	207.4
Total	43	35671	524.6	31	32320	918.9

Notes: As for Table 3.

Source: As for Table 3.

Since the data analysed here do not incorporate any longitudinal information, it is not possible to examine how the level of continuity in wives' workforce participation affects their contributions to family earnings. Rainwater et al., for instance, found that in both Sweden and the United States 'the more years the wife works, the higher is her contribution to family income' (Rainwater, Rein and Schwartz, 1986, pp. 87-88). Beggs and Chapman's recent study of the opportunity costs of raising children in Australia found that childrearing depressed women's earnings, both because of time spent out of the workforce and because of a decrease in hours worked if employed (Beggs and Chapman, 1988). Although the effect of the presence of children can be examined using the cross-sectional data above, it is not possible to examine the effect of childrearing on wives' contribution to earnings, since information on whether wives have ever had children is not available.

12. CONCLUSION

The preceding analysis has demonstrated that working wives make a substantial contribution to earnings in two-earner couples, particularly for couples without children. It is probable that the presence of children depresses wives' contributions to family earnings through their effect in decreasing the extent of married mothers' participation in the workforce.

This analysis shows that the level of wives' contributions to family earnings in two-earner couples is higher than average where

- their earnings are low,

- their own earnings are high,

- they are under 35 years of age with no children,
- if they have dependent children, there are no children under 15 years,
- if they have dependent children, there is only one child,
- they have a bachelor's degree,
- their partner is not a full-time, full-year worker,
- they are full-time, full-year workers,
- their occupational status is administrative, managerial or professional, and
- they are in self-employed couples.

Working wives' contributions to family earnings are determined by a complex interaction of these factors, as well as other factors which have not been explored in this paper.

Although wives' median contribution to family earnings in two-earner couples never reaches 50 per cent, the median contribution of wives without children of 43 per cent is approaching that level, while the median contribution of married mothers, although somewhat lower, is substantial. Where wives work full-time, full-year, median contribution to family earnings is even higher; 46 per cent for wives without children and 45 per cent for married mothers.

These findings indicate that, although, on average, married men in two-earner couples earn a higher share of family earnings than their wives, wives' share of earnings is large enough to consider both partners as 'co-providers' rather than having a 'breadwinner'.

Since two-earner couples predominate in society today, these findings demonstrate that basing social and economic policy exclusively on the concept of the 'breadwinner' is inappropriate. Any move towards marital unit taxation, such as 'income splitting', would be discordant with employment trends and would discriminate against a large sector of the population. These findings also indicate that current elements of policy based on the marital unit should be modified in order to recognise wives' 'co-provider' status in two-earner couples. As the AIFS has argued (AIFS, 1989), it would be more appropriate to abolish the dependent spouse rebate and replace it with a 'family' tax rebate, which would provide assistance to couples on the basis of income needs, rather than on the employment status of both partners. Liberalising the unemployment benefit income test would encourage greater labour force activity among wives of unemployed men (Cass, 1988, pp. 121-127). Additionally, couples where both partners are unemployed could also be encouraged to apply for and receive a benefit in their own right, as is the case for pensioner couples (Cass, 1988, pp. 236-237).

It is important that social and economic policy should be responsive to changing social and economic conditions; basing social and economic policy exclusively on models which are inappropriate for the majority of married couples should not be considered.

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SOCIAL POLICIES - SUSTAINABLE TOWARDS THE YEAR 2000?*

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1. INTRODUCTION

Since the 1970s, there has been widespread and protracted unemployment as well as imbalances in trade which have led to major economic restructuring in Australia as well as overseas. Since the 1970s, there have also been major social changes resulting from the demographic effects of the post-war baby boom on the size of the workforce and the ageing of the population, and very fundamental changes in family structure.

More recently, in Australia there has been general concern about the ability of our social security system, basically unchanged over the post-war period, to cope with these fundamental demographic, economic and social changes. These concerns led to the formation of the Social Security Review in 1985, headed by Professor Bettina Cass. The Review has given close attention to the development of appropriate policies for families, sole parents and the unemployed and is providing the basis for policy development for older people and those with disabilities.

As we enter the last decade of this century, the question that arises is whether the recent fundamental social policy reforms, much of which were initiated by the Review, will be sustainable over the next 10 or even 20 years. Specifically, will the policies based on the findings of the Review, and proposed in the context of current needs, remain appropriate to the needs of an ageing society?

This paper explores some of the issues which may dominate the formulation of social policies over the next decade. Section II examines the emerging trends and considers the demographic and economic factors likely to affect numbers of and prospects for social security clients and low income groups over this period. Section III sets out some indicative projections of social security expenditures based on the discussion of factors in Section II.

2. FACTORS INFLUENCING SOCIAL POLICY OVER THE NEXT DECADE

The period since 1983 has seen a rapid and substantial reshaping of Australia's social security system. The major elements of this reshaping have included the re-introduction of assets-testing of pensions in 1985 and of benefits in 1987; the phasing out of Widows B pension from September 1987; the building of the family assistance package (and particularly Family Allowance Supplement (FAS)) between 1987 and 1989; the introduction in 1988 of the Child Support Scheme; and, most recently in this year the introduction of the JET and NEWSTART schemes. Accompanying these policy changes have been substantial improvements in the administration of social security programs which have increased the integrity of the social security system. These fundamental structural changes have occurred through a period of restraint in fiscal outlays to which the social security portfolio was expected to contribute.

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* The authors would like to acknowledge with thanks the valuable assistance provided by Simon Lambert in the preparation of the projections in Section III of the paper. The views expressed in this paper are those of the authors and do not necessarily reflect those of the Department of Social Security or the Minister for Social Security. Although our analysis is relatively crude, not being based on a refined econometric model, it does indicate likely trends and produces indicative results. The aim is to focus the debate on issues relevant to the future of Australian social policies. We attempt to identify issues which will be central in the development of more active social policies. Section IV attempts to draw out policy implications for major groups of social security clients where the objective is to maximise their participation in economic and social life.

Over the period from 1983 to the present, there has been a consistent objective of maintaining, if not improving on, the real levels of income support. There have been substantial increases in child payments, extension of payments for children to low income families through FAS, and increased provision of rent assistance. These have combined to provide improved levels of income support for large numbers of social security clients. For example, a sole parent pensioner with one child under 13 and renting privately has received a 16.9 per cent real increase in total income support payments between 1983 and 1989; for a married unemployment beneficiary with a dependent spouse and two children the real increase in income support payments over the same period was 21.8 per cent.

Indexation of major child payments in April of this year with the establishment of a basic benchmark of adequacy for children can only be regarded as historic in significance, particularly in the climate of expenditure restraint that has prevailed over the last few years.

It is because of the improved targeting and administrative measures implemented over the period since 1983 that it has been possible to achieve quite substantial gains in assistance for pensioners, beneficiaries and low income families.

These reforms have accompanied a decline in outlays on social security from 7.1 per cent of GDP in 1983-84 to 5.7 per cent in 1988-89, and social security's share of Budget outlays has actually dropped from 24.1 per cent to 23.2 per cent over the same period (Commonwealth Government, 1988).

There can be little doubt that the recent pressure on Government outlays will continue. Chronic imbalances in the external account, low levels of private saving, at least until very recently and the problems associated with servicing a large foreign debt, all point to a continuation of tight fiscal policies and, therefore, to the continued need for careful scrutiny of social security expenditures. But recent past performance would suggest that such an environment need not necessarily preclude further social policy reform. The issue is whether the system we now have is durable and sustainable in the light of expected social, demographic and economic changes. In particular, in looking ahead in an attempt to identify key policy priorities, we need to consider:

a) the impact of **demographic factors** on eligible client populations;

b) the effect of **economic policies** and conditions on numbers of social security pensioners and beneficiaries;

c) the effect of **Government policy decisions** on real rates of assistance, eligibility conditions and targeting measures; and

d) the effects of changes in **social attitudes** on numbers of social security clients.

a) Impact of Demographic Trends

Considerable attention is now being given both in Australia and overseas to the social policy implications of changes in demographic patterns, in particular the possible social and economic effects of ageing populations, as post-war baby boomers reach retirement age.

Table 1 provides a forecast of numbers and proportions of persons by broad age group for the period up to 2031. While use of this timescale extends beyond the particular focus of this paper, it is necessary to include these in order to demonstrate the significance of trends which will emerge over the next 10 years. The series used is the ABS A series which has relatively high fertility rates and levels of overseas migration (ABS, 1988a).

The main features of these projections are:

(i) the decline in the dependency rate of children (0-14 years), reflecting lower birth rates among Australian women;

(ii) the decline in the proportion of young people aged 15-24 years, which is projected to move from 16.4 per cent of the population in 1989 to 13.8 per cent in 2001 - a fall in relative terms which would see the actual number of young people remain virtually constant over the next 10 years;

TABLE 1: POPULATION PROJECTIONS 1989-2031

Age Group	1989	1990	1991	1996	2001	2011	2021	2031
					'000			
0-14 years	3714.2	3746.2	3787.9	4023.3	4177.9	4280.6	4465.5	4708.1
15-24 years	2755.4	2770.5	2783.1	2739.6	2761.5	3070.5	3158.8	3242.8
25-54 years	7015.2	7190.1	7349.1	8197.1	8877.3	9553.7	10093.3	10475.2
55-64 years	1464.2	1460.3	1463.2	1548.1	1833.3	2616.3	3048.2	3294.7
65 years +	1855.4	1908.6	1970.8	2224.1	2392.7	2929.4	3958.7	5046.3
TOTAL	16804.4	17075.7	17354.1	18732.2	20042.7	22450.5	24724.5	26767.1
					Percentage			
0-14 years	22.1	21.9	21.8	21.3	20.8	19.1	18.1	17.6
15-24 years	16.4	16.2	16.0	14.6	13.8	13.7	12.8	12.1
25-54 years	41.7	42.1	42.3	43.8	44.3	42.6	40.8	39.1
55-64 years	8.7	8.6	8.4	8.3	9.1	11.7	12.3	12.3
65 years +	11.0	11.2	11.4	11.9	11.9	13.0	16.0	18.9
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Dependency Ratio[(a)] (%)	49.57	49.51	49.66	50.04	48.77	47.31	51.69	57.34

Note: (a) Ratio of population aged 0-14 years and 65 years+ to that aged 15-64 years.

Source: Australian Bureau of Statistics, **Projections of the Australian Population**, 3222.0, Table 5.2 AB

(iii) growth in the proportion of the population in the 'prime-age' group (25-54 years), reaching a peak in 2001; and

(iv) a slow, steady rise in the proportion of the population aged 65 years and over, from 11.0 per cent in 1989 to a projected 11.9 per cent in 2001. A larger proportion of the aged will be of non-English speaking background - an estimated 20 per cent in 2001 compared to approximately 11 per cent at the present time. As noted above, the most rapid growth in the over 65 age group occurs **after** 2011

- and the proportion of the population aged 75 years and over is projected to rise from 4.3 per cebt in 1989 to 5.4 per cent in 2001, increasing to 8.6 per cent by 2031.

The demographic dependency ratio (the ratio of those aged under 15 years and over 65 years to those aged 15 to 64 years) is actually projected to decline slightly from 49.6 per cent of the total population in 1989 to 48.8 per cent in 2001 but will rise sharply after that time. As noted by the OECD (1988a), concentration on the overall dependency ratio conceals important shifts which will occur in the nature of social assistance, particularly a relative decline in education and labour market training, and an increased demand for retirement income and health care needs.

Of the demographic trends noted above, increasing numbers and proportions of older people is a feature of all OECD country outlooks. Table 2 shows OECD estimates of changes in workforce size up to the year 2000. Quite unlike most other OECD countries, however, is the continued strong growth in Australia in the population of workforce age over the next 10 years. On more recent estimates, between 1989 and 2001 the Australian population of workforce age is estimated to rise by an average 1.52 per cent each year (ABS, 1988a).

This, clearly, is a two-edged sword. While increasing workforce size should render the task of financing outlays on social assistance more manageable, it also presents particular demands on policy makers to ensure that job creation remains a priority (this is discussed in (b) below).

b) Effect of Economic Policies

The ability of a society to redistribute income to those unable to provide for themselves is critically dependent on the strength of its economy. When considering possible increases in social outlays as a result of shifting demographic patterns, growth in GDP and in real incomes is essential if the financing burden of social policies is not to become excessive.

The integration of social and economic policies will be crucial to the effective performance of the economy and, therefore, for the financing task. It is imperative that training and educational skills be raised and that constraints on the demand for labour in skilled occupations be overcome if high and sustainable levels of growth are to be achieved. This may require a switch in thinking away from long-term dependence on income support for those with low employment prospects towards entry into jobs vacated by those whose skill levels are upgraded through more active training policies. Continued attention needs to be given to the relationship between social security clients and the workforce to ensure that income support policies remain oriented towards encouraging participation in education, training and work. It is in this way that economic and social policies can merge.

Policies which actively encourage increased workforce participation, especially by women, will also contribute to the management of the effects of an ageing population by increasing the capacity of the community to save and by reducing the dependency ratio (EPAC, 1988).

However, attention also needs to be paid to the broader macroeconomic picture. Australia is a small open economy which has, as a result of policy decisions taken by the Hawke Government, become more open and more influenced by world events. Economic policy and economic outcomes will in the period under consideration be strongly affected by developments in the world economy such as current account imbalances and distortions in the patterns of trade, particularly for the US (deficit) and West Germany and Japan (surplus). Australia is particularly at risk from world economic conditions because of the significance of our external debt, its susceptibility to exchange rate depreciation and because a large proportion of export earnings come from commodities where world over-supply has been common.

TABLE 2: AVERAGE ANNUAL GROWTH RATE IN POPULATION OF WORKING AGE, OECD COUNTRIES, 1990-2000

	1990	2000	Average % Change
	Population of Working Age(a) Millions		
Australia	11.20	12.49	1.1
Austria	5.06	5.02	-0.1
Belgium	6.60	6.54	-0.1
Canada	18.04	19.57	0.8
Denmark	3.43	3.41	-0.1
Finland	3.35	3.38	0.1
France	36.72	37.35	0.2
Germany	42.32	40.19	-0.5
Greece	6.65	6.61	-0.1
Iceland	0.16	0.18	1.2
Ireland	2.28	2.58	1.2
Italy	39.08	38.25	-0.2
Japan	86.36	85.68	-0.1
Luxembourg	0.26	0.25	-0.4
Netherlands	10.24	10.38	0.1
New Zealand	2.31	2.52	0.9
Norway	2.73	2.83	0.4
Portugal	6.65	6.76	0.2
Spain	26.01	27.01	0.4
Sweden	5.42	5.48	0.1
Switzerland	4.45	4.38	-0.2
Turkey	34.89	43.35	2.2
United Kingdom	37.17	37.1	-0.0
United States	163.94	177.21	0.8

Note: (a) Persons aged 15 to 64 years.

Source: Derived from OECD: **Ageing Populations: The Social Policy Implications**, Table A.1 - Uses medium fertility projections.

Thus the key determinants which will shape Australia's economic performance over the next few years are the pace of adjustment to our external imbalance and progress in correcting trade imbalance between major countries. Of great importance in this adjustment process will be the need for Australia to improve its productivity in order to remain competitive. The success of the Government's microeconomic reform agenda is important in this context and there is a major role for social policy in not inhibiting a successful economic performance, and as far as possible complementing economic policies.

The major effect of economic performance on the social security portfolio is through the impact of economic policies on employment and, hence, on unemployment beneficiary numbers. A lesser effect should also perhaps be acknowledged for invalid pension and sole parent pension numbers. Policies which act to improve incentives for savings and self-provision may also impact on the numbers of aged persons receiving income support from the Government.

Outcomes in the labour market will be influenced by supply factors such as the population of workforce age, the labour force participation rate and the level of skills held by that labour force. Factors influencing the demand for labour will include the rate of growth of output, the relative prices of labour and capital and labour productivity. The development of complementary social and economic policies would also be important in contributing to a better balance between the demand for and the supply of labour.

As noted above, the 1990s are expected to see a continuation of strong growth in the population of workforce age, although the range of estimates vary. Work by Anderson and Ross (1987) has produced projections of labour force participation rates up to the year 2001. Table 3 sets out their estimates by broad age grouping, for all persons and derived estimates of the participation rate for 15-64 year old persons.

The main features of the projected participation rates are:

a) an increase in the overall labour force participation rate, due entirely to increasing labour force participation rates by females, particularly those aged 20-54 years;

b) continued falls in the labour force participation rate of males aged 55 and over; and

c) relatively stable participation rates for persons aged 15 to 19 years.

The OECD (1988a) has considered the prospects for increases in the participation rate over the medium term. It concludes that in the light of persistent unemployment, increasing working age population and the implied need for substantial employment creation to meet these pressures, the ability of countries to increase participation rates by deliberate policy initiatives may be limited.

The combination of continued growth in the population of workforce age and the prospect of an increasing participation rate suggests that Australia faces a difficult task in attempting to reduce unemployment significantly over the next 10 years. Argy (1988) and EPAC (1988) have both suggested that an unemployment rate of around 5 per cent of the labour force could be achieved by the year 2000 if the recent record of strong employment growth is maintained.

c) Effects of Government Policy Decisions

Projections of numbers of people receiving income support through welfare spending can only be based on current eligibility rules imposed by Government and trends in exogenous factors such as private income. For the purpose of this paper, therefore, it has been assumed that existing eligibility rules are unaltered over the next 10 years. In practice, this is an unrealistic assumption because substantial or unexpected growth in one or more components of social security expenditure could well induce some corrective action by government, particularly in an environment of restraint in public outlays.

TABLE 3: PARTICIPATION RATE PROJECTIONS
(per cent)

Year	15-19	20-24	25-34	35-44	Age Group 45-54	55-59	60-64	65+	Total	15-64
					MALES					
1990	60.9	89.4	94.2	93.8	88.9	73.5	43.0	8.2	74.6	84.0
1991	60.7	89.2	94.1	93.6	88.6	72.6	42.5	8.1	74.4	83.9
1992	60.6	89.1	93.9	93.4	88.4	71.8	42.0	8.0	74.2	83.8
1993	60.5	88.9	93.7	93.2	88.1	70.9	41.5	7.9	74.0	83.7
1994	60.4	88.8	93.5	93.0	87.8	70.1	41.0	7.7	73.8	83.7
1995	60.3	88.6	93.3	92.8	87.6	69.3	40.5	7.6	73.6	83.5
1996	60.1	88.5	93.2	92.6	87.3	68.4	40.0	7.5	73.3	83.2
1997	60.0	88.3	93.0	92.4	87.1	67.6	39.5	7.4	73.1	83.0
1998	59.9	88.2	92.8	92.2	86.8	66.7	39.0	7.3	72.8	82.7
1999	59.5	88.0	92.6	92.1	88.5	65.9	38.5	7.2	72.5	82.3
2000	59.7	87.8	92.4	91.9	86.3	65.0	38.0	7.1	72.2	81.9
2001	59.5	87.7	92.3	91.7	86.0	64.2	37.5	7.0	71.9	81.5
					FEMALES					
1990	58.3	77.5	63.8	68.6	56.3	30.0	12.0	2.4	49.7	59.0
1991	58.2	78.3	65.0	69.7	57.1	30.1	12.0	2.4	50.3	59.9
1992	58.2	79.0	66.1	70.8	57.9	30.2	12.0	2.4	50.9	60.7
1993	58.2	79.8	67.2	71.9	58.8	30.3	12.0	2.4	51.5	61.5
1994	58.1	80.5	68.4	73.1	59.6	30.4	12.0	2.4	52.1	62.4
1995	58.1	81.3	69.5	74.2	60.4	30.5	12.0	2.4	52.7	63.1
1996	58.1	82.1	70.7	75.3	61.3	30.6	12.0	2.4	53.2	63.8
1997	58.0	82.8	71.8	76.4	62.1	30.7	12.0	2.4	53.7	64.4
1998	58.0	83.6	73.0	77.5	62.9	30.8	12.0	2.4	54.2	65.0
1999	57.9	84.3	74.1	78.6	63.7	30.9	12.0	2.4	54.7	65.6
2000	57.9	85.1	75.3	79.7	64.6	31.0	12.0	2.4	55.2	66.2
2001	57.9	85.9	76.4	80.8	65.4	31.1	12.0	2.4	55.6	66.6
					PERSONS					
1990	59.6	83.5	79.1	81.3	72.9	51.9	27.3	4.9	62.0	71.6
1991	59.5	83.8	79.6	81.7	73.1	51.5	27.1	4.8	62.2	72.1
1992	59.4	84.1	80.1	82.2	73.4	51.1	26.8	4.8	62.4	72.3
1993	59.4	84.4	80.6	82.6	73.7	50.7	26.6	4.7	62.6	72.8
1994	59.3	84.7	81.0	83.1	73.9	50.3	26.3	4.7	62.8	73.0
1995	59.2	85.0	81.5	83.5	74.2	50.0	26.0	4.6	62.9	73.3
1996	59.1	85.3	82.0	84.0	74.4	49.6	25.8	4.6	63.1	73.5
1997	59.0	85.6	82.5	84.4	74.7	49.2	25.5	4.5	63.2	73.8
1998	59.0	85.9	83.0	84.9	74.9	48.9	25.3	4.5	63.3	73.8
1999	58.9	86.2	83.5	85.4	75	48.5	25.0	4.4	63.5	74.1
2000	58.8	86.5	83.9	85.8	75.5	48.0	24.8	4.4	63.6	74.1
2001	58.7	86.8	84.4	86.3	75.7	47.7	24.5	4.3	63.6	74.3

Note: Participation rate for females aged 60-64 years and 65 years and over assumed to remain constant.
Source: Anderson and Ross, 1987.

It is reasonable to assume some positive effects from the operation of recent Government initiatives such as JET and NEWSTART, as well as the Child Support Scheme, which are estimated to achieve reductions in expenditure and the numbers of people dependent on pensions and benefits.

d) Effects of Changes in Social Attitudes

The importance of social attitudes in affecting the level and structure of social security payments cannot be underestimated. Since the late 1960s the percentage of Australians who want to spend more on welfare has fallen from 70 per cent to around 25 per cent (see Gruen 1989, p. 2). Increased levels of taxation and a slowing in growth of average real incomes may reduce tolerance about payments to certain categories of recipients, for example, sole parents. Increasing breakdown of marriages appears to have increased the level of understanding in the community of the need for support by the non-custodial parent. There is no doubt that increasing numbers of older people will affect community expectations about the right of people to receive income support in their retirement - a Sydney Morning Herald survey in October 1988 found that 44 per cent of people surveyed believed that all retirees, regardless of income, should receive the pension (EPAC 1989). However, because it is extremely difficult to take into account attitudinal changes, the calculations below do not allow for an attitude variable and hence the results need to be interpreted as excluding the likely effects of attitudinal change.

3. INDICATIVE PROJECTIONS OF SOCIAL SECURITY EXPENDITURES, 1990 TO 2000

This section of the paper presents some indicative projections of likely trends in social security outlays over the period 1990 to 2000. We do not present econometric projections or forecasts but simply provide an indication of what would be the position if trends in client numbers and outlays continued, given explicit assumptions about average rates of change in key parameters. Obviously, we leave open a fertile field for far more refined techniques to develop what is presented here, but we would not expect the magnitude of the forecasts to change significantly.

Table 4 sets out these parameters and Table 5 sets out the base populations in each major category. To present estimates of social security outlays as a proportion of GDP, some basic assumptions about changes in GDP are also made.

The key parameters are:

a) growth in GDP;

b) the change (in percentage points) in the rate of unemployment;

c) unemployment beneficiaries as a proportion of measured unemployment;

d) the change (in percentage points) of the population of age pension age receiving either an age or service pension;

e) the proportion of families receiving FAS;

f) the change (in percentage points) in Family Allowance recipients as a proportion of the population under 16 years;

g) growth in numbers of people receiving invalid pension;

h) growth in numbers of people receiving sole parent pension; and

i) growth in other DSS payments (minor payments).

The estimates of expenditure are based on real levels of assistance in 1987-88 and assume no change in the real value of income support payments. Maintenance of real values is a reasonable assumption given the commitment by Government in the April Statement to index FAS, Family Allowance and other child payments for movements in the Consumer Price Index from 1 January 1990. The estimates also assume that average rates of payment remain unchanged. This assumption makes for conservative results and could be unrealistic if there were a widespread increase in non-pension or benefit income which did not exclude entitlement, a not unlikely result of the proposed Child Support scheme, for example.

Putting values to these parameters is necessarily an exercise in educated guesswork, but use of demographic projections to drive estimates for age and service pension, unemployment benefit and FAS/Family Allowance payments, requires decisions only about the rate of change of proportions receiving these payments.

Putting a precise value on the likely rate of increase in real GDP would require a significant and careful consideration of many factors. However, given Australia's strong performance in the 1980s and the hope that balanced and sustainable growth will be achieved into the 1990s, average annual real increases of 2 and 3 per cent would not appear unreasonable and are used in this paper.

In the area of unemployment benefit, material presented above argues against substantial reductions in unemployment without a startling economic performance by Australia over the next 10 years. A reduction of 0.15 percentage points per year has been assumed as the best outcome, with provision for a small increase in the rate of unemployment and the proportion of unemployed people receiving benefit included in an alternative scenario. The best outcome scenario produces an unemployment rate of 5 per cent in the year 2000.

For people of retirement age, the major issue is whether improved self-provision through private or employer sponsored superannuation will substantially alter the proportion of people reliant on age or service pension. Given the relatively recent innovation of employee superannuation through the wages system, it does not seem unreasonable to assume that over the next 10 years the proportion of people of age pension age receiving an age or service pension should remain roughly constant. However, to reflect possible improvement in the level of self-provision, an alternative of - 0.2 percentage points change per annum is used. However, any significant increase in the proportion of age pensioners reporting non-pension income would mean that the estimates of outlays in this paper would be too high.

For Family Allowance, the paper uses the existing proportion of children under 16 years in receipt of Family Allowance and projects this on the estimated population of children. To allow for increases in real income in the community, the low outlays scenario reduces the proportion of children eligible for Family Allowance by 0.1 percentage points per year.

For FAS, the paper uses a base population of FAS recipients of 190,000 (low outlays) and 210,000 (high outlays) for 1989-90, and maintains these figures as proportions of the labour force over the projection period.

For invalid pension, growth in the number of recipients is assumed to reflect growth in the number of older workers who, in a situation of continued unemployment, may be assessed as unable to work. The assumption of growth in the invalid pension area could be substantially affected by developments in policies for people with disabilities, currently under review. However, given the history of growth of client numbers in this area, conservative trend values of 4 per cent and 2 per cent have been used.

The paper assumes zero or negative growth in the number of sole parent pensioners despite increases projected in the sole parent population, mainly in reflection of the impact of the JET program and the Child Support scheme.

Minor payments (for example Rehabilitation Allowance, Sheltered Employment Allowance, Mobility Allowance, Child Disability Allowance, Orphan's Pension and Funeral Benefit) represent less than one per cent of DSS outlays. The projections allow for real growth of 1 to 2 per cent per annum in this area.

The effects of these parameter assumptions and of the underlying demographic pressures are shown in Tables 6 and 7.

TABLE 4: ASSUMED PARAMETER VALUES FOR PROJECTION OF SOCIAL SECURITY OUTLAYS 1990 TO 2000

Parameter	Assumed Annual Rate of Change Low DSS Outlays	 High DSS Outlays
Proportion of People of Age Pension Age Receiving Age or Service Pension	-0.2	0.0
Annual percentage points change in the rate of unemployment	-0.15	0.13
Unemployment Beneficiaries as a proportion of ABS unemployed	0.75 (constant)	0.85 (constant)
Invalid Pension	3.0	5.0
Sole Parent Pension	-0.1	0.0
Minor Payments	1.0	2.0
1989-90 FAS Base Population	190,000 (constant proportion of labour force)	210,000 (constant proportion of labour force)
Percentage Points Change in FA Recipients as a Proportion of Population under 15	-0.1	0.0
Real GDP	3.0	2.0

The two sets of parameters give a wide interval of possible values for social security expenditures over the next decade. The 'low-outlays' scenario sees the proportion of GDP spent on social security outlays falling from 6.2 per cent in 1988-89 to 5.2 per cent in 1999-2000. The 'high outlays' scenario sees outlays on social security as a proportion of GDP rise from 6.4 per cent of GDP in 1988-89 to 6.8 per cent in 1999-2000.

These projections have assumed no real change in the value of pensions, benefits and allowances. Relatively small real increases in the level of pensions and benefits, as might follow from a commitment to tie income support rates to average wages, would have a major impact. For example, if pensions and benefits are explicitly tied to a proportion of average earnings, and these earnings increase by 1 per cent per year in real terms, the share of social security outlays to GDP would rise from 5.2 to 5.8 per cent in 1999-2000 (low-outlays scenario) and from 6.8 to 7.6 per cent (high-outlays scenario).

These figures can be favourably compared to the 1983/84 figure of 7.8 per cent (which includes service pension).

TABLE 5: BASE FIGURES FOR SOCIAL SECURITY EXPENDITURE PROJECTIONS

Program	Outlays ($ million) (1987-88 Dollars)	Numbers ('000)
Age & Service Pension	8684.1	1666.5
Unemployment Benefit	3374.9	502.5
Family Allowance Supplement[(a)]	373.3	145.0
Family Allowance	1355.7	3965.7
Invalid Pension	2188.4	384.0
Sole Parent Pension	1999.8	243.8
Widows B Pension	526.7	84.4
Sickness Benefit	511.0	71.2
Special Benefit	150.8	23.0
Minor DSS Programs	133.0	47.8
GDP ($m)	292336.0	

Note: (a) Base figures for 1989-90 are used for the projections as set out in Table 4, to reflect the increased take-up of FAS since 1987.

Also of interest from these projections is the implied financing burden per head for the employed population. Adjusting the labour force projections prepared by Anderson and Ross by the estimated number of unemployed people, the change in the real financing burden per employed person in 1987-88 dollars under each scenario is:

a) low-outlays scenario - from $2,610 in 1989-90 to $2,436 in 1999-2000

b) high-outlays scenario - from $2,708 in 1989-90 to $2,890 in 1999-2000.

By comparison, the financing burden per employed person in 1983-84 was $2990. A cautious conclusion from these illustrative projections is that the financing burden of maintaining existing levels of income support into the 1990s should not be any greater than that currently faced by Government, although actual outcomes will be heavily influenced by: the expected behaviour of those approaching retirement in terms of their labour force attachment and their savings patterns; the macroeconomic performance of the country; and the achievement of continued restructuring directed at turning around Australia's poor external results. In addition, we can expect, through a closer relationship between income support programs and labour market programs as well as from the Child Support scheme, a decline in average rates of payment which has not been built into the above.

TABLE 6: PROJECTIONS OF SOCIAL SECURITY EXPENDITURE - LOW OUTLAYS SCENARIO
(1987-88 Dollars)

	$m											
	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-2000
Age and Service Pension	8892.6	9093.2	9299.4	9498.0	9678.5	9850.5	10007.5	10167.9	10326.0	10468.7	10608.1	10743.1
Unemployment Benefit	2562.5	2552.0	2538.2	2521.5	2502.0	2479.0	2454.0	2425.9	2395.7	2364.3	2330.2	2293.4
FAS	373.3	502.8	512.2	521.5	530.6	539.5	548.3	556.9	565.6	574.4	583.1	591.7
Family Allowance	1283.6	1777.6	1767.3	1783.3	1802.3	1822.2	1842.0	1861.7	1879.3	1894.3	1906.9	1918.3
Invalid Pension	2254.1	2321.7	2391.3	2463.1	2537.0	2613.1	2691.5	2772.2	2855.4	2941.0	3029.3	3120.1
Sole Parent Pension	1997.8	1995.8	1993.8	1991.8	1989.8	1987.8	1985.8	1983.9	1981.9	1979.9	1977.9	1975.9
Widows B	531.7	513.0	494.2	475.5	456.8	438.1	419.4	400.6	381.9	363.2	344.5	325.8
Sickness Benefit	540.4	544.0	547.6	551.2	554.8	558.4	562.0	565.5	569.1	572.7	576.3	579.9
Special Benefit	150.8	150.8	150.8	150.8	150.8	150.8	150.8	150.8	150.8	150.8	150.8	150.8
Minor Payments	134.3	135.7	137.0	138.4	139.8	141.2	142.6	144.0	145.5	146.9	148.4	149.9
Total	18721.0	19586.5	19831.9	20095.2	20342.4	20580.8	20803.8	21029.4	21252.1	21456.3	21655.4	21848.8
% of GDP	6.2	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.2

TABLE 7: PROJECTIONS OF SOCIAL SECURITY EXPENDITURE - HIGH OUTLAYS SCENARIO
(1987-88 Dollars)

	$m											
	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-2000
Age and Service Pension	8915.5	9140.1	9371.6	9596.6	9804.3	10004.6	10190.6	10381.1	10570.3	10744.6	10916.4	11084.6
Unemployment Benefit	2904.2	3019.7	3136.4	3254.5	3373.9	3494.1	3615.6	3738.1	3862.6	3990.6	4119.8	4249.7
FAS	373.3	555.8	566.1	576.4	586.5	596.3	606.0	615.6	625.1	634.9	644.5	653.9
Family Allowance	1284.9	1781.4	1773.0	1791.0	1812.0	1834.0	1855.9	1877.8	1897.6	1914.8	1929.6	1943.3
Invalid Pension	2297.8	2412.7	2533.3	2660.0	2793.0	2932.7	3079.3	3233.3	3394.9	3564.7	3742.9	3930.1
Sole Parent Pension	1999.8	1999.8	1999.8	1999.8	1999.8	1999.8	1999.8	1999.8	1999.8	1999.8	1999.8	1999.8
Widows B	531.7	513.0	494.2	475.5	456.8	438.1	419.4	400.6	381.9	363.2	344.5	325.8
Sickness Benefit	540.4	544.0	547.6	551.2	554.8	558.4	562.0	565.5	569.1	572.7	576.3	579.9
Special Benefit	150.8	150.8	150.8	150.8	150.8	150.8	150.8	150.8	150.8	150.8	150.8	150.8
Minor Payments	135.7	138.4	141.1	144.0	146.8	149.8	152.8	155.8	158.9	162.1	165.4	168.7
Total	19134.1	20255.7	20714.1	21199.8	21678.8	22158.4	22632.1	23118.4	23611.0	24098.2	24590.0	25086.5
% of GDP	6.4	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.8	6.8	6.8	6.8

4. IMPLICATIONS FOR SOCIAL POLICIES

The demographic data and economic possibilities discussed above suggest a number of conclusions relevant to policy makers in the next decade. Not all can be explored here and this paper focusses on the income support related needs of specific groups. The principal groups discussed include disadvantaged young people, women and their labour market prospects, the needs of the long-term unemployed, the needs of the aged and people with disabilities. General conclusions are offered on the relevance of developing a more 'active society' through social policies directed at minimising the existence of persistent poverty and maximising opportunities for social inclusion of the most disadvantaged.

a) Young People

Recent policy developments for young people have addressed employment and training needs in conjunction with income support issues. However, there are still significant problems facing some young people, particularly relatively high unemployment amongst school leavers and homelessness. Nevertheless, the 1990s appear to offer a more optimistic than pessimistic picture for the economic prospects for young people.

The main reason for optimism is the impact of demographic factors: as noted above, the number of persons in the population aged 15-24 years will be virtually static through the 1990s, whereas the total population will have increased by 17 per cent from 1990 to 2001. Coupled with a likely further rise in the proportion of students proceeding to Year 12, the numbers of young people unemployed for long durations can be expected to decline to a level where more resource intensive labour market assistance may be able to be offered.

It must be noted that the supply of jobs for young people contains a high proportion of part-time employment. At May 1989, 37.6 per cent of employed 15 to 19 year olds were employed part-time and 80 per cent of these part-time jobs were held by school students or those attending a tertiary institution full-time. The proportion of part-time jobs in the labour market for young people is nearly twice that for the labour market as a whole. The prospects for school leavers to achieve full-time employment would seem to be less than is the case for the rest of the labour force.

b) Labour Force Prospects for Women

The strongest message of the projections material presented above is that continued and increased labour force participation by women is essential to the management of the potential growth in social outlays - rising labour force participation rates among women will more than offset falling participation rates among men, and will add to tax revenue as well as to our national savings effort. Employers are already coming to realise the increasing relevance they will have to place on older female workers as the youth cohort becomes relatively smaller.

Women are well placed to benefit from the realignment of employment opportunities which is occurring with structural change in the economy but growth in full-time employment for women has also been strong. Nearly half of new jobs for women created since 1983 have been part-time jobs. By the year 2000 it will be unusual to find women who have not worked from their 30s on (Kendig and McCallum, 1986).

The combination of increasing participation by women in paid employment and the significant part-time component in that employment need to draw a response from policy makers across a range of issues including access to more flexible work and child care arrangements and particularly recognition of women's workforce participation in the structure of social security payments. Cass noted the severe disincentives to workforce participation which operated on the spouse of an unemployment beneficiary through the income test (Cass, 1988). At June 1988, the wives of employed men had a labour force participation rate of 60 per cent, whereas the rate for the wives of unemployed men was around 20 per cent (ABS, 1988b).

A challenge for policy makers is the need to recognise and encourage the labour force participation of women, especially where the husband is unemployed. This in turn means addressing the additional barriers to employment faced by women including being out of the workforce for long periods and the need for appropriate childcare facilities.

Improved access to mainstream labour market opportunities will also improve womens' ability to provide for their retirement through increased access to superannuation coverage.

c) Long-Term Unemployed

One major implication of a still-significant unemployment rate through the next decade is that large numbers of unemployed people could experience long durations of unemployment. The long-term unemployed can be expected to include those dependent on unemployment benefit and also a significant number of sole parents. Between February 1984 and February 1989 the long-term unemployment benefit population has increased from 32.8 per cent to 37.6 per cent of the total UB population . The number of people aged 55 to 64 years dependent on unemployment benefit has actually grown through the strong period of employment growth since 1983.

There are strong equity arguments - if not efficiency arguments - for ensuring that the burden of unemployment is more evenly distributed. It cannot be pretended that those who are unemployed are adequately compensated for their unemployment through the income support system, even though a significant proportion of unemployment is short-term. The burden of unemployment is borne most heavily by those with few or no skills, and the level of income support paid replaces only a proportion of basic earnings.

Devising strategies to cope with long-term joblessness will need to be one of the priorities for policy in the 1990s, and the evaluations of the NEWSTART and JET programs (to be conducted in 1991/92 and 1990/91 respectively) will be important in this context.

d) The Needs of the Aged

The Minister for Social Security (EPAC, 1989) has noted the major pressures on the retirement income system to be an ageing population, particularly in the context of the current trend to early retirement and inadequate retirement saving. While the 1990s will not see radical increases in the number of older people, the size of the population of retirement age and the long lead times involved before changes could take effect, emphasise the immediate need for development of appropriate policies in this area.

It is essential that by 2010 Australia has both an effective and consistent structure of incentives to save for retirement as well as greater labour force participation of older workers, especially women. Unless these occur, there are likely to be higher tax burdens for those in employment.

Increased self-provision need not necessarily result in a significant decline in numbers or proportions of persons of age pension age actually receiving the pension. Substantial savings on projected outlays can well be achieved if improved incentives for self-provision result in a rise in non-pension incomes in retirement.

By the turn of the century and beyond it would seem manageable to have an adequate age pension as an important place in the social security system for those, in particular, who for one reason or another have not had access to superannuation or other savings.

e) People with Disabilities

Most people with physical and mental disabilities currently are marginalised from mainstream activities. When the disability is severe, people may be eligible for invalid pension, whereas others with a lower level of disability would be eligible for sickness benefit. Another paper at this conference (Wilson, 1989) indicates the deficiencies of our current system of payments for those who are on sickness benefit for a long period of time. It also indicates that young people with disabilities are very reluctant to spend the rest of their lives on invalid pension. There is clearly a need for this problem to be addressed in policy changes as was indicated in the Social Security Review Issues Paper on this topic (Cass et al., 1988).

5. CONCLUSIONS

A combination of pressures is challenging the traditional concept of paid work in western societies - that of a career which is typically full-time and involving little additional skills acquisition and which is also typically male. The emergence of a significant group of people who are dependent on a social security payment for long periods of time, the presence of early retirement (some of this involuntary) and increasing numbers of people in the young elderly age group (65 to 74 years) all contribute to the need to reconsider the distribution of opportunities for participation in society, particularly labour market opportunities.

The OECD has put forward the notion of an 'active society' in which 'government policies should help as many people as possible to participate fully in economic and social life' (Gass, 1988). For those of working age who are currently without access to mainstream labour market opportunities, more active social policies would emphasise the need for re-integration into employment. This is likely to require the application of a broad range of policies in an integrated fashion, covering skills acquisition, work experience, child care and more flexible working arrangements.

For those effectively excluded from the labour force (for example the retired and those with disabilities) the development of more active policies requires the dismantling of barriers so that the opportunity exists for workforce participation which is appropriate to the particular needs and abilities of the individual. The key elements of policies to achieve these objectives would be flexibility and recognition of the wide range of activities which are able to be undertaken by people at the fringes of the labour market. Encouraging a greater level of participation in the part-time and voluntary sectors could offer savings on outlays on income support but, more importantly, may offer the chance for effective participation by a greater number of people in community life.

This paper has outlined some likely features of the demographic, economic and social picture for Australia over the next decade and has sought to highlight key issues for social policy generally, and income support policy in particular, that may need to be faced over this period. The cautious conclusion of the illustrative projections seems to be that over the next 10 years the financing of income support payments at existing real levels appears sustainable and that recent policies that have been set in train are in tune with demographic and economic changes. But there is little room for complacency given the social policy implications of prolonged welfare dependency.

Critical to a fair distribution of economic opportunities in Australia is the return of marginalised groups to the mainstream through the application of policies which improve skills and training and encourage participation in employment. Additional assistance will, however, be required to address related problems such as access to adequate housing, improved education, child care and to give attention to issues of workforce adequacy such as wage levels in low-skill jobs.

Concealed in these concerns are important issues for research. These include the effects on work incentives of more liberal income test provisions and the net employment impact of labour market programs directed specifically at those at a disadvantage in the labour market. This latter area for research raises complex methodological issues about how to measure the extent of the 'displacement effect' arising from the entry or re-entry of previously jobless people into the labour market - an issue with significant fiscal implications .

Perhaps the greatest challenge for policy makers into the 1990s, is to reduce the extent of social exclusion which is apparent in the current unequal access to economic and social opportunities. In the development of social policies in the next decade we could do far worse than follow the objectives as outlined recently by the OECD:

> *The objective of social protection policy must be to ensure to each member of society the possibility of an active role and participation in that society. For most of the people, most of the time, this would be achieved through their own work and social activities. The role of public policy in the 1990s must be to design interventions so as to maximise both the number of people who have opportunities for active social roles, and the durations of their lives over which they can experience such activity.* (OECD, 1988b)

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W(H)ITHER HORIZONTAL EQUITY?: THE DISTRIBUTIONAL EFFECTS OF FAMILY ASSISTANCE IN AUSTRALIA, 1968-69 TO 1989-90

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1. INTRODUCTION

This paper is written for the general reader. It attempts to establish a simple framework in which to examine a very complex subject: the distributional effects of Government tax/transfer programs. In order to do this, generalisations have been made which, where possible, are explained in the text.

To preserve simplicity, programs of assistance for children with special needs, such as those with disabilities, are not taken into account. Payments for children in pensioner and beneficiary families are included in the calculation of income but are not discussed separately. All children eligible for family allowance are included. The analysis does not include the value of general tax concessions such as for education or health expenses, which may enhance the position of taxpaying families relative to other taxpayers and may also affect the vertical equity of assistance for those with children. Nor does it deal with changes in the social wage, although Government expenditure on programs other than family assistance may have widely different effects on the living standards of those with or without children and on families at different income levels. The effects of Government wages policy are not taken into account, although it has often been used in a way which changes the relative position of those with children. For instance, wages policy can be employed in conjunction with changes to family assistance and other social wage benefits to curb real wages while protecting families with children. This approach has been taken by the current Government as well as by Governments in the 1940s and mid-1970s (see the Appendix below).

Calculations for different years are based on the Australian Bureau of Statistics Income Distribution Surveys for 1968-69, 1978-79 and 1985-86. While there are some minor problems with the comparability of data from these surveys, these are unlikely to affect the results significantly (Robinson and Griffiths, 1986).

The value of non-income-tested assistance for children in the years discussed is set out in nominal and real terms (1988-89 values) in Table 1.

2. BACKGROUND

By the time of the Australian Bureau of Statistics Income Distribution Survey in 1968-69, on which our first 'snapshot' of distribution is based, both the horizontal and vertical equity of the Government's family assistance programs had been in decline for nearly twenty years. Cash payments in the form of child endowment, which was similar to the current family allowance, had been allowed to decline to half their 1950-51 real value for the first and second children in each family, and had fallen in value for all children despite ad hoc increases in payments for larger families.

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TABLE 1: VALUE OF NON-INCOME TESTED FAMILY ASSISTANCE 1968-89 - 1989-90

	1968-69[a] Nominal	Real[c] $p.a.	1978-79 Nominal	Real[c] $p.a.	1985-86 Nominal	Real[c] $p.a.	1989-90[b] Nominal	Real[c] $p.a.[b] (Estimated)
Child Endowment/ Family Allowances								
1 child	26	144.43	182	410.49	273.6	344.44	475.80	446.69
2 children	78	433.28	442	996.90	664.2	836.17	951.60	893.38
3 children	156	866.56	754	1700.59	1132.2	1452.34	1427.40	1340.07
4 children	247	1372.06	1066	2404.28	1600.2	2014.51	2060.50	1934.43

Notes: (a) Not including tax deductions

- for first child - $208
- for second and subsequent children - $156

For value of tax deductions at different income levels, see Table 2.

(b) Income tested for families where joint parental income exceeds $53,550 plus $2,678 for each additional child.

(c) All real values are expressed in terms of 1988-89 dollars.

(d) The estimated figures for 1989-90 are averaged to take account of increased rates of Family Allowance in January 1990.

After nearly a decade in the 1940s when child tax rebates had ensured that all families with sufficient tax liability received the same high level of support - with total family assistance for a two-child family reaching 18 per cent of the average wage in 1948 - the Government reintroduced child tax deductions. Because tax deductions reduce the amount of income assessed as taxable, they provide a greater reduction in tax liability to those on higher marginal tax rates. Thus while the position of high income families was protected relative to other taxpayers, and may even have improved due to the effects of fiscal drag, most other families experienced a decline in the real value of total family assistance (child endowment plus tax deductions). Low income families were most severely affected. These developments are outlined in more detail in the Appendix.

3. FAMILY ASSISTANCE IN 1968-69

Table 2 sets out the real value of family assistance in 1968-69 per quintile of the total population of families with children. By dividing families into five groups according to total family income and then selecting the median or middle income in each group, the value of total family assistance to a range of families from low to high incomes is easily seen.

TABLE 2: REAL VALUE OF TOTAL FAMILY ASSISTANCE BY QUINTILE, 1968-69 (a)(b)
(Estimated 1988-89 Dollars)

Quintile	Median Income per quintile(a)	Number of children 1	2	3	4
1	12830	$372.01	$817.19	$1394.98	$2034.13
2	19560	$466.78	$996.35	$1654.66	$2378.66
3	24800	$553.32	$1127.30	$1845.70	$2618.80
4	31250	$598.02	$1227.06	$1999.43	$2819.36
5	45370	$692.76	$1392.86	$2237.40	$3151.20

Notes: (a) Per quintile of the total population of families with children.

(b) Tax deductions are based on single income married couple family with children (taking account of the Dependent Spouse Rebate first).

In this table we have calculated the value of assistance for a single income married couple family, not because we imagine that there were no two income or sole parent families in 1968-69, but to maintain simplicity. As the value of tax deductions varies according to the marginal rate of the taxpayer, they are worth more at a given income level to a single income taxpaying family than to a family on two smaller incomes. In 1968-69, child tax deductions would also have been worth more to a taxpaying sole parent family than to a single income married couple family on the same income, because the married couple family would have been able first to claim the dependent spouse deduction, while there was no deduction in respect of sole parenthood. In practice, however, most sole parent families received relatively low incomes and derived little benefit from tax deductions. Because two income and sole parent families comprised a much smaller proportion of families than today, this simplified picture of the value of total family assistance probably represents a fairly small overestimate (Robinson and Griffiths, 1986, pp. 5, 9).

As Table 2 shows, the combined effect of child endowment, which varied only with the position of each child in the family, and tax deductions, which increased in value with income, produced severe vertical inequity in the family assistance programs. It also provided little semblance of horizontal equity for low income earners: that is, the extra costs borne by those with children received little recognition. The value of total family assistance for the first child nearly doubled as income rose from the lowest to the highest quintile, while for other children in the family it increased by up to two-thirds. The assistance received by families at the extremes of income - for instance, those in the bottom and top 5 per cent of the income distribution, rather than the bottom and top 20 per cent - was even more unequal.

Further inequity was produced by the system of concessional expenditure deductions, which are not included in our analysis. While concessional deductions for health, education, home loan interest and other items enhanced the position of high income families relative to other high income taxpayers, low and even middle income families derived relatively little benefit. Research by Patricia Davey shows that, in 1973-74, concessional deductions on education alone were worth nearly 1,800 per cent more per child for families in the highest income group than for very low income families. Even middle income families received only about a fifth of the benefit enjoyed by high income earners (Davey, 1978).

In effect, tax deductions functioned as 'a means test in reverse' (Harris, 1971, p. 208). Their distorting effect on the distribution of family assistance is illustrated in Table 3, which shows the increasing value of tax deductions for each family income quintile group, and their growing proportion of total family assistance. For example, while child tax deductions comprised less than 40 per cent of total family assistance for a typical three-child family in the lowest quintile, they represented over 60 per cent of assistance for such a family in the highest quintile group.

The growing inequity of the system of family assistance in this period was recognised by many contemporaries, who also complained that the dual system of endowment and deductions was 'untidy' and caused unnecessary duplication of effort (see for example, Taxation Review Committee, 1975, p. 208). In response to these criticisms and after a brief flirtation with child tax rebates in 1975-76, the Government moved to a single cashed-out family assistance payment in 1976-77. The new family allowance was initially worth substantially more than the previous combined assistance for all low income families and many families on middle incomes. It was worth somewhat less for a single income one-child family on average earnings and considerably less than the 1974-75 level of assistance for high income families. Because of the accompanying changes in taxation, high income families were not absolutely worse off than before, although their position relative to other high income earners declined. In 1976-77, the net effect on Government revenue of this change was relatively small (Horn, 1981).

4. FAMILY ASSISTANCE IN 1978-79

Although in 1976-77 the new family allowance program was widely acclaimed, disillusionment soon set in. Welfare policy analysts complained that its introduction had been coupled with substantial decreases in social wage benefits, and a lessening of the progressivity of the tax scale which bore severely on low income families and secondary earners. The subsequent introduction of the Medibank levy also left many families worse off, while the new payments were used by the Arbitration Commission as a pretext for wage increases set below inflation level. Even more serious for families in the long run was the failure to index the payments, so that their real value rapidly fell. As tax rebates were at that time subject to partial indexation, it was estimated that the Government had saved over $440 million dollars in the years up to 1980-81 by removing child assistance from the tax system. By 1978-79, when our second 'snapshot' of distribution is taken, the real value of expenditure on family allowance per child had fallen by about 19 per cent (Horn, 1981; Cass et al., 1981; Tulloch, 1979).

Table 4 sets out the real value of family assistance in 1978-79 per quintile of families with children. Because family allowance was the only general family assistance program in 1978-79 and provided assistance which varied solely with each child's position in the family, the real value of assistance was the same for all families with the same number of children, regardless of income or family structure. Hence the table, although certainly unexciting, serves to illustrate the effect of a 'pure' system of universal assistance and is a useful basis for comparison with other years.

In practice, tax/transfer assistance for families in 1978-79 was not completely equal at different income levels due to the existence of concessional expenditure rebates for education and other items. Although less regressive than deductions in their impact, these rebates still provided greater assistance to high income families whose expenditure in these areas was generally greater. Low income families received little or no benefit from these rebates (Tulloch, 1979).

By the late 1970s, a sharp rise in the numbers of children in pensioner and beneficiary families was deepening community concern about the adequacy of payments to low income families and the poverty traps faced by those entering employment. At the same time, the Government claimed that budgetary constraints precluded increases in the levels of general family assistance.

In keeping with the newly emerging emphasis on vertical equity, an income-tested payment for children in working families was introduced in 1983. Although many families who would have been eligible to receive the new Family Income Supplement (FIS) never applied for it, this payment nonetheless represented a significant shift in assistance towards low income families (Pech, 1986).

TABLE 3: REAL VALUE OF TAX DEDUCTIONS BY QUINTILE 1968-89[(a)(b)]
(ESTIMATED 1988-89 DOLLARS)

Quintile	Median Income per quintile*	Number of Children: 1 — Value of Deduction	1 — % of family Assistance	2 — Value of Deduction	2 — % of family Assistance	3 — Value of Deduction	3 — % of family Assistance	4 — Value of Deduction	4 — % of family Assistance
1	$12830	$227.58	61.2	$383.91	47.0	$528.41	37.9	$662.07	32.5
2	$19560	$322.35	69.1	$563.06	56.5	$788.10	47.6	$1006.60	42.3
3	$24800	$408.90	73.9	$694.02	61.6	$979.14	53.0	$1246.74	47.6
4	$31250	$453.59	75.8	$793.78	64.7	$1132.86	56.7	$1447.30	51.3
5	$45370	$548.33	79.2	$959.58	68.9	$1370.83	61.3	$1779.14	56.5

Notes: (a) Per quintile of the total population of families with children.

(b) Tax deductions are based on single income married couple family with children (taking account of the Dependent Spouse Rebate first)

TABLE 4: REAL VALUE OF TOTAL FAMILY ASSISTANCE BY QUINTILE, 1978-79[(a)]
(Estimated 1988-89 Dollars)

Quintile	Median Income per quintile*	Number of Children 1	2	3	4
1	$13130	$410.49	$996.90	$1700.59	$2404.28
2	$24820	$410.49	$996.90	$1700.59	$2404.28
3	$32550	$410.49	$996.90	$1700.59	$2404.28
4	$41100	$410.49	$996.90	$1700.59	$2404.28
5	$56740	$410.49	$996.90	$1700.59	$2404.28

Note: (a) Per quintile of the total population of families with children.

5. FAMILY ASSISTANCE IN 1985-86

The choice of 1985-86 for our third 'snapshot' of distribution is dictated by the existence of the Australian Bureau of Statistics 1985-86 Income Distribution Survey. However, this year is also a convenient point for an examination of the family assistance program as it was before the introduction of the Government's Family Assistance Package from 1987. In 1985-86, family allowance was still a universal payment, although its real value had decreased by more than 30 per cent since its introduction. Along with payments for children in pensioner and beneficiary families, FIS had been increased to $16.00 a week, but its rate of take-up amongst eligible families was estimated at only 30 per cent (Pech, 1986).

Table 5 sets out the real value of family assistance in 1985-86 per quintile of families with children. FIS has been included in family assistance for families who would have been eligible to receive it. The table shows a relatively high value of assistance in the lowest quintile for families of all sizes, although FIS affected the value of assistance in the second quintile only for larger families. Because all other families received assistance solely through the family allowance program, the value of their assistance varied only with family size.

This picture is only very slightly affected by the existence of a medical expenses rebate for expenditure over $1,000, which may have favoured high income families.

By 1987, community concern about the problem of child poverty, together with severe budgetary constraints, led the Government to introduce a range of measures to enhance the vertical equity of family assistance. The new Family Assistance Package combined an income test on family allowance for families on high incomes (above $50,000 per annum for a one child family in 1988) with substantially increased payments to children in low income families. FIS was replaced by Family Allowance Supplement (FAS), which incorporated rent assistance and a higher rate of payment for children aged 13 and over. A more generous income test extended the payment to families on somewhat higher incomes, including larger families at incomes approaching Average Weekly Earnings (male ordinary time). FAS and family allowance were integrated, and benchmarks were introduced which would effectively index the rate of total family assistance (FAS plus family allowance) for low income families from 1990.

TABLE 5: REAL VALUE OF TOTAL FAMILY ASSISTANCE BY QUINTILE, 1985-86[a]
(Estimated 1988-89 Dollars)

Quintile	Median Income per quintile[a]	Number of children 1	2	3	4
1	$9770.00	$1346.53	$2840.35	$4431.62	$6022.88
2	$22750.00	$344.44	$836.17	$1425.34	$2152.19
3	$32620.00	$344.44	$836.17	$1425.34	$2014.51
4	$42150.00	$344.44	$836.17	$1425.34	$2014.51
5	$60040.00	$344.44	$836.17	$1425.34	$2014.51

Note: (a) Per quintile of the total population of families with children.

Recognising the problems which had existed with the take-up of FIS by eligible families, the Government launched a major publicity campaign to increase community awareness of the new payment. To alleviate poverty traps and to encourage all eligible families to apply, arrangements were also made for a simplified income test based on previous year's taxable income (introduced in 1989) and for integration with child payments for pensioners and beneficiaries (scheduled for 1990). Preliminary results from evaluation of the FAS program suggest that take-up rates have been significantly improved.

As part of the package of tax cuts announced in April 1989, the Government substantially increased rates of family allowance. These increases ensured that the tax cuts did not disadvantage families relative to childless taxpayers, and recognised the importance of family allowance as a tax equity measure. The increases also had the effect of meeting the Government's benchmarks for low income families in July 1989, while extending assistance to families in the middle income ranges. Also very important, given the history of erosion of family assistance by inflation, was the decision to index family allowance payments.

At the same time, the family allowance income test for high income families was maintained. While the series of tax cuts introduced since 1983 ensured that, in absolute terms, high income families were more than compensated for the loss of family allowance, their position declined relative to childless taxpayers at the same income level.

6. FAMILY ASSISTANCE IN 1989-90

Table 6 sets out the estimated real value of total family assistance in 1989-90 per quintile of families with children, using the income distribution in the 1985-86 Income Distribution Survey adjusted for inflation by the estimated increase in the Consumer Price Index. As for the other tables, the value of assistance is in real terms (1988-89 values). It should be noted that these updating mechanisms are sources of possible inaccuracy and that, in particular, the distribution of families with children may have changed substantially between 1985-86 and 1989-90. Current figures suggest that, because unemployment is currently lower than in 1985-86 and labour force participation is higher especially for women with children, median incomes for families in the lower quintile are likely to have shifted upwards (ABS, Cat. No. 6203.0, 1989).

TABLE 6: REAL VALUE OF TOTAL FAMILY ASSISTANCE BY QUINTILE, 1989-90[a][b]
(Estimated 1988-89 Dollars)

Quintile	Median Income per quintile[a]	Number of children 1	2	3	4
1	$9770.00	$1619.55	$3239.10	$4858.66	$6625.88
2	$22750.00	$446.69	$893.38	$1698.57	$3758.71
3	$32620.00	$446.69	$893.38	$1340.07	$1934.43
4	$42150.00	$446.69	$893.38	$1340.07	$1934.43
5	$60040.00	$0.00	$0.00	$660.97	$1906.76

Notes: (a) Per quintile of the total population of families with children.

(b) Figures are based on the same distribution as for Table 5 but with estimated 1989-90 family payment arrangements. In addition it is assumed that all children are aged under 13 and that families are not renting privately.

In this table FAS at the younger child rate has been added to family assistance for all families who would be eligible to receive it based on their inflated 1985-86 incomes and using the tax and social security arrangements that are expected to apply in 1989-90. Rent assistance has not been included. The 1989-90 family allowance income test has also been applied to families' inflated 1985-86 incomes.

Hence the table should give a reasonable indication of the value of family assistance to different quintiles in 1989-90, presented in 1988-89 values. It shows a relatively high value of assistance in the lowest quintile for families of all sizes, with FAS substantially increasing the level of assistance in the second quintile for families with three or more children. The use of younger child rates of FAS leads to a significant, underestimate of the value of family assistance for all these families and especially for larger families. The family allowance income test has affected the value of assistance only for families in the highest income quintile, with a median income slightly over $60,000 per annum, and families with three or more children still receive substantial assistance at this income level.

This table provides a useful basis for an examination of the value of family assistance following the implementation of the Family Assistance Package.

7. THE VALUE OF FAMILY ASSISTANCE, 1968-69 TO 1989-90

Looking at Tables 3 to 6 together, we can trace changes in the real value of family assistance from 1968-69 to 1989-90. These tables show that the real value of family assistance has increased substantially between 1968-69 and 1989-90 for all families in the first quintile and for families in the second quintile with three or more children. It has decreased substantially for families in the highest quintile, largely because of the removal of tax deductions from the family assistance system. However, assistance for families in the highest quintile has also decreased significantly since 1978-79 mainly as a result of the family allowance income test.

For some families in the second quintile and all families in the third and fourth quintiles, the real value of assistance has declined since 1968-69. The abolition of child tax deductions is responsible for the larger decreases in assistance in the third and fourth quintiles. The real value of family assistance for most families in the middle income quintiles has also declined slightly since 1978-79, with assistance for a two-child family in the second to fourth quintiles decreasing by just over $100 per annum.

Since 1985-86 the real value of assistance has increased for all families. It should be noted that these tables take no account of the effect of recent tax cuts or of changes in other social wage benefits.

The most striking feature of these tables is the changing shape of family assistance arrangements since 1968-69. While in 1968-69 the value of assistance rose steadily with income, in 1989-90 it at first declined rapidly with rising income, levelled out in the middle income ranges, and then began to fall again. In the years in between, the value of assistance remained constant with income (1978-79), or decreased initially and then plateaued (1985-86). These patterns are clearly illustrated in Figure 1, which shows changes in the real value of assistance for a three-child family at median quintile income. Although the choice of a three-child family overstates the extent of changes for the majority of families (who have one or two children), it provides the clearest illustration of general trends.

Another way of looking at this change is presented in Figure 2, which shows the real value of assistance for a three-child family by quintile. This figure shows clearly how families on different incomes have fared between 1968-69 and 1989-90, with large increases in the value of assistance for low income families contrasting with decreases in value for high income families. The value of assistance for middle income families shows less change, with a slight increase for families in the second quintile and noticeable falls for those in the third and fourth quintiles. This figure illustrates very clearly the effects of the Government's emphasis on targeting of assistance.

8. THE DISTRIBUTION OF FAMILY ASSISTANCE 1968-69 TO 1989-90

A simpler approach to changes in assistance since 1968-69 is to examine the distribution of total family assistance: that is, the percentage of total Government expenditure (including tax expenditure) on family assistance received by families in each income group.

For each of the years 1968-69, 1978-79, 1988-86 and 1989-90, Table 7 shows the distribution of total family assistance to income groups classified by quintile of total population of families with children. In other words, it shows the distribution of assistance amongst families with children only, rather than amongst different income groups in the total population. If the total population were included, the trends in distribution amongst families would be difficult to ascertain.

As would be expected, Table 7 shows the trends observed in previous tables, but in a simpler way. The percentage of total assistance received by families in the lowest quintile is shown to have risen sharply from just over 14 per cent in 1968-69 to nearly 50 per cent in 1989-90. In contrast, the percentage of assistance received by families in the highest income quintile has fallen even more sharply from nearly 25 per cent in 1968-69 to just under 4 per cent in 1989-90. The percentage of assistance received by families in the middle income quintiles has not changed dramatically. For families in the second quintile, the share of assistance has remained remarkedly constant apart from a temporary fall in 1985-86, while families in the third and fourth quintiles have experienced a drop in their share of assistance.

These changes are illustrated in Figure 3 and Figure 4. Figure 3 shows the shape of the assistance distribution in each of the four years discussed, while Figure 4 shows the changing share of each quintile group over time. These figures are very similar in 'shape' to Figures 1 and 2 (above), and confirm the trends which the previous figures revealed.

Although Table 7 examines distribution amongst families, it does not show distribution amongst children. If the various income groups contained different proportions of smaller or larger families, this could distort the pattern of distribution, suggesting that some groups received more than their 'share' of assistance, whereas in fact, they contained more than their share of children.

Figure 1: Real Value of Family Assistance by Family Income Quintile - 1968-69, 1978-79, 1985-86 and 1989-90

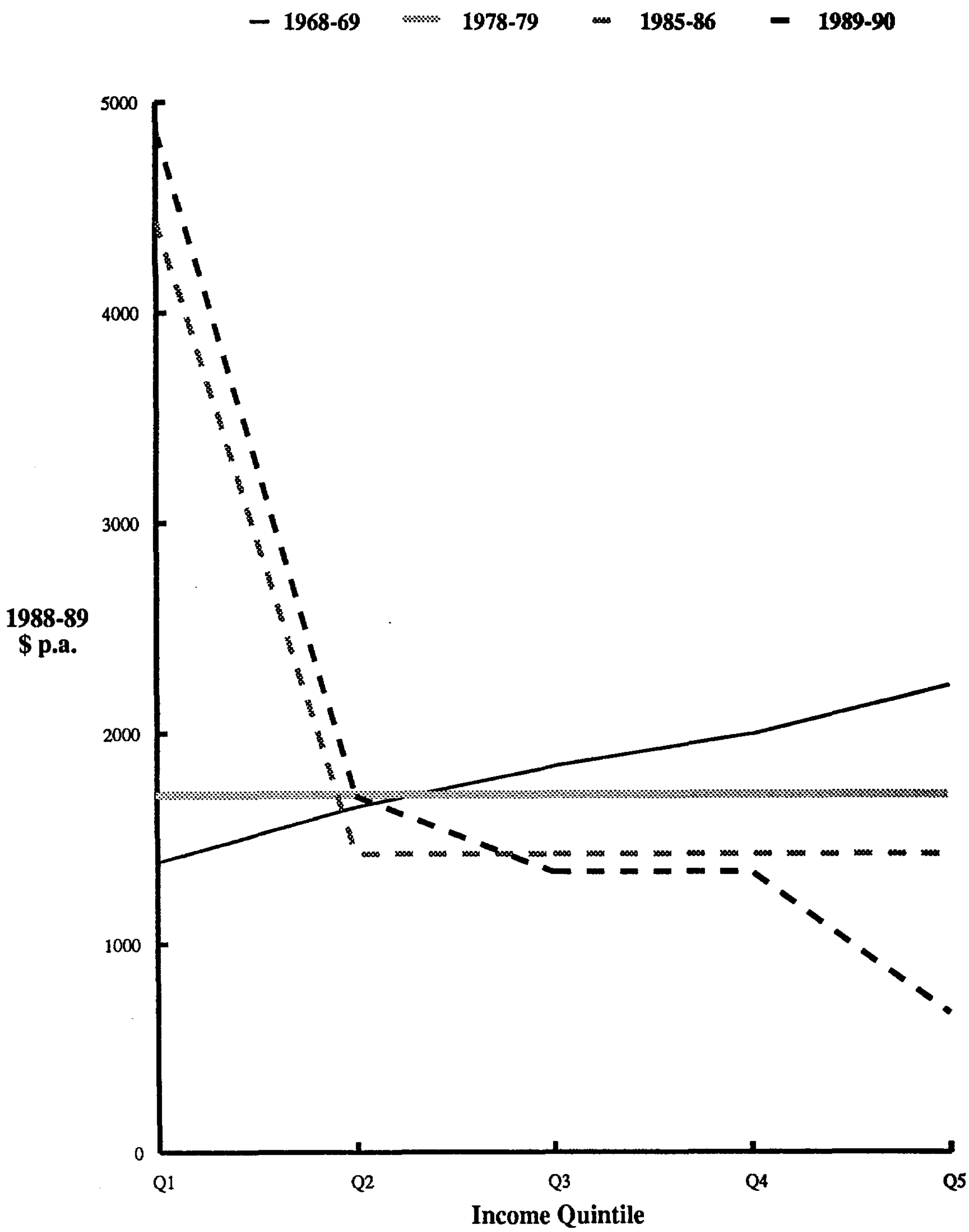


Figure 2: Real Value of Family Assistance Over Time - Family Income Quintile

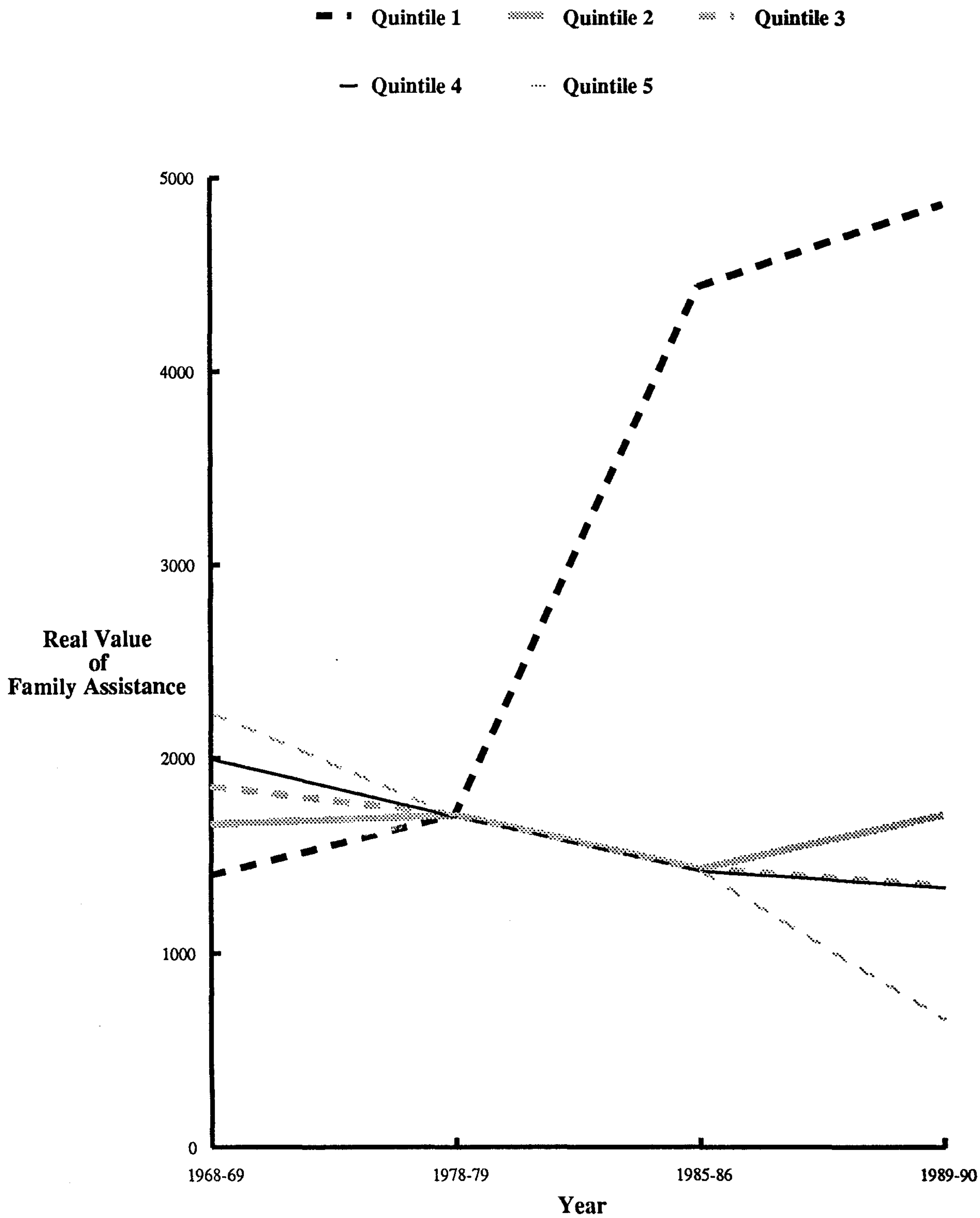


TABLE 7: DISTRIBUTION OF TOTAL FAMILY ASSISTANCE BY QUINTILE[(a)]

QUINTILE	1968-69[(b)]	1978-79	1985-86[(c)]	1989-90[(c)]
1	14.3%	18.5%	44.4%	49.7%
2	18.7%	19.4%	14.5%	18.1%
3	20.3%	20.4%	14.1%	14.5%
4	21.8%	20.8%	13.5%	14.0%
5	24.9%	20.9%	13.5%	3.7%
Total	100.0%	100.0%	100.0%	100.0%

Notes: (a) Per quintile of the total population of families with children.

(b) Family assistance for 1968-69 includes tax deductions for dependent children. These have been calculated assuming a single income married couple family with children (taking account of the Dependent Spouse Rebate first).

(c) Figures for both 1985-86 and 1989-90 include FIS/FAS where relevant. Figures for 1989-90 also assume all children aged under 13 and that families are not renting privately.

An example of this effect is in Column 2 of Table 7. Because family allowance was the only component of family assistance in 1978-79, all families of the same size received the same level of assistance. However, Column 2 shows families in the bottom two quintiles receiving slightly less than their 'share' of assistance. This result is caused by a small over-representation of one child families in these quintiles.

By showing the percentage of children in each income quintile, Table 8 allows us to check for such possible distortions. No figures are given for 1989-90 because the 1985-86 family income distribution has been used for this year (see above), so the distribution of children would be identical to that for 1985-86. Table 8 in fact shows a remarkably even distribution of children between income quintiles, suggesting that it is not necessary to weight the distribution of assistance amongst families to account for the number of children in each quintile. The problem noted above for 1978-79 in Table 7 affects the figures only slightly for this year, and is even less significant in 1968-69 and 1985-86.

In this context, an interesting issue is the distribution of assistance between families of different sizes. Although this subject would repay further study, a glance at the distribution in Table 9 is illuminating. This table shows that, in all years, families with three or more children received a share of assistance which was greater than the percentage of children in such families, while two-child families received assistance substantially less than their share of children. This was partly because, before 1989-90, family allowance rates increased for each successive child in the family up to the fourth. For 1989-90, family allowance is the same for the first three children, and higher for the fourth and subsequent children. However, this pattern was also partly caused by the significant over-representation of families with three or more children in the lower income groups. One child families were also somewhat over-represented at

Figure 3: Distribution of Total Family Assistance by Family Income Quintile - 1968-69, 1978-79, 1985-86 and 1988-89

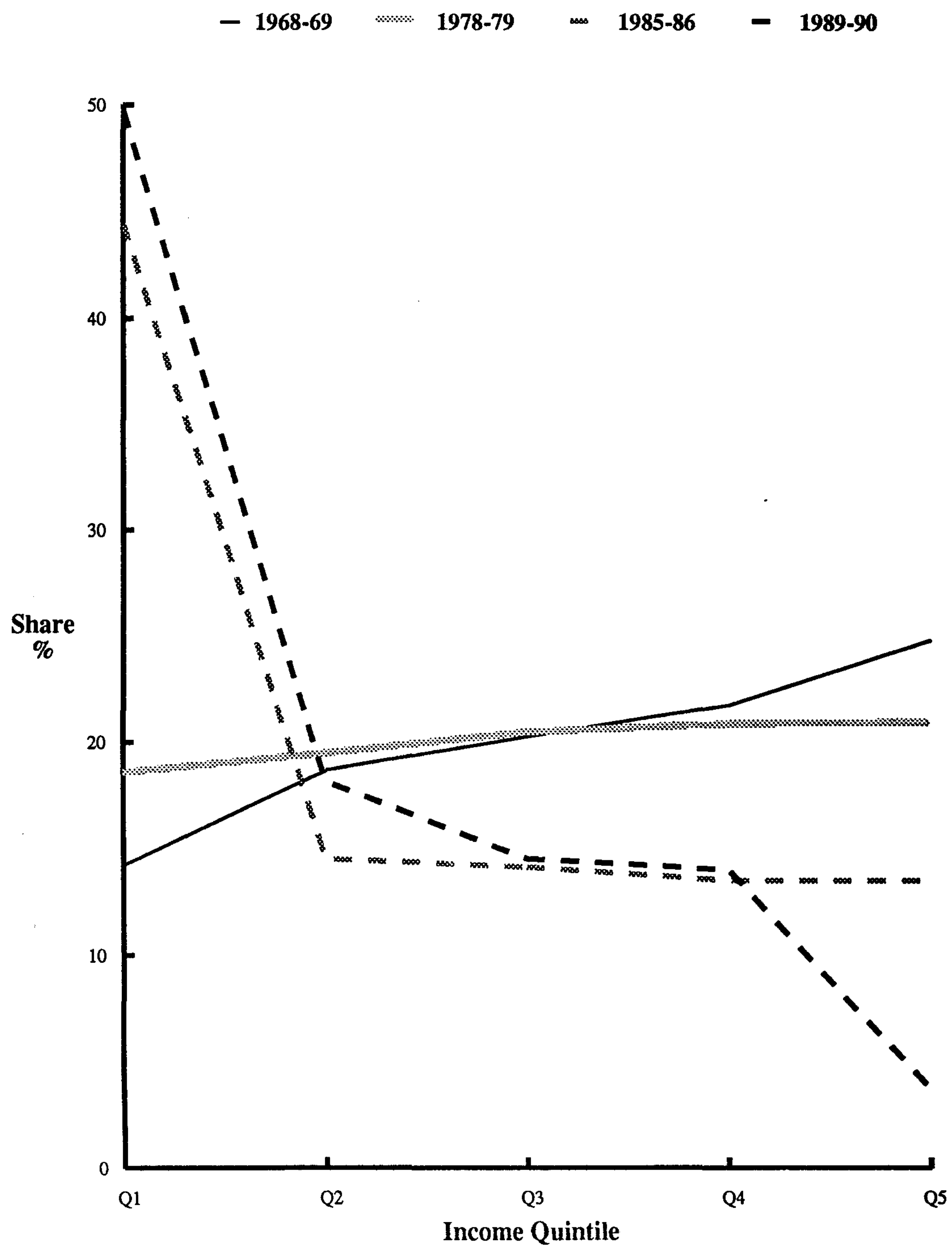
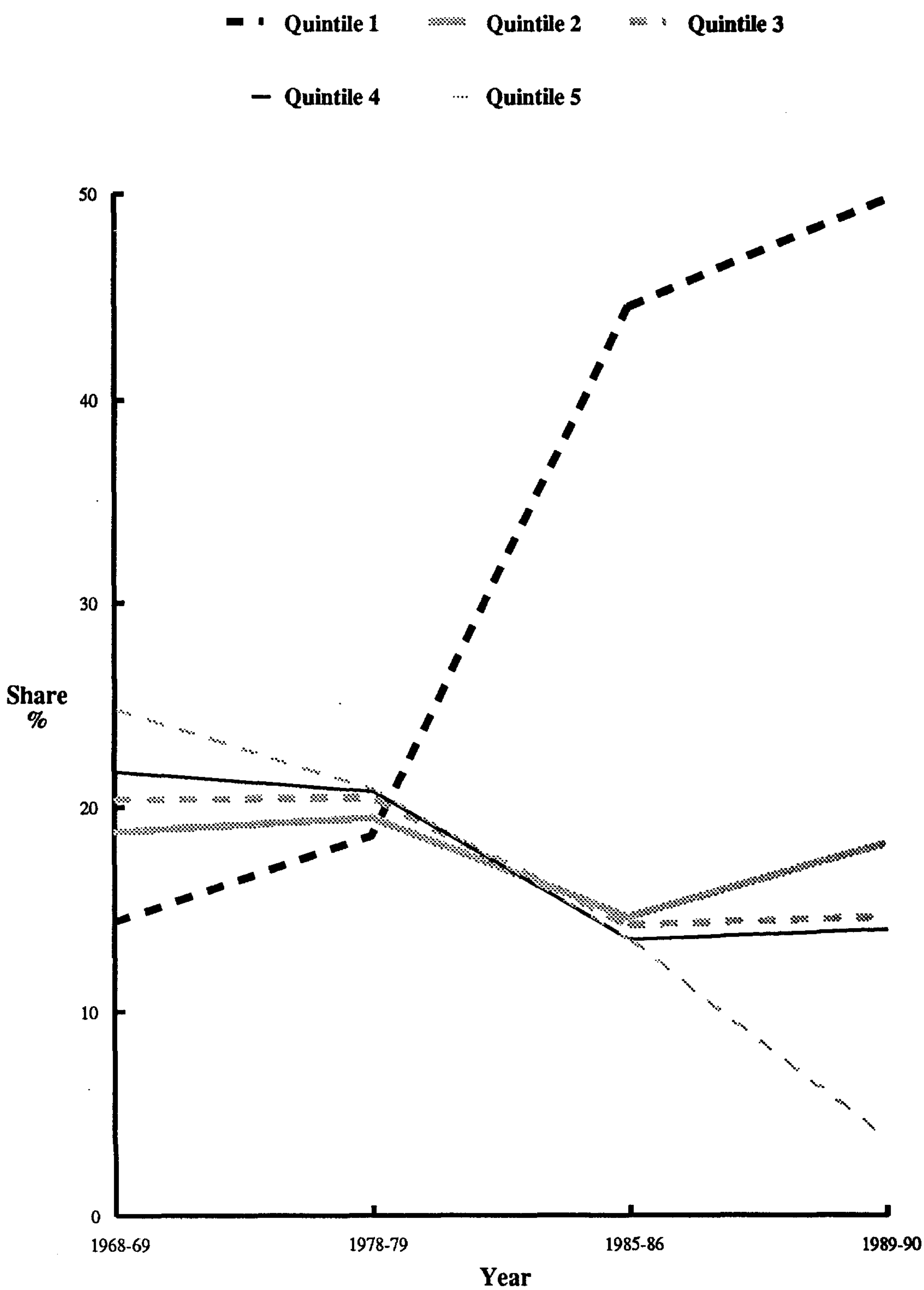


Figure 4: Distribution of Total Family Assistance Over Time - Family Income Quintile



low income levels (Harding and Fogerty, 1986). Thus the increase shown by the table in the relative proportion of assistance received by one child and larger families between 1968-69 and 1989-90 is a result of the increasing emphasis on vertical equity in recent years.

Table 9 also shows the decline in average family size since 1968-69. The percentage of families with four or more children is shown to have almost halved between 1968-69 and 1985-86, while the proportion of two-child families has increased by about one-third.

It is also possible to look at the incidence of family assistance amongst families with children: that is, the percentage of assistance to income for families at different income levels. This indicates the relative value of assistance to families at different income levels, and, if incidence is examined for the whole population, also shows whether programs are regressive, neutral or progressive in their impact. We have not attempted to examine this issue here, but a study by Ann Harding and Frankie Seymour showed that, if income was adjusted for family size to take into account the number of people dependent on it, the incidence of family allowance in 1984-85 was strongly progressive (Harding and Seymour, 1986).

9. THE EFFECT OF FAMILY ASSISTANCE ON DISPOSABLE INCOMES, 1968-69 TO 1989-90

In the previous sections of the paper we have discussed the value and distribution of family assistance. In assessing the distributional effects of family assistance programs, a further important dimension is the impact of family assistance on disposable (after tax) income. By examining the disposable incomes of families at different income levels before and after family assistance is added, it is possible to measure the relative contribution of family assistance to their standards of living. Because a family's disposable income is the amount it has to spend on its needs, this also enables us to gauge the extent of inequality between families and to assess priorities in allocating assistance.

However, families come in different sizes, and a comparison of their 'raw' or unadjusted income does not make allowance for the number of people dependent on that income. To overcome this problem, it is necessary to adjust their incomes using equivalence scales, which allow for the relative needs of families of different size and structure. For this analsyis we have used the Australian Bureau of Statistics (Cat. No. 4104.0, 1984) simplified equivalence scale, which sets the following values:

- married couple, no children ... 1.00
- married couple, 1 child ... 1.18
- married couple, 2 children ... 1.35
- married couple, 3 children ... 1.53
- married couple, 4 children ... 1.60

When income is adjusted in this way, it is also possible to compare the disposable incomes of families with children with those of other groups in the population. In the following Tables we have compared the disposable incomes of families with children with those of childless couples, because this gives the best indication of the effects of having children on disposable income, and also of the effects of assistance for children on income inequality.

As a result of the various allowances and rate steps in the tax system, disposable incomes vary widely for families on the same gross incomes but with different income structures. To maintain simplicity, we have calculated disposable income for single income married couple families. The disposable incomes of two income families at the same gross income level would be somewhat higher, depending on how much is earned by each partner. However, as the costs of working for two income families are often very high, especially if they have young children, it can be argued that this represents a fair indication of their disposable income after working costs are taken into account (Whiteford, 1985). The adjusted disposable income of sole parent families would also be higher due to the presence of only one adult. The Australian Bureau of Statistics simplified equivalence scales specify a value of 1.00 for a sole parent with one child. The tables therefore somewhat underestimate the adjusted disposable incomes of families (ABS, Cat. No. 4104.0, 1984).

The results presented in the following tables are preliminary only and are subject to later adjustment.

TABLE 8: DISTRIBUTION OF CHILDREN IN EACH QUINTILE[(a)]

QUINTILE	1968-69	1978-79	1985-86
1	19.3%	18.8%	19.6%
2	20.7%	19.5%	20.3%
3	20.1%	20.3%	20.4%
4	19.9%	20.7%	19.8%
5	20.1%	20.7%	19.8%
Total	100.0%	100.0%	100.0%

Note: (a) Per quintile of the total population of families with children.

Table 10 sets out the median adjusted real disposable income per quintile of childless married couples and families with children for 1968-69. This table shows that when income is adjusted for family size, family assistance had a small but significant effect on the disposable incomes of families at all income levels. The increase in adjusted income due to family assistance rose from $330 per annum in the lowest income quintile to $960 in the highest, and was almost the same proportion of income at these levels.

The table shows a high degree of income inequality between childless couples and families with children, which increased rapidly as income rose. Despite the existence of a family assistance system which favoured middle to high income earners, the degree of horizontal equity for these families, as shown by their adjusted disposable incomes relative to childless couples, was in fact extremely poor.

Table 11 sets out the median adjusted real disposable income by quintile of couples and families with children in 1978-79. Variations in the effect of assistance in each quintile are due to the interaction of the ABS equivalence scales and the variations in the rate of family allowance by the ordinal position of each child.

Relativities between childless couples and families with children were very similar to those for 1968-69, showing a high degree of income inequality increasing rapidly with income. However, the gap between childless couples and families is somewhat smaller than for the earlier period.

Table 12 sets out the median adjusted real disposable income by quintile of couples and families with children in 1985-86. It shows a considerable gap of $2,090 between the adjusted income of families in the lowest quintile before and after family assistance, largely as a result of the FIS program. In all other quintiles except the fourth, the effect on income of family assistance is greater than in 1968-69 or 1978-79.

The degree of inequality between childless couples and families with children shows a substantial decrease relative to earlier years, with adjusted incomes for those with and without children being very close in the bottom three quintiles. Adjusted income was actually higher for those with children in the second quintile. The previously very wide gap between the adjusted incomes of those with and without children in the top two quintiles narrowed substantially.

TABLE 9: DISTRIBUTION OF FAMILY ASSISTANCE TO CHILDREN IN FAMILIES OF DIFFERENT SIZES

FAMILY SIZE	1968-69[(a)] % of children	% of assistance	1978-79 % of children	% of assistance	1985-86[(b)] % of children	% of assistance	1989-90[(b)] % of childen	% of assistance
1 child	16.1	14.5	15.9	12.4	18.0	16.3	18.0	17.6
2 children	31.7	29.3	38.5	36.5	41.2	38.3	41.2	35.5
3 children	25.5	25.9			26.6	28.8	26.6	28.1
			{ 45.6	51.1 }				
4 or more	26.7	30.3			14.2	16.7	14.2	18.8
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Notes: (a) Family assistance for 1968-69 includes tax deductions for dependent children. These have been calculated assuming a single income married couple family with children (taking account of the Dependent Spouse Rebate first).

(b) Figures for both 1985-86 and 1989-90 include FIS/FAS where relevant. Figures for 1989-90 also assume all children are aged under 13 and that families are not renting privately.

TABLE 10: MEDIAN ADJUSTED REAL DISPOSABLE INCOMES PER QUINTILE, 1968-69[a][b]
(Estimated 1988-89 Dollars)

QUINTILE	Married Couples without Children	All Families with Children: Before Family Assistance	All Families with Children: After Family Assistance
1	$8180	$8800	$9130
2	$17650	$12350	$12970
3	$25370	$15170	$15840
4	$33830	$19000	$19340
5	$51140	$25320	$26280

Notes: (a) Per quintile of the total population of:

married couples without children and
families with children,
respectively.

(b) Preliminary results only. To maintain simplicity, disposable income has been calculated for single income married couple families and then adjusted for family size using the simplified ABS equivalence scales.

Table 13 sets out the median adjusted real disposable income by quintile of couples and families with children in 1989-90, using an inflated distribution from the 1985-86 Income Distribution Survey. The nearly identical incomes of childless couple families as compared with Table 12 are not a mistake, and suggest that for married couples without children, the recent tax cuts have effectively restored real incomes to 1985-86 levels.

Partly because it uses the same distribution of family size and structure, this table shows results which are very similar to those for 1985-86. It shows an even larger gap of $2,510 between the adjusted incomes of families in the lowest quintile before and after family assistance, due to the increase in assistance to these families under the FAS program. Relativities for all other quintiles are close to those for 1985-86.

The degree of inequality between childless couples and families with children has decreased significantly relative to all previous years.

These tables shows a considerable increase in recent years in the impact of family assistance in the adjusted income of families in the lowest quintile, and surprising stability in the effect of family assistance on income for other families.

The adjusted incomes they show for families in each of the four years are very similar, with real disposable income increasing significantly for all families between 1968-69 and 1978-79 and then levelling out. Most importantly, in view of some critics' claims that the position of those with children has declined relative to the rest of the community, they show a substantial decline in the gap between childless couples and those with children at all income levels. Although this issue clearly merits closer examination, these results suggest that, far from being undermined, horizontal equity for families has been strengthened in recent years.

TABLE 11: MEDIAN ADJUSTED REAL DISPOSABLE INCOMES PER QUINTILE, 1978-79[a][b]
(Estimated 1988-89 Dollars)

QUINTILE	Married Couples without Children	All Families with Children: Before Family Assistance	All Families with Children: After Family Assistance
1	$10560	$9540	$10260
2	$17660	$15400	$15610
3	$28280	$19440	$19550
4	$40280	$23390	$23860
5	$54670	$30310	$30790

Notes: (a) Per quintile of the total population of:

married couples without children and
families with children,
respectively.

(b) Preliminary results only. To maintain simplicity, disposable income has been calculated for single income married couple families and then adjusted for family size using the simplified ABS equivalence scales.

TABLE 12: MEDIAN ADJUSTED REAL DISPOSABLE INCOMES PER QUINTILE, 1985-86[a][b]
(Estimated 1988-89 Dollars)

QUINTILE	Married Couples without Children	All Families with Children: Before Family Assistance	All Families with Children: After Family Assistance
1	$10260	$7470	$9560
2	$13510	$14530	$15130
3	$20860	$18870	$19480
4	$29110	$22890	$23100
5	$38990	$29130	$30150

Notes: (a) Per quintile of the total population of:

married couples without children and
families with children,
respectively.

(b) Preliminary results only. To maintain simplicity, disposable income has been calculated for single income married couple families and then adjusted for family size using the simplified ABS equivalence scales.

TABLE 13: MEDIAN ADJUSTED REAL DISPOSABLE INCOMES PER QUINTILE, 1989-90(a)(b)
(Estimated 1988-89 Dollars)

QUINTILE	Married Couples without Children	All Families with Children Before Family Assistance	All Families with Children After Family Assistance
1	$10260	$7060	$9570
2	$13510	$14190	$14900
3	$20860	$18740	$19190
4	$29100	$22850	$23400
5	$38990	$30300	$30980

Notes: (a) Per quintile of the total population of:

married couples without children and
families with children,
respectively.

(b) Preliminary results only. To maintain simplicity, disposable income has been calculated for single income married couple families and then adjusted for family size using the simplified ABS equivalence scales. Figures are based on the same distribution as for Table 12 but with 1989-90 taxation and social security arrangements. In addition it is assumed that all children are aged under 13 and that families are not renting privately.

The results presented in these tables are rather different from those produced by some other methods of analysis. This is because these results are based on an analysis of disposable incomes of actual families from the **Income Distribution Surveys**, and can thus take into account the changing size and structure of families over time as well as shifts in actual family incomes. Previous studies of the effects of family assistance on disposable incomes over time have often used notional families (for instance, a single income family with three children on average male earnings) and have thus been unable to capture the distributional effects of changes in real families over time (see for example, Moore and Whiteford, 1986).

10. CONCLUSION

While some of the results presented in this paper are preliminary, they create a different picture from that painted by some critics, who claim that the increasing emphasis on vertical equity has undermined the horizontal equity of family assistance programs and caused hardship for families at middle and high income levels.

Looking at changes in the value and distribution of family assistance and the disposable incomes of families over time, these results suggest that, despite the considerable enhancement of vertical equity in family assistance in recent years, middle and high income families have not lost heavily, and have in fact substantially improved their position relative to childless couples at these income levels. To ensure that the changing circumstances and needs of families are recognised in Government policy, the horizontal equity of assistance must continue to be monitored. However, this analysis at least suggests that there is no immediate danger of it 'withering'.

APPENDIX

THE REDISTRIBUTIVE EFFECTS OF COMMONWEALTH GOVERNMENT PROGRAMS OF ASSISTANCE TO FAMILIES TO 1968-69

In 1915 the Commonwealth Government made a modest entry into the field of family assistance with the inclusion of child tax deductions in its new income tax. The deductions were similar to those which already existed in State income tax schemes, and were designed to recognise the decreased capacity to pay tax of families with dependent children: that is, what we would now call the principle of horizontal equity. Like the States' income tax, the Commonwealth tax was raised only from very high income earners, with about 90 per cent of all earners having taxable incomes below the threshold (Ingles, 1981, p. 12; Gilbert, 1943, pp. 31-33). High income families with children would also have received a greater proportion of assistance than other taxpayers from certain other deductions, such as for life insurance contributions. In this period Government revenue relied heavily on indirect taxes on basic goods which bore unequally on families with children so that, although high income families received a measure of assistance through child tax deductions, families in general were harshly treated by the tax system (Gilbert, 1943).

By the late 1920s and the 1930s, rising real incomes and fiscal drag had brought many wage earning families into the income tax system, so that the majority of families probably derived some benefit from child tax deductions. However, because the marginal rate of tax became higher as income rose, tax deductions were far more valuable to better off families. In 1928, a typical high income family gained about 6/- a week per child from child tax deductions, while a family on the basic wage received no benefit (Royal Commission on Child Endowment, 1929, pp. 224, 548, 626). When the Commonwealth income tax was restructured in 1940-41, Wilfred Dowsett calculated that the value of child tax deductions rose with income from £0 to £25 per annum per child, with middle income families receiving about £6. With the addition of child deductions in other Commonwealth levies and in State income taxes, the value of family assistance to high income families could exceed £50 per child. High levels of indirect tax still placed a disproportionate share of the tax burden on most families with children, who received little support either through tax deductions or through welfare payments (Dowsett, 1941, pp. 239-247).

This situation was transformed by the introduction of child endowment in 1941. Like the very limited New South Wales child endowment scheme in 1927, Commonwealth child endowment was overwhelmingly an instrument of wages policy. As with the 1927 scheme and the family allowance scheme in 1976, its introduction was associated with Arbitration Commission decisions setting wage increases well below inflation levels on the grounds that the new payments for children would ensure that families did not suffer. These schemes thus enhanced horizontal equity in more than one sense: not only did they represent a redistribution within the tax/transer system in favour of families with children, but also a redistribution in the overall wages system, with falls in real wages for those without children (Cass, 1981).

Child endowment greatly strengthened horizontal equity within the Commonwealth tax/transfer system. In 1948, child endowment for a family of two children represented 9 per cent of the basic wage and 5 per cent of average earnings, rising to 11 and 7 per cent respectively at its peak in 1950 (Cass, 1981, p.55). In 1942, income tax concessions for children were reintroduced in the form of a rebate which was initially worth £40 for the first child and £5 for each subsequent child for all families with sufficient tax liability to take full advantage of it. Together with child endowment, this rebate brought the total value of non-income-tested family assistance to far higher levels than have since been achieved, with total assistance for a family of two children reaching over 19 per cent of average earnings in 1948 (Kewley, 1965, p. 179). Although many low income families still missed out on assistance through the tax rebate, all other families received the same level of support regardless of income.

The equity of this system, however, was substantially undermined from 1950, when rebates were replaced by child tax deductions which favoured high income families. At the same time, the range of concessional deductions, for instance for education and health expenses, was extended. While improving the position of middle to high income families relative to childless taxpayers, these concessional deductions provided little or no assistance for those on low incomes. Although throughout the 1950s and 1960s, rising incomes increased the value of child tax deductions for many taxpaying families, those on low and middle incomes still lost heavily as inflation was allowed to erode the value of cash assistance in the form of child endowment (Downing et al., 1964, p. 36).

Families on very low incomes, such as pensioner families, were most severely affected. By 1958-59, C.P Harris has shown that the total value of family assistance per child in the lowest income group was only 26 per cent of that in the highest, while even families in the middle income ranges received only about a third of the support enjoyed by those on high incomes (Harris, 1963). Increases in child endowment levels for the third and subsequent children only partially offset this trend for larger families, and by 1968-69, the real value of child endowment was lower than in 1950-51 for all families. For the first and second child in each family, the value of the payment had been halved (Hancock, 1979, Table 7).

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WOMEN'S POST-SEPARATION WORKFORCE PARTICIPATION

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1. INTRODUCTION

After separation, the partner who has the main day-to-day responsibility for dependent children has four main avenues for supporting the newly formed one-parent family: income from paid employment, maintenance transfers from the former spouse for themselves or their children, income from a new partner, or support from social security benefits or pensions. Given that employment is the key to independence, it is important to explore what factors help or hinder entry into paid employment for those who separate.

The major focus of this paper is the explanation of differences in the post-separation histories in paid employment of a sample of women with dependent children. The relationships between repartnering and employment are explored as are factors affecting the receipt of social security benefits.

2. THE SAMPLE

In 1984 the Australian Institute of Family Studies (AIFS) conducted a large survey of 825 divorced men and women as part of its **Economic Consequences of Marriage Breakdown** Study (ECMB) (McDonald, 1986). The sampling frame was designed to select from the modal group of divorces in Australia in which there were dependent children, with marriages, which had been the first for both spouses, having lasted between 5 and 14 years. Cases were selected from the Australian Bureau of Statistics (ABS) divorce tapes and letters inviting them to participate were sent from the Chief Judge of the Family Court of Australia. Full details of the sample and design are reported by Funder (1986a). Respondents were interviewed in 1984, three to five years after separation, and detailed employment histories were collected as part of the study.

Although the sample for the study was selected by a random stratification of the ABS data tape of divorces, non-response whittled away the numbers to 30 per cent of the 1981 group and 35 per cent of the 1983. The most serious cause of non-response appeared to be geographic mobility, indicated by our inability to locate people at the address given at the time of filing the application for divorce. Sources of bias in the sample appeared to be towards the selection of Australian-born, English-speaking and higher-educated respondents. Quite a sizeable group (88 or 30%) of women, however, had not proceeded beyond year 10 at high school. Generalisations from this sample to the wider population of divorced women with dependent children should take account of these features of the sample and design.

In 1987, 93 per cent of the original group were re-interviewed. The 289 women on whom this report is based were a sub-set of this original sample, had two dependent children who were, on average, five and a half and eight respectively at the time of separation. At this time, the work histories which had been collected at the first interview were updated together with information on their present marital status, family and general living arrangements and responsibility for children.

3. METHODS

The work histories collected on life history sheets filled in by the interviewer and respondent during the interview included dates for the beginning and end of each period of paid employment, defined by a break of three months not associated with holidays or sick leave. Respondents were also asked the main reasons for leaving employment. Life histories included the occurrence and date of marriage, separation and births of children. From these data, calculations were made of periods of time in paid employment and the dating of those periods vis-a-vis the marriage and separation. Each job held was recorded and coded using the Australian Standard Classification of Occupations

(ASCO) and from this record a highest occupational category was assigned to each respondent. Education at school and post-school was recorded and from this respondents were categorised as having up to year 10, year 12, or post year 12, or their equivalents.

A statistical method used in analysing the re-entry and withdrawal from paid employment was survival analysis. Survival analysis (SPSSX, 1986) is useful when the dependent variable is the time interval between an initial event and a termination event. It has been used here to make comparisons between sub-groups of women defined by variables relating to their socio-economic background, work histories and other personal circumstances. The dependent variable is the period of time between separation and either entry into paid employment (for women who were out of the work force at the time of separation), or withdrawal from paid employment by women who were in work at the time of separation.

The procedure 'plots survival functions for subgroups over time. Comparisons between subgroups' survival scores can be made and statistically evaluated by the algorithm of Lee and Desu (1972). The D statistic is asymptotically distributed as chi-square with g-1 degrees of freedom, where g equals the number of groups, under the null hypothesis that the subgroups are samples from the same survival distribution. The larger the D statistic, the more likely that the subgroups come from different distributions' (SPSSX, 1986, 875-876).

Following description of the individual associations between variables, OLS multiple regression was used to explore models which best fit the data on various aspects of workforce participation. When the dependent variable was dichotomous, as was the case with ever/never being a recipient of social security, both a linear model and a probability curve (Logit analysis) were tested for the best fit to the data.

4. ELEMENTS IN THE ANALYSIS

The time-ordered sequence of elements in this analysis of women's post-separation participation in the paid workforce is presented in Figure 1. First, background variables, representing human capital or socio-economic status, are presumed to have their origins in the period preceding the marriage, although these are not static and may be augmented or reduced by later experiences. Second, attachment to the paid workforce during the marriage is included as a measure of the impact of marriage-related withdrawal from paid employment, which was most commonly associated with the bearing and rearing of children (Funder, 1986b). Third, women's economic and family circumstances, and their preparedness for the transitions involved in separation are likely to affect attachment or re-entry to the paid workforce. These three blocks of variables, because they precede the post-separation period, may be loosely conceived as possible predictors of post-separation outcomes.

In the post-separation period, two groups of elements are considered, family circumstances and workforce participation. The first group, which includes repartnering status at two points in time, may be seen as possible correlates of workforce participation; the second group comprises a number of measures of post-separation participation in paid employment. These measures are time taken to re-enter paid employment, time to withdrawal from paid employment, percentage with employment status unchanged, total time in paid employment expressed as a percentage of the total time since separation, and number of discrete periods in paid employment since separation. Partnering status was recorded at the two interviews in 1984 and 1987; some women repartnered early, some later, and some not at all. No causal links can be assumed between repartnering and workforce participation in this analysis.

Post-separation workforce participation variables include time in months to re-entry, for women who were not in paid employment at the time of separation, and time to withdrawal for those who were in the workforce. Both these measures relate to the first time such an event occurred, and not to how often the event might have occurred, nor to how much time was spent in or out of paid employment over the period since separation. These two measures were constructed from the survival tables. Three other measures of workforce participation in the post-separation period were also considered: the percentage of women who remained in the same condition throughout the period, i.e., either in or out of the paid workforce, the duration of their total participation expressed as a percentage of the total time since separation, and the stability of their attachment to the paid workforce expressed as the number of periods of employment over that time.

FIGURE 1: ELEMENTS IN ANALYSIS OF WOMEN'S POST-SEPARATION PARTICIPATION IN THE PAID WORKFORCE

BACKGROUND	MARRIAGE	SEPARATION	POST-SEPARATION CIRCUMSTANCES
- Education	- Percentage of time in workforce	- Participation in decision to separate	**Family Circumstances** - Partnering status 1984
			- Partnering status 1987
- Occupation		- Workforce status	
		- Personal income at time of separation	**Workforce Participation** - time to re-entry
			- time to withdrawal
		- Dependency of children (age of youngest child)	- percentage with status unchanged
			- percentage time in workforce
			- number of periods of work

5. DESCRIPTIVE STATISTICS

Descriptive statistics on all measures used in the analysis are shown in Table 1. The educational and occupational backgrounds of the sample were diverse and this diversity could be explored in analysis as the groups were quite large. The distribution is skewed towards the more highly educated and more professionally experienced; this is particularly the case for a generation of women who were at school in the 1950s and 1960s.

All women in the sample had worked at some time during the marriage, and some had had virtually uninterrupted work outside the home. All marriages had lasted between five and 14 years and there were two children still dependent at the time of separation. Thus some work outside the home had been the norm for this group.

In making the decision to separate, almost three quarters of the women reported being the sole or joint decision maker, indicating that most women were in some way engaged in and prepared for the final separation. Just over half the sample (56%) had at least one pre-school child and 60 per cent were in the paid workforce, either part-time or full-time, at the time of the separation. Personal income at the time of separation was categorised as above or below the approximate rate of the Supporting Parent Benefit for a mother and two children at that time ($135). This measure was included to explore the impact of a 'survival' income on women's workforce participation. Although 60 per cent of women were in paid employment, only 40 per cent were earning above the level of SPB, many women being in part-time or part-year employment.

By 1984, three to five years after the separation, 39 per cent of the women had repartnered and another 13 per cent had repartnered by 1987. Thus at the end of the study period, five to eight years after separation, just over half the sample (52%) had repartnered. These women had a median age of 33 at the time of separation, so it appears that large numbers have remained, and probably will remain, single in the longer-term after marriage breakdown.

In terms of workforce participation, the women who were not in paid employment at the time of separation (40%) took a median time of almost four years (43 months) to re-enter the workforce and 15 per cent had not re-entered at the end of the observation period, five to eight years after separation. Women who were in paid employment at separation (60%) took a median time of almost seven years to withdraw for three months or more, and nearly half (48%) had no interruption at all to their workforce participation over the observation period. For all women who worked at all, the average number of periods of work punctuated by at least three months out of the workforce was 1.4, the maximum was four, and the average percent of time in paid employment was 71 per cent of the period since separation.

The general picture presented here of a sample of women whose work histories were tracked over time indicates that although some subgroups are not large, all may be expected to sustain analysis with reasonable reliability. Variables are more or less normally distributed and meet minimal assumptions for the analyses to follow. The next sections of the paper are concerned with the relationships among the variables described, in particular the contributions they make to explaining patterns of workforce participation and the receipt of social security benefits and pensions.

6. FACTORS ASSOCIATED WITH RE-ENTRY INTO PAID EMPLOYMENT

Education

Table 2 and Figures 2 to 7 show the re-entry of the 115 women who were not in paid employment at the time of separation. Educational level does not appear to be an important determinant of time to get back into paid employment after separation. Although having post-year 12 qualifications is an initial advantage in the first year (a quarter of this group had re-entered 10 months later while it took another six months for the same proportion of the others to achieve this) the longer-term picture is much the same for all. However, while only 13 per cent of women with post-year 12 qualifications remained out of employment over the whole period, almost a quarter of those with year 10 or less had never returned.

In general terms, education appears to have had its main effects on the initial speed of re-entry and on minimising the residual group who did not make it back into the workforce in the five to eight years following separation.

TABLE 1: DESCRIPTIVE STATISTICS

Background		**N**	**(%)**
i)	Education		
	- up to year 10	88	(30)
	- year 11 or 12	45	(16)
	- post year 12	156	(54)
ii)	Occupation		
	- professional/para professional	81	(28)
	- other	208	(72)
Aspects of the Marriage		**Mean**	**SD**
i)	Percentage time worked during marriage	48	23
Aspects of the Separation		**N**	**(%)**
i)	Participation in decision to separate		
	- active	214	(74)
	- passive	75	(26)
ii)	Work status		
	- in work	174	(60)
	- not in work	115	(40)
iii)	Personal income at the time of separation		
	- > SPB ($135)	110	(40)
	- < SPB ($135)	162	(60)
iv)	Presence of children under 6		
	- present	11	(56)
	- absent	127	(44)
Post Separation Circumstances			
Family Circumstances			
i)	Partnering status 1984		
	- repartnered	113	(39)
	- not repartnered	17	(61)
ii)	Partnering status 1987		
	- repartnered	150	(52)
	- not repartnered	139	(48)
Workforce Participation			
iii)	Women not in paid employment at time of separation	115	(40)
	Median time to drop-out of workforce for those in work at the time of separation	43 months	
	- percentage with status unchanged (1987)	30%	
iv)	Women in paid employment at time of separation	174	(60)
	Median time to drop-out of workforce for those in work at the time of separation	81 months	
	- percentage with status unchanged (1987)	52%	
v)	Stability of attachment to the workforce		
	- mean number of periods of work since separation	1.4	(SD.65)
	- mean percentage of time in workforce since separation	71%	(SD.31)

TABLE 2: RE-ENTRY INTO EMPLOYMENT OF WOMEN WHO WERE OUT OF WORK AT THE TIME OF SEPARATION

Groups	(n)	Number of months before 25%, 50% and 75% of the group had regained employment 25%	50%	75%	Percentage with work status unchanged after 6 years
Education more than year 10	71	11	46	78	28
Education up to year 10	44	13	33	76	32
Education more than year 12	48	10	46	78	25
Education up to (or less than) year 12	67	16	38	79	33
Professional	22	9	22	53	18
Non-professional	93	19	48	79	32
Active participation in decision to separate	75	19	46	78	33
Non-active participation in decision to separate	40	9	30	63	24
Younger child in school at time of separation	36	6	31	70	21
Younger child preschool at time of separation	78	20	46	82	34
Repartnered at June 1984	34	10	20	52	11
Not repartnered at June 1984	81	23	58	83	38
Repartnered at June 1987	53	9	29	61	20
Not repartnered at June 1987	62	23	54	99	39

Figure 2: Percentage of Women Re-Entering Paid Employment in the Five Years Following Separation:

Different Levels of Education

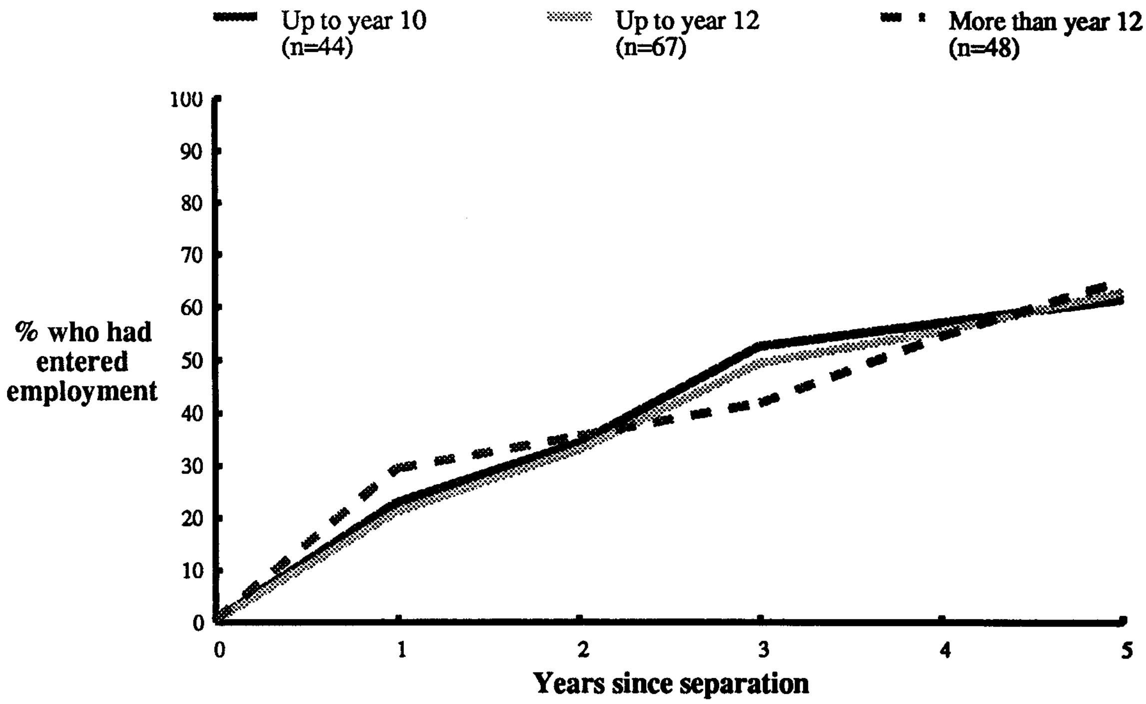


Figure 3: Percentage of Women Re-Entering Paid Employment in the Five Years Following Separation:

Professional and Non-Professional Occupations

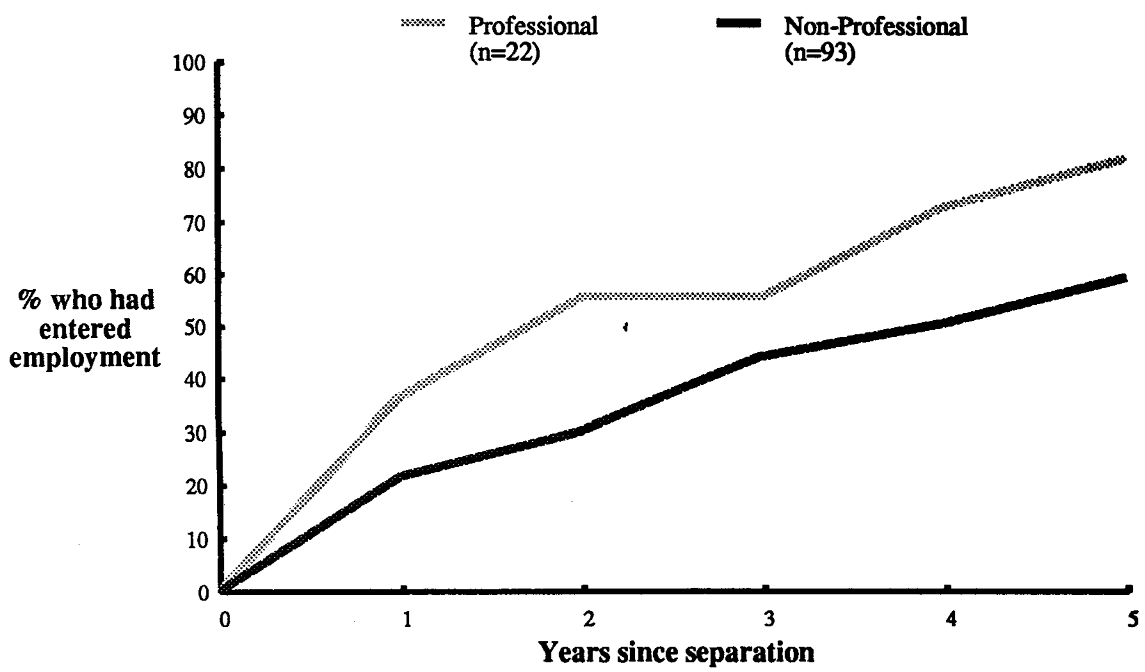


Figure 4: Percentage of Women Re-Entering Paid Employment in the Five Years Following Separation:
Active and Passive Decision To Leave Marriage

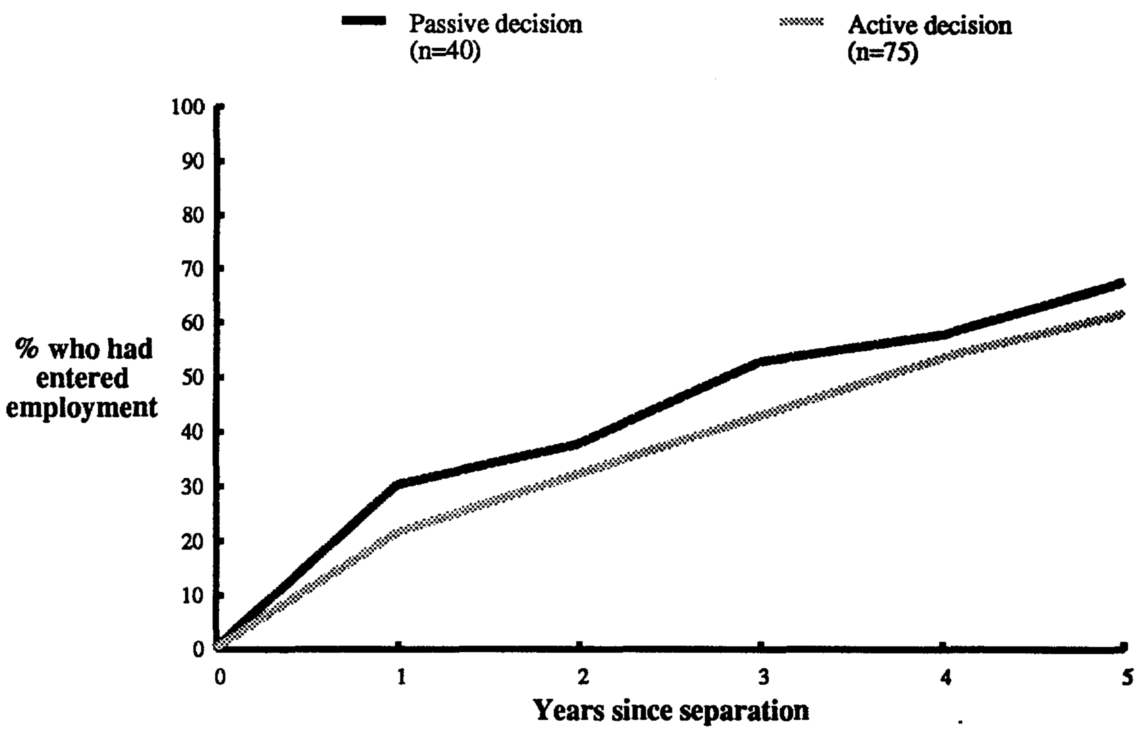


Figure 5: Percentage of Women Re-Entering Paid Employment in the Five Years Following Separation:
Age of Younger Child at Separation

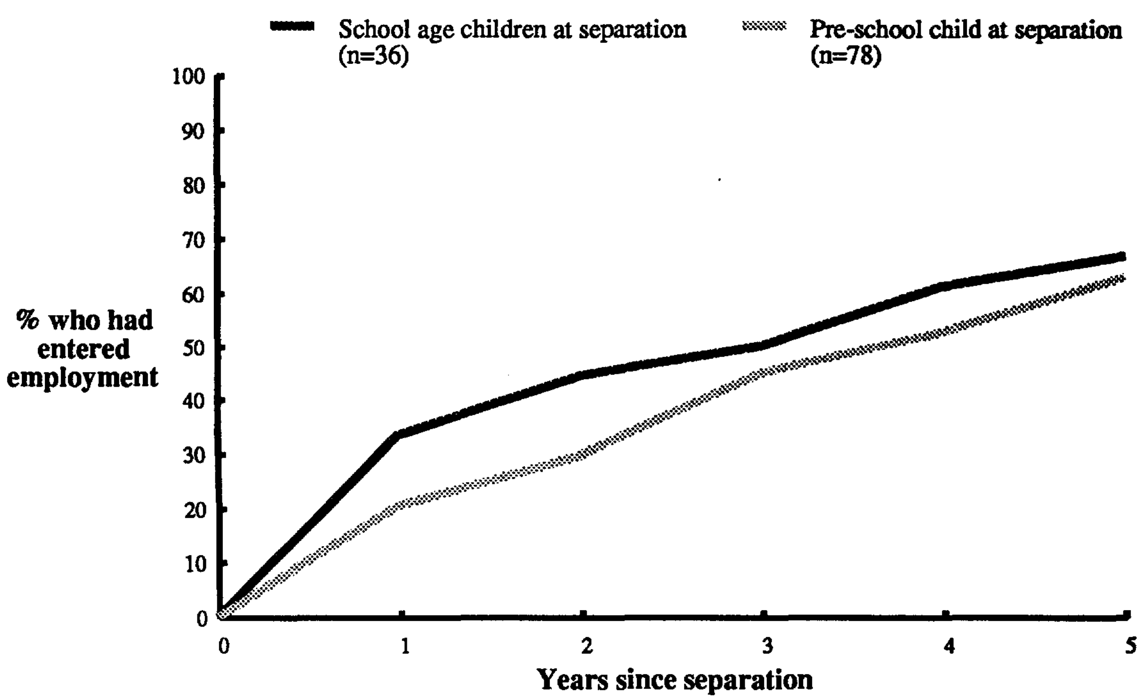


Figure 6: Percentage of Women Re-Entering Paid Employment in the Five Years Following Separation:
Repartnering Status at June 1984

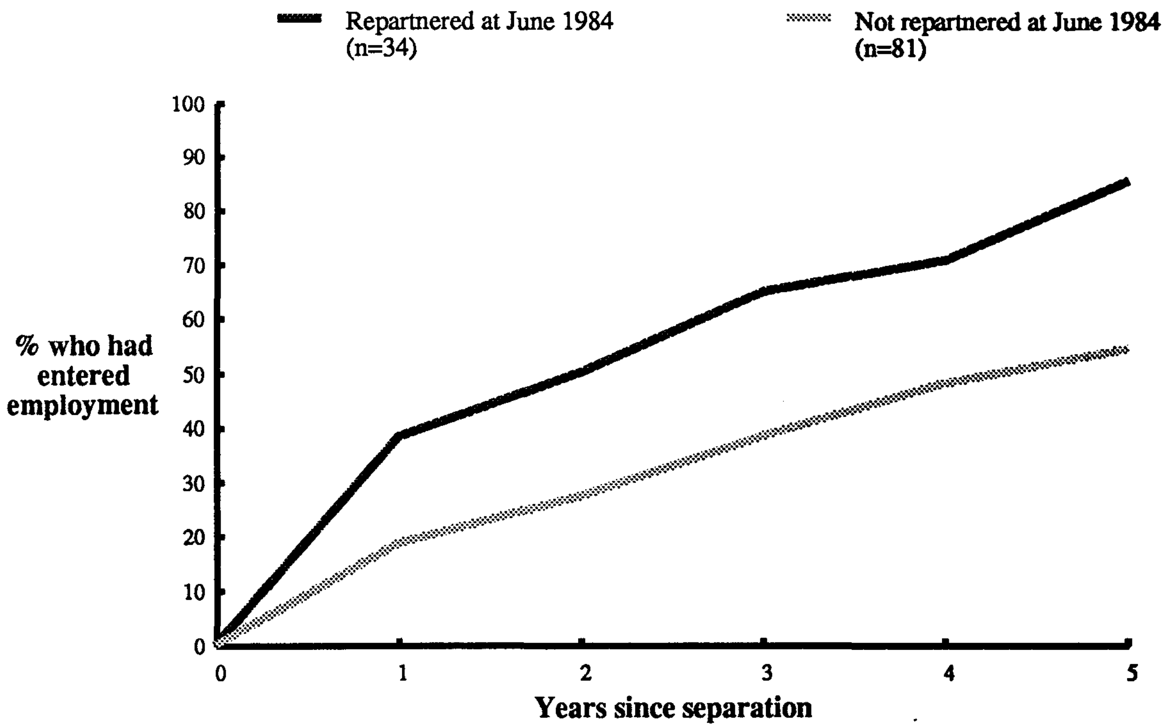
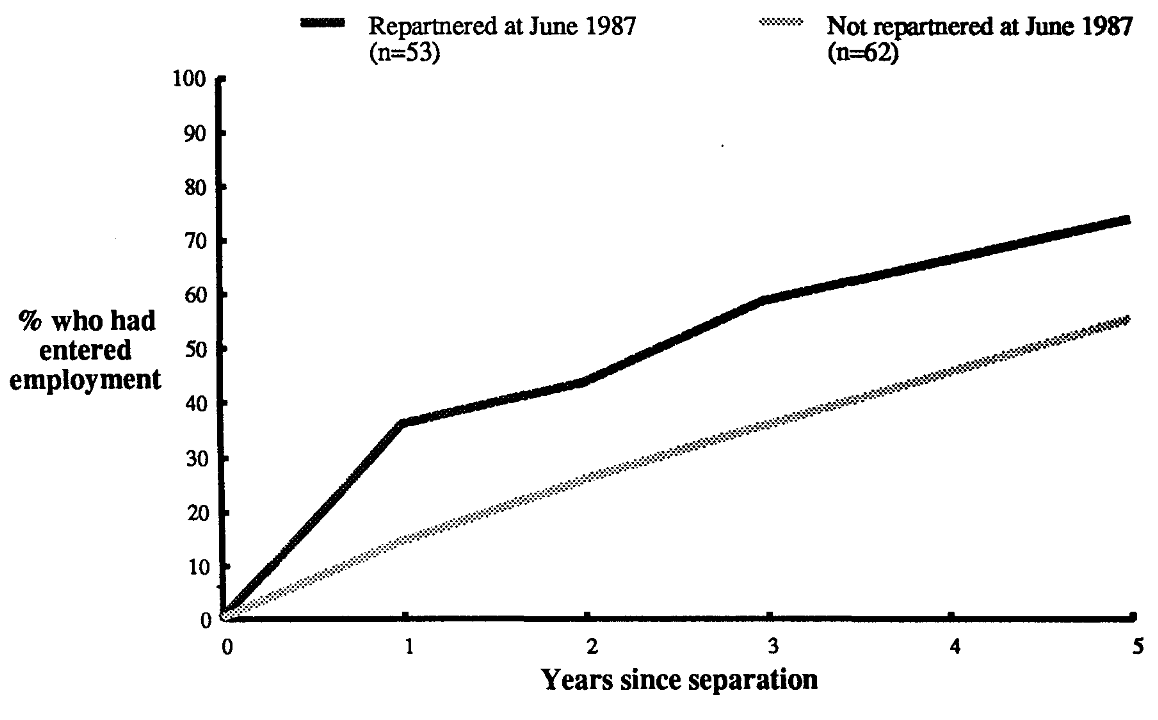


Figure 7: Percentage of Women Re-Entering Paid Employment in the Five Years Following Separation:
Repartnering Status at June 1987



Highest Occupation

Having had a professional, managerial or para-professional occupation appears to be a more powerful aid than education in re-entering the workforce. Nine months after separation 25 per cent of this group were back in the workforce; in under two years half had re-entered; and at the end of the period only nine per cent were still out of paid employment. This contrasts with the slower re-entry of the non-professionals for whom it took 19 months and four years respectively to have a quarter and a half re-enter, with one fifth remaining out of paid employment throughout the period.

Participation in the Decision to Separate

Being active in the decision to separate retards the rate of re-entry into paid employment, but fewer of women who were actively involved in the decision to separate, but were not in paid work, remained unemployed throughout the period (12 versus 24%). The group of women who reported themselves to have been passive in the decision to separate returned at the rate of 25 per cent in nine months after the separation and 50 per cent by two and a half years. The active participants in the decision took 19 months and almost four years (46 months) to achieve the same levels. It appears that women who play an active role in the separation, but are unemployed, are at a disadvantage initially in re-entering employment, in comparison with women who were out of work and 'left' by their husbands, but this state is reversed by the end of the period we observed. This finding is unexpected if we assume that taking part in the decision to separate possibly indicates more preparedness for the financial re-organisation which is to follow. In a later section this issue will be discussed further.

Age of Younger Child at Time of Separation

Having a pre-school child, and almost all women with pre-schoolers had them in their day-to-day care, retards re-entry into paid employment. A quarter of the group with both children in school were back at work in six months and a half by two and a half years. In contrast it took 20 months for a quarter of those with pre-schoolers to re-enter and almost four years (46 months) for one half to attain that goal. Fewer of the women with pre-schoolers remained out of work over the whole period, however, so the main effect seems to be in the short-term.

Repartnering

The patterns of re-entry presented in Figures 6 and 7 show that early, or later repartnering is a strong correlate of rate of re-entry into paid employment. It takes women who do not repartner more than twice as long to get back into the workforce as those who do repartner; early repartnering is associated with steeper re-entry rates than later repartnering; and those who had not repartnered in the period under observation had the slowest rate of all. No causal knots can be unravelled by these data. It is possible that repartnering assists some women into the workforce by providing a secure base and assistance with children, or that women who enter the workforce are more likely to repartner, and/or that pre-existing conditions are conducive to both repartnering and re-entry into the workforce.

7. FACTORS ASSOCIATED WITH WITHDRAWAL FROM PAID EMPLOYMENT

Education

Table 3 and Figures 8 to 14 show the trends in attachment to the workforce of women who were in work at the time of separation. The effects of education on continued paid employment after separation can be seen in Figure 8. Continuity is greater for higher-educated women; 48 per cent of those with post-year 12 qualifications remain in continuous employment over the period, but only 38 per cent of those with year 10 or less survive the period without a

TABLE 3: WITHDRAWAL FROM EMPLOYMENT OF WOMEN WHO WERE IN WORK AT THE TIME OF SEPARATION

Groups	(n)	Number of months before 25%, 50% and 75% of the group had withdrawn from employment 25%	50%	75%	Percentage with work status unchanged after 6 years
Education more than year 10	130	26	-	-	57
Education up to year 10	44	13	52	-	38
Education more than year 12	108	24	85	-	55
Education up to (or less than) year 12	66	18	57	-	48
Professional	59	56	-	-	63
Non-professional	115	13	65	-	46
Active participation in decision to separate	139	25	-	-	56
Non-active participation in decision to separate	35	10	47	-	36
Younger child in school at time of separation	91	26	-	-	58
Younger child preschool at time of separation	83	19	66	-	45
Personal net weekly income > SPB ($135)	98	24	-	-	54
Personal net weekly income < SPB ($135)	67	17	71	-	48
Repartnered at June 1984	79	34	74	-	51
Not repartnered at June 1984	95	17	-	-	53
Repartnered at June 1987	97	20	67	-	48
Not repartnered at June 1987	77	25	-	-	57

Figure 8: Percentage of Women Withdrawing From Paid Employment in the Five Years Following Separation:
Different Levels of Education

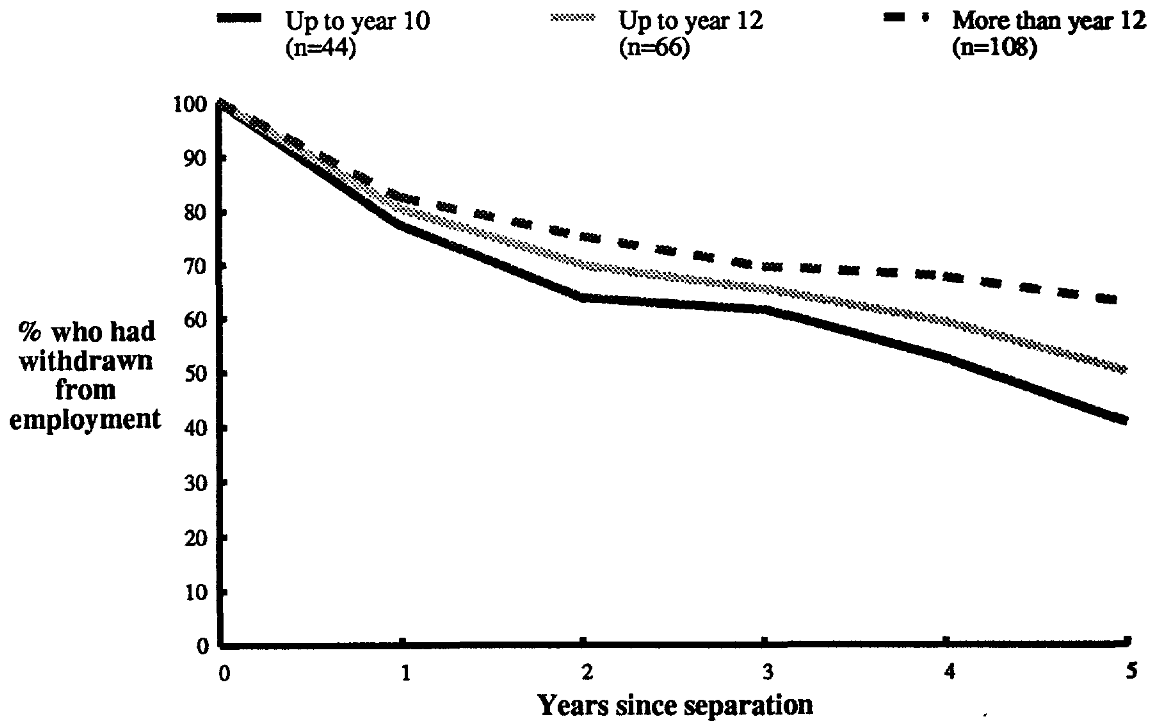


Figure 9: Percentage of Women Withdrawing From Paid Employment in the Five Years Following Separation:
Professional and Non-Professional Occupations

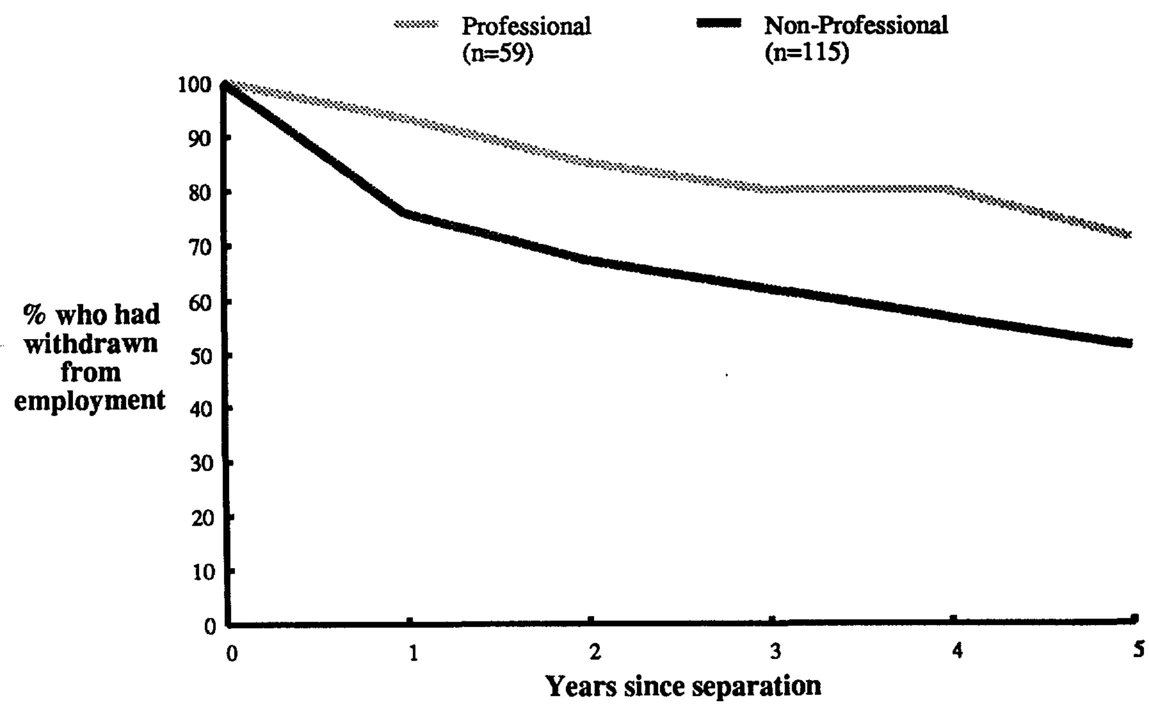


Figure 10: Percentage of Women Withdrawing From Paid Employment in the Five Years Following Separation:
Active and Passive Decision To Leave Marriage

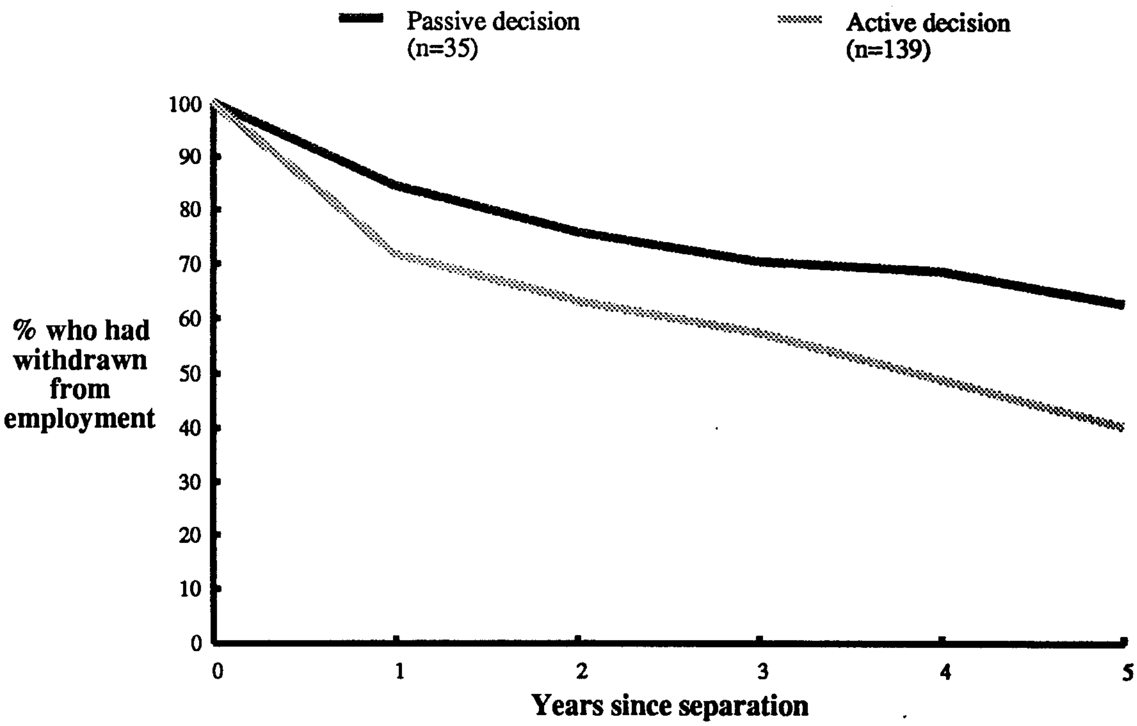


Figure 11: Percentage of Women Withdrawing From Paid Employment in the Five Years Following Separation:
Age of Younger Child at Separation

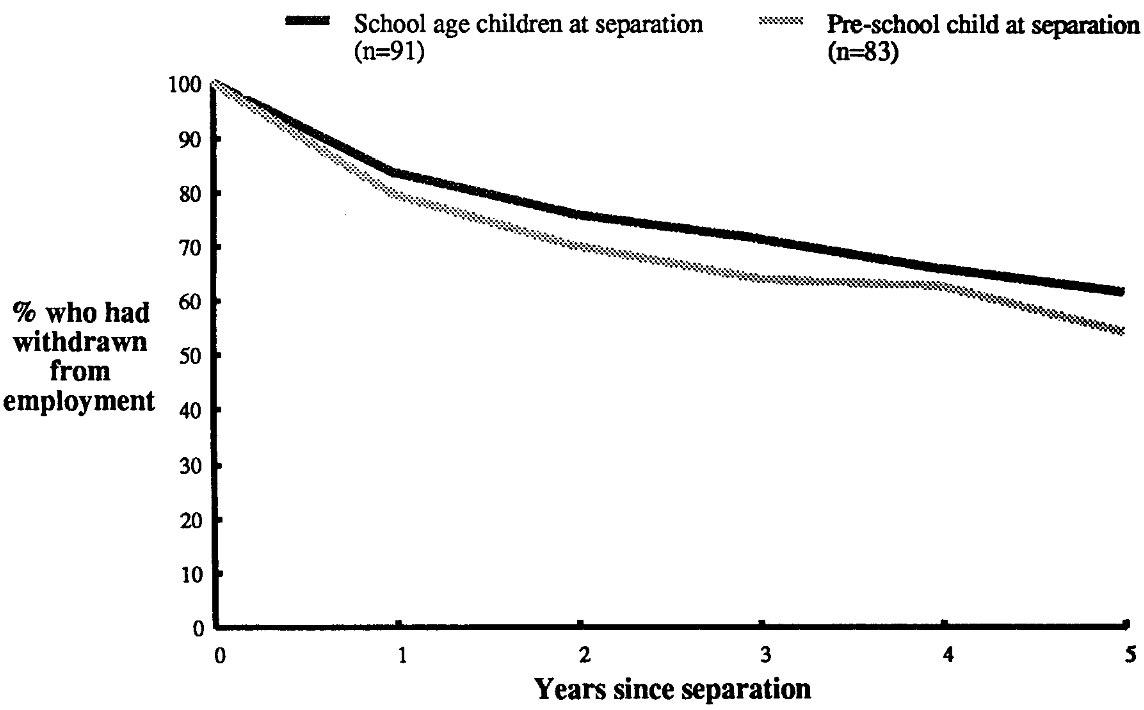


Figure 12: Percentage of Women Withdrawing From Paid Employment in the Five Years Following Separation:

Income In Relation To Supporting Parent Benefit

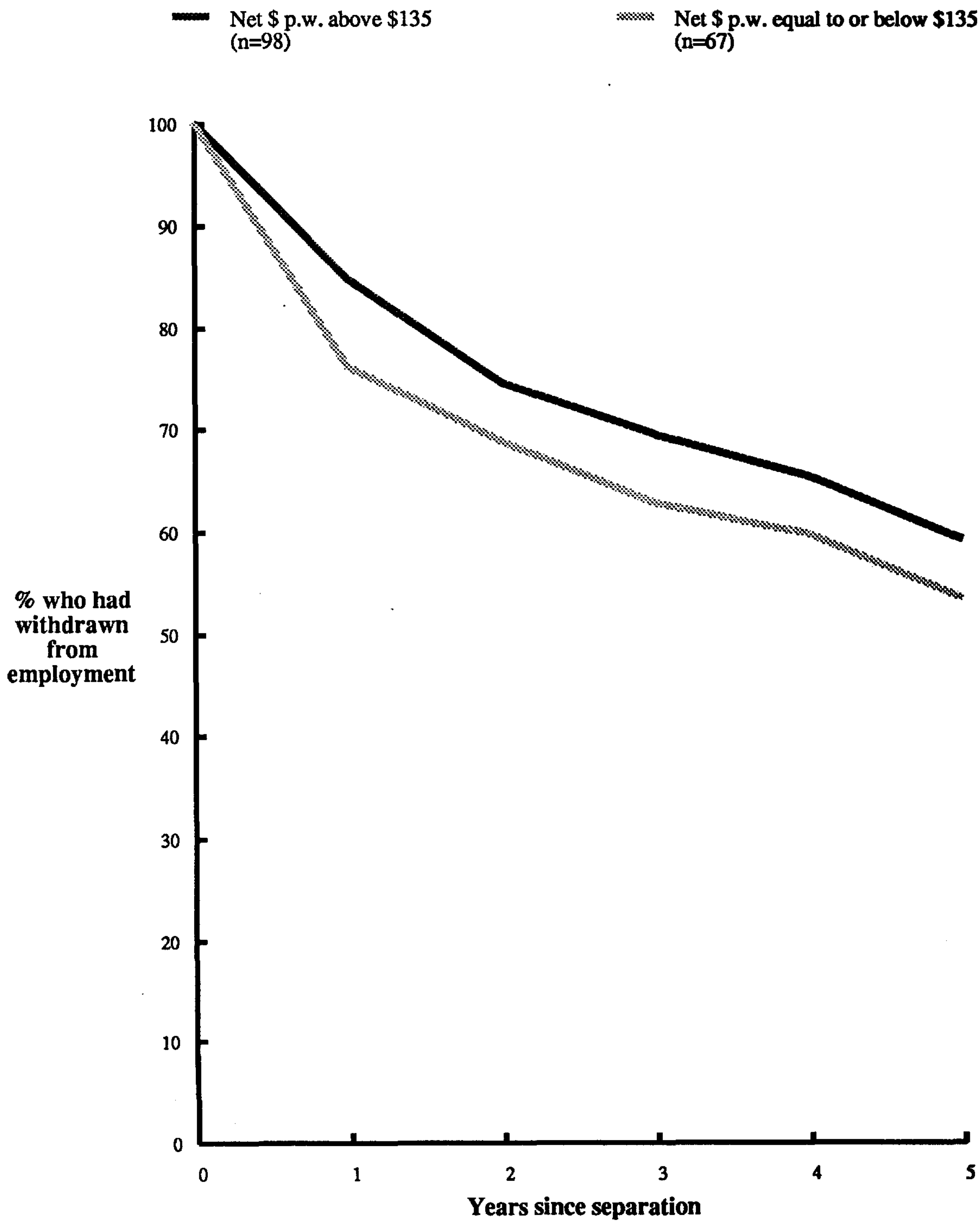


Figure 13: Percentage of Women Withdrawing From Paid Employment in the Five Years Following Separation:
Repartnering Status at June 1984

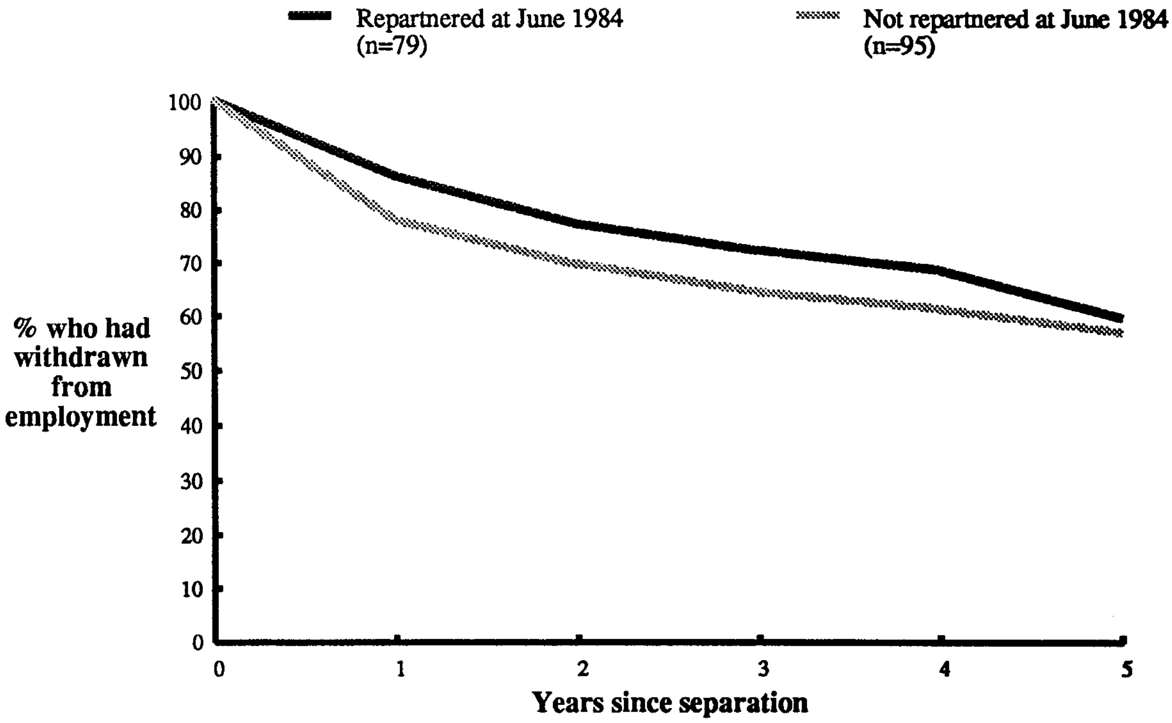
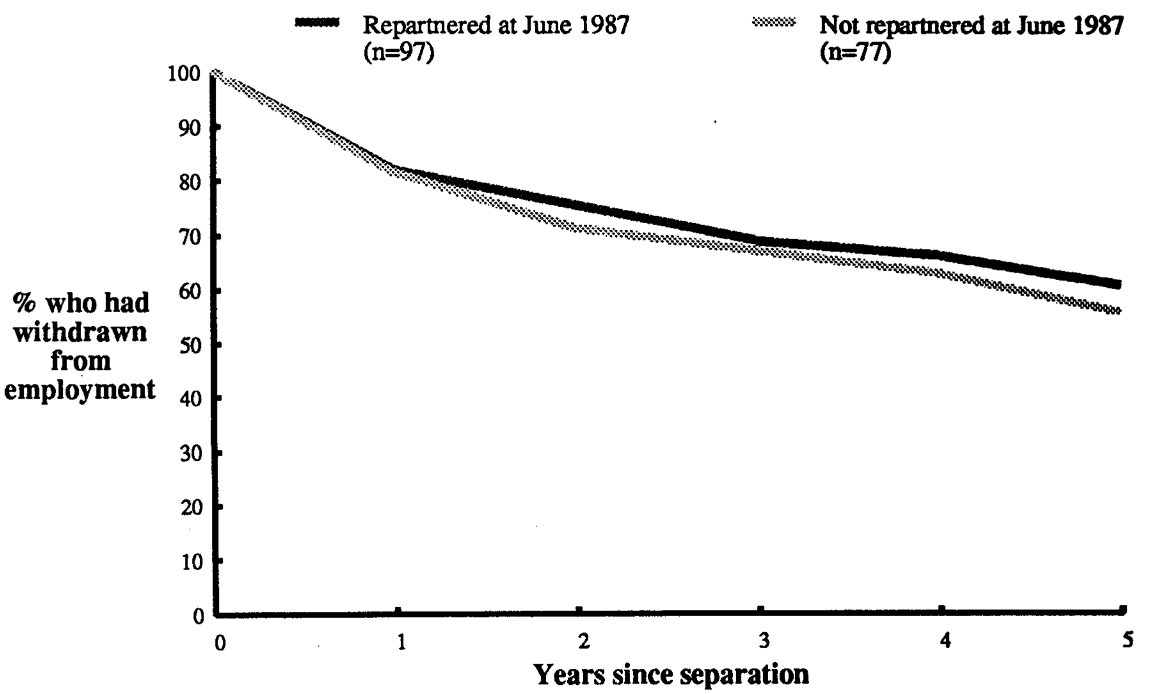


Figure 14: Percentage of Women Withdrawing From Paid Employment in the Five Years Following Separation:
Repartnering Status at June 1987



break. Seventy-five per cent of the highest-educated group were still in uninterrupted employment two years after the separation, whereas 25 per cent of the lowest group had withdrawn at the end of one year. Education appears to be more important in maintaining women in continuous paid employment than it is in facilitating their re-entry.

Highest Occupation

Figure 9 shows the effect of highest occupational status on maintaining women in the workforce. Of professional women, 75 per cent remain in uninterrupted employment over four and a half years after separation; for the non-professional group 25 per cent have withdrawn after one year. At the end of the period, 60 per cent of the professionals had continuous work histories; 42 per cent of the others had a similar pattern.

Participation in the Decision to Separate

Being active in the decision to separate confers a significant advantage in terms of continuity of employment following separation. Before the end of the first year after separation, one quarter of the women who had not participated in the decision to end the marriage had withdrawn from the paid workforce; it was more than two years before a similar proportion of active decision makers had withdrawn. Five to eight years after separation, 50 per cent of the active decision makers were still in continuous employment; only 36 per cent of the others had stayed similarly employed.

Age of Younger Child at Separation

A comparison of trends in Figure 11 for women with and without a pre-school child at the time of separation shows a small difference in the expected direction. For the group with both children in school, it took over two years (26 months) before a quarter had experienced a break in employment; for those with younger children a quarter had withdrawn at 19 months. Fifty-two per cent of women whose children were in school at the time of separation had unbroken work histories, as did 43 per cent of those with a younger child. The needs of young children appear to have more impact on re-entry than they do on continuity of employment after the separation. Perhaps the age of the pre-schooler and the type of employment entered into by women with very young children in their care are factors operating here.

Personal Income at Separation

Having a net personal income over $135 (the rate of the SPB for a sole parent with two dependent children) gave women a slight advantage in remaining in paid employment, as is shown in Figure 12. The difference is not great, however. Since many of the lower income earners had part-time jobs, insufficient to support a family, it appears that either they were able to increase their earnings in the workforce, or supplement them from other sources while remaining employed. Relatively few were forced out of the workforce because they did not have an independent earning capacity at the time of separation. Although fewer lower earners had unbroken work histories than those with higher incomes, still 41 per cent of them remained in the workforce throughout.

Repartnering

Figures 13 and 14 show the withdrawal from paid employment of women who had repartnered by 1984, and all those who had done so by 1987, in comparison with women who had not repartnered. It appears that earlier repartnering is associated with higher retention in the workforce, but by 1987 the differences are negligible. From this it seems that women do not swap employment for a new partnership, but are more likely to combine the two. Women who did not repartner in the period seemed to be less likely to have interrupted employment. Fifty-five per cent of the never repartnered group remained in continuous employment, whereas 42 per cent of the ever repartnered group had similar histories.

8. STABILITY AND DURATION OF PAID EMPLOYMENT

As well as trends in re-entry and continuity in work history, the number of working periods and the total duration attachment to the paid workforce provide insights into the patterns of work following the end of the marriage. Table 4 presents the stability of attachment to the paid workforce in terms of the number of work periods experienced by women who were ever in the workforce in the five to eight years after separation. Total duration of employment expressed as a percentage of the time since separation is shown in Table 5.

There appears to be little variation from the average of 1.4 work periods for the groups of women described in Table 4, the only exception being the increased stability which comes with having had a professional occupation. Repartnering and re-marriage are associated with slightly more movement in and out of the paid workforce. Some of these women have had subsequent children whose needs may account for this small variation.

Total percentage of time in paid employment over the period since separation shows more variation from the mean of 71 per cent. Professionals have the highest attachment to the workforce, with a mean of 84 per cent of the time since separation spent in paid employment; non-professionals had a mean of 66 per cent. Education has a lesser impact on duration of employment.

Conditions associated with the separation have important effects on the amount of time spent in the workforce since that time. Women who were actively involved in the separation spend longer in employment (74%) than women who reported that their spouse made the decision (63%). Having both children in school at the time of separation boosts workforce participation considerably - 79 per cent for this group versus 65 per cent for those with the pre-schooler.

Being in paid work, whether part-time or full-time, made a substantial difference to the proportion of time subsequently spent in the workforce. Women in paid work spent an average of 81 per cent of the time in employment versus 51 per cent for the others. Having a net personal income equivalent to the SPB at the time of separation was associated with similarly high attachment to the paid workforce, whereas a lower income resulted in an average of 62 per cent of the time spent in paid work. Comparison of the effects of no, some and full employment at the time of separation indicates that subsequent time in the workforce increases with the earlier degree of engagement in work.

9. THE RELATIVE IMPORTANCE OF FACTORS ASSOCIATED WITH POST-SEPARATION PARTICIPATION IN THE PAID WORKFORCE

So far the results presented have concerned the individual effects of background, marriage and separation circumstances, and post-separation repartnering on participation in the paid workforce of women with dependent children at the time of separation. In this section the relative importance of these effects, net of other factors, is analysed in relation to the percentage time spent in the workforce, the time to re-entry for those out of work, and the time to withdrawal for those who were in the workforce. OLS multiple regression is the method used.

10. WITHDRAWAL FROM THE PAID WORKFORCE

The results of regressing time to withdrawal produced a model which explained less than 10 per cent of the variance. From this result we conclude that, although individual effects were noted in the earlier section, the factors do not account for most of the withdrawals from the workforce and explanations must be sought elsewhere. To throw more light on this issue, reasons given for withdrawal from work for each work period following separation were examined. The results confirmed the diversity of life circumstances which affected employment.

TABLE 4: STABILITY OF PAID EMPLOYMENT FOR WOMEN WHO EVER WORKED FOLLOWING SEPARATION

Groups	n	mean	Number of periods in paid employment SD	F (df)	P
Non-professional	182	1.5	.72	4.80	.029
Professional	78	1.3	.45	(1)	
Education:					
- up to year 10 only	74	1.4	.68	.05	N/S
- more than year 10	186	1.4	.64	(1)	
Education:					
- up to year 12 only (or less than)	114	1.4	.66	.15	N/S
- more than year 12	146	1.4	.65	(1)	
Passive participation in decision making	65	1.4	.57		N/S
Active participation in decision making	195	1.4	.68	.24 (1)	
Younger child pre-school at time of separation	142	1.4	.69		N/S
Younger child in school at time of separation	117	1.4	.61	.71 (1)	
Personal weekly income < $135 (SPB)	140	1.4	.67		N/S
Personal weekly income > $135 (SPB)	107	1.4	.66	.02 (1)	
Not repartnered in 1984	151	1.37	.62	.92	N/S
Repartnered in 1984	109	1.45	.70	(1)	
Not repartnered in 1987	118	1.35	.58	1.61	N/S
Repartnered in 1987	142	1.45	.71	(1)	
Living condition at 1987:					
- married	106	1.50	.75		
- de facto	36	1.31	.58	2.4	0.7
- intimate relationship	40	1.20	.41	(3)	
- No intimate relationship	75	1.41	.64		
Out of work at time of separation	87	1.31	.62	2.69	.10
In work at time of separation	173	1.45	.67	(1)	

TABLE 5: DURATION OF EMPLOYMENT FOR WOMEN WHO EVER WORKED FOLLOWING SEPARATION

Groups	n	Percentage time in work since separation mean	SD	F (df)	P
Education:					
- up to year 10 only	74	.66	.31	3.26	.072
- more than year 10	186	.73	.31	(1)	
Education:					
- up to year 12 only (or less than)	114	.67	.31	3.45	0.6
- more than year 12	146	.74	.31	(1)	
Non-professional	182	.66	.32	21.0	.000
Professional	78	.84	.23	(1)	
Passive participation in decision making	65	.63	.32		0.1
Active participation in decision making	195	.74	.30	6.69 (1)	
Younger child pre-school at time of separation	142	.65	.32		.0002
Younger child in school at time of separation	117	.79	.28	14.0 (1)	
Out of work at time of separation	87	.51	.29	73.1	.0000
In work at time of separation	173	.81	.27		
Personal weekly income < $135 (SPB)	140	.62	.33		.0000
Personal weekly income > $135 (SPB)	107	.81	.26	24.4 (1)	
Not repartnered in 1984	151	.69	.32	2.45	N/S
Repartnered in 1984	109	.75	.29	(1)	
Not repartnered in 1987	118	.70	.32	.29	N/S
Repartnered in 1987	142	.72	.30	(1)	
Living condition at 1987:					
- married	106	.73	.29		N/S
- de facto	36	.69	.33	.18	
- intimate relationship	40	.70	.34	(3)	N/S
- No intimate relationship	75	.71	.31		

Only 24 per cent of the reasons given were related to children's needs or the unavailability of child care, and another 6 per cent concerned a new partner. Although children were the largest single demand competing with paid employment, family relationships accounted for only 30 per cent of the withdrawals from the workforce; other, very diverse circumstances were cited for the 70 per cent of withdrawals. Continuity of paid employment for women with dependent children is clearly multiply-determined and largely beyond the scope of this inquiry.

11. PERCENTAGE OF TIME SINCE SEPARATION IN THE PAID WORKFORCE

Factors explaining the percentage of time in paid employment in the post-separation period are presented in Table 6. Education, the percentage of the time during the marriage spent in paid work, participation in the decision to separate, income at separation, and repartnering did not make significant contributions, net of the other factors in the model, to explaining the percentage time in the workforce. Factors which appear to be important are not having a pre-school child, which increases the percentage time by nine per cent; having had a professional occupation, which augments the percentage by 15 per cent; and most importantly, being in paid employment at the time of separation, which increases the percentage time attached to the paid workforce by 24 per cent. The factors in the model account for a significant amount of the variance in percentage time in the workforce ($R^2 = .29$).

From these results, it appears that the most powerful determinant of attachment to the workforce in the post separation period is being in the workforce at the time of separation, regardless of whether it is part-time or full-time work, as is indicated by the insignificance of income as an independent effect. Having had professional occupational experience not unexpectedly increases the attachment, and conversely having a very young child is an impediment exerting a small effect.

12. TIME TO RE-ENTRY INTO THE PAID WORKFORCE AFTER SEPARATION

The results of the analysis of factors involved in explaining the time in months to re-entry into the paid workforce are presented in Table 7. Again educational background does not have a significant effect, but nor does occupational status. The percentage of time worked during the marriage has a marginally significant effect; for every percentage point, the time to re-entry is reduced by 0.2 of a month, six days. Factors associated with the separation time are more important, however.

Being active in the decision to separate retards re-entry by 12 months. Thus, women who were out of work and active in the decision to separate were at a particular disadvantage vis-a-vis those who had not taken part in the decision. On the surface this result seems odd, since women who were active in the decision to separate and in the workforce fared better in terms of attachment to the workforce than did their passive equivalents. Further analysis showed a significant interaction effect between work status and decision to separate. The characteristics of the women who were out of the workforce and active in the decision to separate which distinguished them from the passive out of work women were their lower education and occupation and the increased presence of pre-school children. Sixty-nine per cent had a very young child.

This group of women is actively deciding to separate at a time when they are doubly disadvantaged in terms of workforce re-entry by the needs of at least one pre-school child and having fewer skills required for employment. Further case study analysis is required to explain why these women have separated, but several correlates are likely to be their age and age at marriage (although they were no more likely to have had a pre-marital pregnancy than other women) and pressures within the marriage which have impelled them to leave at a particularly inopportune time.

Of the remaining factors with significant effects, both of which reduce the time to re-entry, having both children of school age decreases the time to re-entry by 13.5 months and having repartnered by 1984 is associated with a slightly greater reduction of 14.2 months. The model explains a significant amount of the variance in re-entry time ($R^2 = .23$).

The correlation between early repartnering and re-entry to the workforce is intriguing, but causality remains uncertain. Re-entry to the workforce may indicate the presence of resources which are valuable in repartnering as well as in

TABLE 6: REGRESSION OF PERCENTAGE OF TIME SINCE SEPARATION IN PAID EMPLOYMENT ON BACKGROUND, MARRIAGE AND POST-SEPARATION CIRCUMSTANCES
($R^2 = 0.29$)

Variables	B	Beta	T	p value
Education				
post year 12/not	-.05	-.04	-.66	NS
Occupation				
professional/nonprofessional	.15	.21	3.6	.001
Marriage				
percentage time in paid employment		-.02	-.38	NS
Separation				
- active/passive decion making	.03	.05	.82	NS
- employment status	.24	.38	5.4	.0001
- income at separation	.05	.08	1.2	NS
- no preschool child	.09	.14	2.4	.02
Post-separation				
- repartnering status 1984	.03	.05	.78	NS
- repartnering status 1987	NS			

TABLE 7: REGRESSION OF THE INTERVAL BETWEEN SEPARATION AND RE-ENTRY INTO EMPLOYMENT OF WOMEN WHO WERE OUT OF WORK AT THE TIME OF SEPARATION
($R^2 = 0.23$)

Variables	B	Beta	T	p value
Education				
post year 12	9.0	.18	1.63	NS
Occupation				
professional	-10.3	-.16	-1.5	NS
Marriage				
percentage time in paid employment	-.21	-.19	-1.8	.08
Separation				
- active/passive decision making	12.0	.23	2.2	.03
- no preschool child	-13.5	-.25	-2.3	.02
Post-separation				
- repartnered status 1984	-14.2	-.26	-2.5	.01

becoming economically self-sufficient; being able to get back into the workforce quickly may provide the stimulus, both economic and social, for moving into a new relationship; and doing both may reflect a readiness, both practical and psychological, to reorganise one's life. On the other hand, repartnering may provide the economic base, the security and the impetus to re-enter the workforce, so that partnering may be a spur to workforce participation. Most likely both sequences occur. Whichever one is precedent, however, it appears that some women have two sources of financial support available outside the social security system while others are more likely to be outside the workforce and without a second earner in the household and thus, almost certainly, reliant on social security for major support for themselves and their children.

14. WORK STATUS AT SEPARATION

Being in the paid workforce at the time of separation appears to be the most important factor accounting for subsequent paid employment. In the analysis which follows the effects on work status at separation of educational and occupational background, factors associated with entry into marriage and with education and work during the marriage, and circumstances at the time of separation were examined.

Apart from education and occupational experience; circumstances surrounding the marriage - age, pre-marital pregnancy and years in the work force before marriage - were considered as possible influences on later employment as they may have prematurely truncated education and work experience. Work history factors relating to the time of the marriage - percentage time in the workforce during the marriage, years in the workforce after the birth of the second child, further education or training during the marriage were considered for their effects in maintaining or augmenting skills which increase the potential for later employability. Conditions at the time of separation - satisfaction with life as a whole, participation in the decision to separate, income of the husband and the presence of a pre-school child were considered as correlates of work status which might indicate financial need for a second earner, desire to end the marriage, preparedness for the separation and for independence to follow.

Table 8 presents the results of the regression analysis of work status at separation on these factors. The results show that previous employment during the marriage and particularly the most recent employment since the birth of the second child are the most powerful predictors of being in work at the time of separation. These in turn create circumstances which maintain women in employment in the years after separation. Education and occupational and earlier work history appear to play no significant role independently of other factors in the model. Thus decisions taken in the marriage about the division of roles in the paid workforce and rearing children seem to set the scene for women's employment history after separation.

Having taken at least one educational or training course during the marriage has a minor effect. Recent education, but not earlier education, increases the likelihood of being in paid employment at the time of separation. Although husband's income at the time of separation was negatively correlated with being in paid work, it had no significant effect in this model. It appears, then, that the immediate financial circumstances at the time of separation are not a correlate of work status at separation, although being active in the decision to separate does have some association. The factors in this model explain 34 per cent of the variation in work status at separation.

This analysis of work status at the time of separation allows us to extend the picture of women's post-separation employment back into the marriage, showing that employment decisions taken there flow on through separation. The effects of these decisions are independent of earlier educational, occupational and work history experience and appear to cut across income levels.

15. CHARACTERISTICS OF WOMEN WHO NEVER RECEIVED SOCIAL SECURITY

Thus far, factors which help or hinder women's paths to economic independence through paid employment in the years following marriage breakdown have been presented. In this section, we turn to another index of economic independence, having managed without recourse to social security. Factors associated with receipt of social security benefits or pensions are presented in Table 9.

TABLE 8: REGRESSION ANALYSIS OF WORK STATUS AT THE TIME OF SEPARATION ($R^2 = 0.34$)

Variables	B	beta	p
Education			
+/- year 12	.01	.01	NS
Occupation			
professional/non-professional	.04	.04	NS
Marriage			
premarital pregnancy	.03	.03	NS
age at marriage	.00	.02	NS
years in paid employment before marriage	-.01	-.08	.1
education and training during marriage	.09	.08	.1
% of time worked during marriage	.00	.26	.001
years in employment since birth of second child	.06	.33	.0001
Separation			
satisfaction with life before separation	-.01	-.05	NS
Participation in decision to separate	.10	.08	.1
income of husband $'000	-.02	-.07	NS
school age of children	.01	.01	NS

TABLE 9: CHARACTERISTICS OF WOMEN WHO HAD EVER, OR NEVER, RECEIVED SOCIAL SECURITY IN THE 6-9 YEARS FOLLOWING SEPARATION

Characteristics	Receipt of Social Security: ever received %	ever received n	never received %	never received n	Significance of chi square
Education					
up to year 10	77	(68)	23	(20)	.0005
year 10+	59	(119)	41	(82)	
up to year 12	77	(102)	23	(31)	.00001
year 12+	55	(85)	45	(71)	
Occupation					
profesional	52	(42)	48	(39)	.01
non-professional	70	(145)	30	(63)	
Decision to separate					
passive	84	(63)	16	(12)	.0001
active	58	(124)	42	(90)	
Age of children at separation					
preschool child	73	(117)	27	(44)	.01
schoolage children	54	(69)	46	(58)	
Work status at separation					
not in paid employment	86	(99)	14	(16)	.0001
in paid employment	51	(88)	49	(86)	
Income at time of separation					
< SPB ($135)	79	(128)	21	(34)	.00001
> SPB ($135)	41	(45)	59	(65)	
Repartnering					
single in 1984	74	(130)	26	(46)	.0001
repartnered in 1984	50	(57)	50	(56)	
single in 1987	77	(107)	23	(32)	.0001
repartnered in 1987	53	(80)	47	(70)	

All the characteristics explored in relation to workforce participation have a significant association with the receipt of social security. Women with higher education, occupational experience and pre-separation incomes are more likely to have never received benefits or pensions, as were those women who were active in the decision to separate. Repartnering in the short- or long-term is also associated with never having been in receipt of social security. In no category explored, however, does the incidence of having received social security drop below 40 per cent, so perhaps the more obvious comment on Table 9 is that regardless of the background, attachment to the workforce, or past and more recent family circumstances, very large numbers of women at some time or other in the post-separation period rely on social security.

Women least likely to have ever received Social Security were: women with incomes greater than SPB at the time of separation (42%), women who had repartnered by 1984 (50%), women who were in paid employment at the time of separation (51%), women who had been in professional occupations (52%), women who had repartnered by 1987 (53%) and women with school-aged children at the time of separation (54%).

The highest incidence of receipt was by women out of work at the time of separation (86%), women who were not involved in the decision to separate (84%), and those whose net personal income at that time was less than the SPB rate (79%). Women with educational qualifications less than year 12 had a high up-take of social security (77%) as did those who did not repartner in the five to eight years after separation (77%).

16. RELATIVE IMPORTANCE OF CHARACTERISTICS IN EXPLAINING RECEIPT OF SOCIAL SECURITY

Another question regarding the receipt of social security is that of the relative importance of the characteristics described in Table 8. To explore this issue, two approaches were used. First, the dichotomous variable, ever or never having received social security, was regressed on the characteristics using OLS multiple regression (Table 10). Second, confirmation of the results was sought using Logit analysis (SPSSX, 1986). As the Logit result confirms the regression model, only the regression results are discussed.

Net of other factors in the regression model education and occupation have little to contribute in explaining receipt of social security. In themselves they do not distinguish women who have ever received benefits or pensions in the five to eight years after separation from those who have never received them. Nor does repartnering in the shorter-term contribute significantly to explaining receipt of social security. Not having repartnered in the longer-term, however, increases by 18 per cent the chances of a woman having relied on social security at some stage.

It appears from Table 9, however, that apart from the effect of long-term single status following separation, factors associated with the separation period are the most powerful in predicting the receipt of social security. Having been active in the decision to end the marriage decreases women's chances of ever receiving social security by 13 per cent net of other factors being considered in this analysis. Being in any paid employment at the time of separation lowers the likelihood of using benefits or pensions by 14 per cent. Having both children in school reduces the incidence of ever receiving social security by 12 per cent. But most importantly, having a 'survival income' greater than the SPB rate reduces the probability of ever being dependent on social security by 24 per cent. The model presented here explains a significant amount of the variance in receipt of social security in the years following separation ($R^2 = .32$).

17. SUMMARY

Before summarising the main findings of this study of factors associated with women's paid workforce participation in the five to eight years following separation, it may be wise to recall the nature of the data on which the analyses were based. The sample of 289 women over-represents women with post-secondary qualifications, and English speakers. The original non-response rate was high, although no more so than for similar overseas studies. The numbers in the study did not allow for refinements in categories of education and occupation which might have yielded more accurate information about the effects of particular training and experience.

TABLE 10: REGRESSION ANALYSIS OF EVER HAVING BEEN ON SOCIAL SECURITY AFTER SEPARATION
($R^2 = 0.32$)

	B	beta	P
Education			
+/- year 10	-.04	-.04	NS
+/- year 12	-.14	-.14	NS
professional/non-professional occupation	-.07	-.07	NS
time in workforce during marriage	.00	.06	NS
participation in decision to separate	-.13	-.12	.03
workforce status at separation	-.14	--.15	.03
schoolage children	-.12	-.13	.02
income at separation	-.24	-.25	.001
repartnering status 1984	-.11	-.11	NS
repartnering status 1987	-.18	-.19	.01

The strengths of the study are that it is, as far as we know, the only one of its kind in Australia which has begun with a random stratified sample of a population of divorced people. It included country and city dwellers, high and low income earners, and a range of educational backgrounds. Moreover, the sample did not rely on targetting groups such as social security recipients, or people with court orders, and the follow-up rate between 1984 and 1987 was 93 per cent, so that attenuation effects were likely to be small.

The main findings will be discussed under four headings: the effects of background characteristics, separation circumstances, post-separation repartnering on workforce participation and factors associated with the receipt of social security.

Education and Occupation

Education had a small effect on the rate of re-entry to the paid workforce, some effect on withdrawal, but apparently no significant effect on total time in the workforce. Highest occupational category appeared to be more important in explaining all three. The categorisation of occupation is crude, however, and some of the effect may be explained by the inclusion in the professional group of many school teachers and nurses who had access to work which is more compatible with child rearing. In the multivariate analyses these background factors were less important than separation circumstances.

Separation Circumstances

The main findings indicate that immediate circumstances surrounding the separation had more important effects, overall, on the participation of women in the paid workforce over the five to eight years after the final separation. The most important of these factors is being in the paid workforce at the time of the separation, which predicts much higher levels of workforce attachment in the following years; level of income is less important. Thus, whether part-time or full-time, paid work at the time of separation is a key to later economic self-sufficiency. Having a pre-school child retards re-entry, but this effect is smaller.

Being active in the decision to separate is associated with a higher level of participation in the paid workforce, mostly because a higher proportion of women who reported themselves to be part of the decision to separate were already in the workforce. The interplay of these two factors is not known, but these women appeared to be better prepared for economic independence than other groups.

Repartnering

In the years following separation about half the sample repartnered. Those women who repartnered, and particularly those who repartnered in the earlier years, appeared to find it much easier to enter paid employment. Preliminary analyses, not reported here, indicate that the predominant sequence is employment followed by repartnering, but no firm causal links are claimed. Women who do not repartner are more likely to remain in the workforce, however, and overall they worked for much the same percentage of the time since separation.

Although group differences have been the focus, here, most women who were out of work at separation did re-enter, and an even higher percentage of women who were in paid work at separation remained in continuous employment throughout the five to eight years period following separation. Thus, regardless of the life circumstances considered, the most common course is for the women with dependent children in this sample to move into, or remain in paid employment after separation. After separation, women with dependent children in their care are mostly on a path to economic independence through paid employment while continuing prime responsibility for dependent children. The track is not necessarily smooth, however, and many are reliant at sometime on social security.

Receipt of Social Security

Ever having received social security benefits or pensions is also more associated with circumstances surrounding the separation than with background factors. Although both work status and income are important predictors of ever receiving social security, the latter is the more powerful. Women with pre-separation incomes of less than the SPB rate at that time, had a nine per cent greater withdrawal rate in the first year after separation; they worked for 61 per cent of the post-separation period compared with 81 per cent for women with higher incomes. Some women were able to combine part benefits or pensions with paid work, or to increase their income to support themselves and the children, but others withdrew from paid employment altogether. Providing appropriate bridges from part-time, or very low-wage employment to employment which will sustain the newly-formed sole-mother family would appear to be an important focus here.

Social security payments were received by 65 per cent of the sample at some time or other - most soon after separation when 40 per cent of the group were not in paid employment. Although all but 15 (5%) were in paid employment at some stage over the years, a combination of individual earnings and public support is the most common experience.

Implications

Although this study does not allow us to be prescriptive, some tentative implications suggest themselves. First, as most women regardless of background, responsibilities for children, or later repartnering entered or remained in the paid workforce after separation, policies should assume some balance between responsibilities for children and paid work.

Moreover, since withdrawal from the paid workforce during marriage has significant effects on work status at separation, which in turn predicts later post-separation participation, the issues of workers with family responsibilities, in both one and two parent families may be the most useful context for framing policies.

Recommendations made in the AIFS report on Maternity leave in Australia (Glezer, 1988) have particular relevance in the case of parents who divorce. All policies which facilitate continued, if modified, attachment to the paid workforce by workers who assume prime responsibility for children will assist women with dependent children in their transition to economic self-sufficiency: maternity leave, part-time work, adequate child care and removal of work disincentives associated with social security.

Circumstances surrounding the separation appear to be so powerful as predictors of subsequent participation in the paid workforce, they warrant careful attention. Pre-separation information and advice from financial counsellors might enable more couples to achieve the easier transitions from a one-household to a two-household family. (The Noble Park Conciliation Centre in Victoria has been offering such a service.)

The balance of responsibilities between parents and the costs, both immediate and deferred, of caring for children, are factors to be considered by parents in the marriage and afterwards. Information on the immediate and long-term implications of decisions on the sharing of child rearing and income-earning responsibilities might assist parents, whatever their circumstances, in arriving at a fair distribution of the financial support and care of children. The provision of care for children is expensive of time and energy which might otherwise be devoted to paid work. Assuming the sole responsibility for children on a day-to-day basis reduces the time and energy available for paid work. Although most of the women in this study combined both, many found it difficult to enter employment after the separation; others withdrew.

In relation to sharing the support of children after marriage breakdown, both the costs of care as well as other maintenance should be counted in total costs and in total contributions made by each parent to the children's upkeep. Women with the primary care of children will most often be balancing the two on a day-to-day basis.

Women with dependent children have three main source of support: paid employment of the mother, private transfers in the form of child maintenance, property division, and rarely, spousal maintenance, and social security. In relation to private transfers, proposed changes to the Family Law Act (Australian Law Reform Commission, 1987) if implemented should make the distribution of matrimonial property more equitable. This may secure housing for more women with dependent children. Assured child maintenance, collected under the Child Support Collection Scheme, and at an appropriate level, when the assessment formula is implemented, may be expected to raise the standard of living of many sole-mother families. Both these sources of finance may have implications for women's employment after separation.

Evaluation of a Victorian Ministry of Housing and Construction Capital Indexed Loans for low income earners (AIFS, 1988) indicates that assuring housing for low-income earners assists with attachment to the workforce. Thus the pilot program may point to the usefulness of a more global view of public interventions in the economic transitions associated with separation and divorce. A further initiative of the Victorian Ministry of Housing and Construction - the Ministry's Priority Property Settlement Pilot Program - will provide low income sole parents with housing loans to buy out the former spouse's share of the matrimonial home.

Since the circumstances surrounding separation are the most powerful predictors of subsequent workforce participation, and these circumstances cut across socio-economic groups, initiatives encompassing public and private finance may best facilitate the economic transition from one to two households. Social security is widely used at some time or other by many women in order to support their families; its adequacy is a key issue. Because it is used mostly as a transitory support by many, does not mean that the impact of poverty and relative deprivation can be dismissed. Most women in this sample supported their families by a combination of paid employment, private transfers and social security. Fruitful initiatives will need to be integrated if they are to help the transition of women with dependent children to economic self-sufficiency in the post-separation years.

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EVALUATION OF AN ALTERNATIVE INCOME MAINTENANCE SCHEME FOR AUSTRALIA*

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1. INTRODUCTION

In spite of two official national inquiries,[1] numerous other public and private studies, and countless changes that have been implemented during the last 15 years, there is still a widespread feeling that successive governments have failed to develop a coherent and equitable social welfare program for Australia. For many, government has yet to 'get it right'. A little reflection reveals why such a conclusion is easy to embrace and difficult to repudiate. The problems of the current welfare system are numerous and widely acknowledged. They include, inter alia, poverty traps, vertical and horizontal inequities, inadequate levels of assistance for families with children and significant levels of welfare fraud and abuse.

The problem facing welfare reformers is the difficulty of devising modifications which can alleviate some of the aforementioned problems without generating even more intractactable problems in their wake. In 1975 the Commission of Inquiry into Poverty recommended a guaranteed minimum income (GMI) scheme. During the subsequent 15 years numerous reformers have advanced variations on this scheme. None, however, have come close to being adopted. The most persistent criticism of GMIs is that their cost would be enormous and that the marginal tax rates necessary to finance them would be prohibitively high.

In a recent article in **Economic Papers**, Peter Saunders concluded:

> *The concept of a GMI is appealing to many who champion the cause of the disadvantaged, and for them its failure to make any headway on the policy agenda may well signify a paradise lost. For others, it may continue to burn as a guiding light, but the problem with continued gazing towards the heavens is that one can get distracted from the very real problems faced down here on earth.* (Saunders, 1988, p. 32)

In this paper we propose a guaranteed minimum income (GMI) scheme which would overcome many of the problems of the current system. We are not 'gazing towards the heavens'; instead, we propose a workable solution to the 'very real problems faced down here on earth'. Furthermore, as we will demonstrate, our proposal is financially feasible. In fact, the real question is whether or not, in the long run, we can afford not to adopt such a scheme.

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1. The Australian Commission of Inquiry into Poverty (1972-75), chaired by Professor Ronald Henderson recommended fundamental changes to the system while the Social Security Review (1986-88), directed by Associate Professor Bettina Cass has recommended numerous but relatively minor changes. See Sanders (1987).

2. BASIC FEATURES OF THE PROPOSAL

The proposed GMI is a social dividend which is universal and not subject to any eligibility requirement other than permanent resident status. Under the proposal a payment of $2,950 per annum would be make to all permanent residents of Australia irrespective of age, race, marital status, income or sex. Thus, the payment or demogrant is a single flat rate paid fortnightly to all eligible persons or their guardians. It would not be subject to income or assets tests.

The payment of $2,950 per annum is based on the actual income support levels that existed in 1986-87 and represents the average per capita payment for a single person with two dependants and a married couple with one dependant.[2] Benefit levels established by the Department of Social Security are shown in Table 1. The far right column of Table 1 indicates the annual per capita payments associated with these levels. The mean of the four entries with an asterisk is $2,936.18. Rounding to the nearest $50, we have set the demogrant in our proposal equal to $2,950.

Thus, the demogrant is derived from support levels which existed in 1986-87 for families of three persons. As can be seen from Table 1, under the current system the per capita level of support declines significantly as the family size increases. For example, a married couple would receive $9,209.20 (2 x $4,604.60), while two single persons (who might be living at the same address) would receive $11,044.80 (2 x $5,522.40). The fact that the two single persons would receive 20 per cent more than a married couple is hard to justify and is an example of the horizontal inequities in the current system. The usual justification is that a married couple can live more cheaply than two single persons. Of course, there are economies of group living. But there is nothing to prevent two or more single persons from sharing accommodation, utilities, transport and many other expenses. The current system is not only inequitable, it discourages individuals from marrying and rewards them for concealing de facto relationships.

Single persons would receive less under our proposal than with the current scheme ($2,950 vs $5,522.40); and if they live on their own, single persons will probably have lower real incomes than married couples. However, by living with others, single persons can take advantage of economies of scale and achieve a real income at least as high as that enjoyed by married couples.

3. IS THE PROPOSAL FEASIBLE?

To be taken seriously, any proposal for a GMI must be shown to be feasible. A discussion of the advantages and disadvantages of any reform proposal is premature until its financial feasibility can be demonstrated.

In an attempt to discredit GMI proposals, Peter Saunders argues that '... if the GMI is set at 40 per cent of average income, the required [average] tax rate will be 40 per cent, if the GMI is set at 50 per cent of average income, the required tax ratios will be 50 per cent, and so on' (Saunders, 1988, pp. 26-27). Furthermore, such high tax rates would be necessary just to finance the GMI. 'The above simple relationships become more complex once it is acknowledged that the income tax system must also finance other government activities' (Saunders, 1988, p. 27). The mere thought of the marginal tax rates that would be required of high income earners is enough to discredit any GMI in the eyes of any politician who wants to be re-elected.

The logic underlying the examples given by Saunders is unassailable, but the examples are misleading in that they would represent support levels greatly in excess of those provided by the current system. Our proposal of a demogrant of $2,950, which is based on current support levels, is only 33.6 per cent of average per capita (taxable) income. Thus,

2. The amount of the demogrant would be in real 1986-87 dollars and automatically adjusted to increases in the CPI. The 1986-87 year has been chosen as it is the latest year for which the distribution of individual taxable incomes in Australia is known.

TABLE 1: BENEFITS AND PENSIONS UNDER THE 1986-87 AUSTRALIAN WELFARE SYSTEM

Category	Maximum Payment ($/fortnight)	Annual Payment Per Capita ($)
Benefits		
Single Rate		
- no child	212.40	5522.40
- 1	426.40	3203.20
- 2	280.40	2429.96*
- 3	314.40	2043.60
Married Rate		
- no child	354.20	4604.60
- 1	406.20	3520.40*
- 2	440.20	2861.30
- 3	474.20	2465.84
Pension		
Single Rate		
- no child	212.40	5522.40
- 1	246.40	3203.20
- 2	280.40	2429.96*
- 3	314.40	2043.60
Married Rate		
- no child	354.20	4604.60
- 1	388.20	3364.40*
- 2	422.20	2744.56
- 3	456.20	2372.24

Source: Department of Social Security (1988).

an average tax rate of 33.6 per cent would be necessary just to finance the GMI. Saunders' example of a demogrant of 50 per cent of average income would imply a social dividend of $4,395.53 per person; such a grant would be, on average, 49.7 per cent higher than the level of support provided by the current system.[3]

The total cost of our proposal would be $47,615 million which is the product of the demogrant ($2,950) multiplied by the total Australian population in 1986-87 (16,140,825). For the financial year 1986-87, total government expenditure was $75,491 million of which $20,541 million was spent on social welfare. Hence, the proposed GMI would increase social welfare expenditure by $27,074 million and raise total government expenditure to $102,565 million.

There are two main approaches which could be used to determine a tax scale which would provide the required revenue. First, all sources of revenue could be increased proportionately. Second, the increased expenditure could be financed entirely through increases in the individual income taxes. The second approach has the principle advantage of not imposing unknown (and possibly regressive) effects that would result from increasing non-personal income tax revenue; say, by increasing consumption taxes. In addition, the second approach would be easier to implement. Hence, we assume that the additional revenue to finance the GMI is derived entirely from increases in personal income tax receipts.

Consequently, personal income tax receipts would need to be increased by $27,074 million to $65,148 million. This could be achieved by a flat rate tax of 45.91 per cent or by a progressive rate structure such as the one outlined in Table 2. The necessary flat rate is derived by dividing the total required revenue ($65,148 million) by the total taxable income in 1986-87 ($141,895 million).

Our preference would be for a progressive tax structure with marginal tax rates ranging from 35 per cent on the first dollar of taxable income to 65 per cent on income above $22,000. Table 2 is based on the distribution of taxable income in 1986-87 (the latest year for which data is available). The suggested marginal rates are, of course, arbitrary but they indicate one possible structure that would raise the requisite revenue. The actual revenue raised by the structure would be $66,005 million which is $857 million more than required. This could be used to cover administrative costs during the transitional phase of the scheme. In our view, either a flat tax rate of 45.91 per cent or marginal rates from 35 to 65 in combination with the proposed GMI would be feasible and would be acceptable to the majority of Australians. Under the progressive tax rate structure, the highest rate for personal income tax earners is only 5 percentage points higher than that which existed until 1 December, 1986. Furthermore, it is much lower that the effective marginal tax rates which currently face those in receipt of social security payments.

4. ADVANTAGES OF THE PROPOSAL

One of the main problems of the current system of welfare provision in Australia is that the poverty traps associated with high effective marginal tax rates (EMTRs) which discourage work force activity and can perpetuate welfare dependence. EMTRs often exceed 100 per cent under the current system. Furthermore, they are especially high over the taxable income range of $150 to $500 per week. In contrast, the EMTRs in our proposed GMI never exceed 66 per cent and they are consistently progressive. We would suggest that the pattern of EMTRs under the proposed GMI reform represent much greater vertical equity than the current system.

Table 3 provides details of the effect of the proposed GMI on disposable income for various taxable income classes. Generally, the level of assistance provided for single persons is lower under the GMI proposal. This is justified by the fact that our proposal assumes that single persons can live in groups of two or more and take advantage of economies of scale in group living. If they do not wish to live with others, then they may have to face the consequence of lower real incomes; this can be considered an opportunity cost of their independence.

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3. Total taxable income in 1986-87 was $142,895,030,000 and the population of Australia was approximately 16,140,825; hence, taxable income per capita was $8,791.06. Our proposal of a demogrant of $2,950 is 33.6 per cent of taxable income per capita while a demogrant of $4,395.53 would be 50 per cent of taxable income per capita.

TABLE 2: POSSIBLE PERSONAL INCOME TAX REGIME UNDER THE GMI PROPOSAL (TAXABLE INCOME OF INDIVIDUALS - INCOME YEAR 1986-87)

Taxable Income ($)	Number of Taxpayers	Average Taxable Income ($)	Marginal Tax Rates (per cent)	Taxation Payable For Average Person ($)	Average Taxable Income plus the Social Dividend minus taxation Payable	EMTR[a]
Under 4891	67099					
4891 - 4999	18152	4903.39	35	1716.19	6123.38	36
5000 - 5999	190667					
6000 - 6999	375474					
7000 - 7999	314997	7383.19	40	2652.93	7666.44	41
8000 - 8999	273437					
9000 - 9999	264844					
10000 - 10999	256978	10479.06	45	3964.83	9450.41	46
11000 - 11999	251536					
12000 - 12999	252197					
13000 - 13999	252410	13516.81	50	5407.21	11045.78	51
14000 - 14999	264144					
15000 - 15999	289297					
16000 - 16999	299152	16513.16	55	6980.54	12468.80	56
17000 - 17999	299673					
18000 - 18999	296458					
19000 - 19999	294853	19919.27	60	8949.31	13906.14	61
20000 - 21999	519153					
22000 - 23999	434976					
24000 - 25999	366194	24745.31	65	11981.60	15699.89	66
26000 - 27999	309306					
28000 - 29999	258003					
30000 - 34999	443600	32664.18	65	17128.22	18472.14	66
35000 - 39999	248721					
40000 - 49999	194999					
50000 - 99999	127266	57626.71	65	29453.86	31109.03	66
100000 over	18278					
Total	**7181864**	**19757.41**		**9190.53**		

Note: (a) Marginal tax rate plus Medicare levy of 1 per cent which prevailed in 1986-87.

Source: (for columns 1 and 2 only): Australian Department of Treasury, 1988, p. 4.

TABLE 3: COMPARISONS OF DISPOSABLE INCOME FOR 1986-87 UNDER THE CURRENT SYSTEM AND THE GMI PROPOSAL

		Disposable Income ($ per annum)			
Family Taxable Income ($ p.a.)	Number of Dependents	Single Earner		Dual Earners	
		1986-87	Reform	1986-87	Reform
0	- none	5522.40	2936.18	9209.20	5872.36
	- one	6406.40	5872.36	10561.20	8808.54
	- two	7290.40	8808.54	11445.20	11744.72
4903.39	- none	7350.20	6123.38	12848.99	9059.56
	- one	9350.20	9059.56	14356.99	11995.74
	- two	10106.20	11995.74	15240.99	14931.92
7383.19	- none	6686.14	7666.44	12849.43	10671.43
	- one	10461.88	10602.62	14357.43	13607.61
	- two	11345.88	13538.80	15240.43	16543.79
10479.06	- none	8903.25	9450.41	16066.09	12669.72
	- one	10434.13	12386.59	17574.09	15605.90
	- two	11318.13	15322.77	18458.09	18542.08
13516.81	- none	11236.32	11045.78	13094.19	14553.13
	- one	11509.92	13981.96	13367.79	17489.31
	- two	11900.52	16918.14	13758.39	20425.49
16513.16	- none	13333.76	12468.80	14682.38	16335.96
	- one	13607.36	15404.98	14955.98	19272.14
	- two	13997.96	18341.16	15346.58	22208.32
19919.27	- none	15651.72	13906.14	17236.95	18277.45
	- one	15925.32	16842.32	17510.55	21213.63
	- two	6315.92	19778.50	17901.15	24149.81
24745.31	- none	18257.78	15699.89	20739.42	20841.87
	- one	18531.38	18636.07	21013.02	23778.05
	- two	18921.98	21572.25	21403.62	26714.23
32664.18	- none	22441.16	18472.14	26397.43	24598.04
	- one	22714.76	21408.32	26671.03	27534.22
	- two	23105.36	24344.50	27061.63	30470.40
57626.71	- none	32707.07	31109.03	38136.41	36349.34
	- one	32707.07	34045.21	38136.41	39285.52
	- two	32707.07	36981.39	38136.41	42221.70

Source: Hawke (1988).

The disposable income for families with children is significantly greater under the proposed scheme than with the current system. The proposed GMI would make a significant contribution towards the removal of child poverty. Some might argue that the proposal is too generous in its treatment of children; the cost of caring for a child does vary with the age of the youth and is generally less than that of an adult. And yet, our proposal treats all individuals, regardless of age, the same. Such a scheme can be justified once the likely level of family assets is taken into account. Holding current income constant, a family with older children (who are more expensive to care for) is more likely to have accumulated wealth (in the form of housing, motor vehicles, etc.) than a family with younger children. Consequently, a constant universal payment made irrespective of age along with accumulated wealth combine to provide approximately similar standards of living for families in various stages of the life cycle.

As previously indicated, the proposed GMI would provide assistance to all permanent residents of Australia. Using this method, eligibility is automatically determined at birth for Australian citizens or when permanent residential status is achieved. This would greatly reduce the administration costs and would increase the likelihood that individuals would receive all the benefits for which they are eligible. Discrimination against persons poorly informed and unable to cope with government bureaucracy would be greatly reduced. Furthermore, welfare fraud would be more difficult as everyone would receive the same demogrant and pay taxes on all earned income.

In order to be eligible for welfare payments under the current system, the income unit is required to meet the means test requirements and other criteria such as illness, age and marital status. These criteria, along with the means test requirement foment stigma effects as welfare recipients are differentiated from the general community. The GMI provides universal support, and by doing so eliminates the stigma effect.

Universal schemes are generally regarded as less target efficient that selective schemes as even those who do not require assistance are provided with transfers in a universal scheme. However, in selective schemes there is always the problem that those who do require assistance will be unable to meet the selective criteria. This paper argues the GMI proposal is no more technically inefficient that the current system, and indeed, with allowance for the integration of the income tax system may be more target efficient.

The GMI proposal pays a demogrant to all eligible individuals, and if those persons earn income, tax is paid upon this income. The amount paid may be less, equal or more than the demogrant. This transfer to and transfer from represents low technical efficiency.

The current welfare system takes income levels into account before payments are made. This means duplication of transfers does not occur (with the exception of year end rebates and payments). Thus, it may be argued that the current system is more technically efficient than the reform proposal. However, two important points need to be understood.

Firstly, technical efficiency does not directly contribute towards the social welfare objectives. Secondly, the administrative costs associated with means testing are substantial. Although administration costs involved in the duplication of transfers in the reform proposal may lead to technical inefficiency, the social dividend's administration costs are anticipated to be significantly lower than the current system. Thus, although the current system achieves higher technical efficiency, it is at a cost which infringes upon the amount available for social welfare provision.

Administrative expenditure in 1986-87 represented 4.06 per cent of all Commonwealth Expenditure on social security and welfare. In 1987-88 this was reduced to 3.73 per cent of outlays on social security and welfare, but represented an increase of $4 million over the previous year to $838 million. As administrative expenditures are real costs and not just a transfer payment, it is apparent that in Australia, administration of social welfare represents a significant real cost to the community. Part of this problem is the degree of complexity in the criteria for assistance. As part of any selective scheme, in order to achieve target efficiency, the criteria of eligibility is comprehensive for all types of assistance measures. Since this criteria must be checked in association with an individual's application for assistance, the administrative infrastructure is created.

In comparison to the current scheme, criteria for assistance in the GMI scheme is simple. Once in place, it would require very little administrative effort to continue. Indeed, the administrative cost of the new taxation/demogrant scheme would not differ significantly from that currently incurred by the Taxation Department.

Economic efficiency is violated under the current system in several ways. Firstly, current welfare benefits include non-cash benefits which are inefficient and paternalistic compared to direct cash targeting (Hawke, 1988). The reform proposal aims to provide benefits in cash and to eventually remove all non-cash payments which are means-tested. This should increase economic efficiency.

As mentioned above, the reform proposal does not discriminate against persons less able to manipulate their eligibility (such as the sick, aged and poorly educated) due to the relative automatic eligibility and administrative simplicity. This principle of equal treatment, irrespective of education, sex, marital status or age, is achieved by the social dividend scheme. It is true that the demogrant is paid irrespective of income and this may seem to violate the principles of vertical equity. However, with the interaction of the taxation and social dividend scheme, the net benefits accrue only to lower income earners who are effectively subsidised by the higher income groups whose demogrants are exceeded by tax payments.

The current system effectively discriminates on the bases of sex, education, age and marital status. For example, a woman who is eligible for a widow's pension receives a higher level of assistance than a woman of same age and income who is unemployed.

Persons who attempt to undertake work force activity whilst still in receipt of assistance will, for some income ranges, be faced with withdrawal of assistance which may even lower his or her disposable income. This is associated with EMTRs which are significantly higher than those who are faced with only the marginal income tax rates. All these points contribute to the overwhelming conclusion of vertical and horizontal inequity within the current system.

As shown in Table 2 the EMTRs gradually increase throughout the entire range of incomes under the reform proposal. This means that under the reform proposal vertical and horizontal equity is maintained throughout the entire range of taxable income.

So far we have said nothing about possible labour supply responses to the proposed changes. In fact, we implicitly assumed there would be no net changes in the hours worked or the incomes earned when estimating the marginal tax rates that would be necessary to finance the GMI. Of course there will be some supply responses to changes in the average and marginal rates of taxation. There will also be shifts in labour supply as a result of the introduction of the $2,950 annual demogrant. Although the exact magnitude of any supply side effects is difficult (perhaps impossible) to estimate accurately, we would argue that they are likely to be small. Furthermore, the combined effects are likely to shift the aggregate supply schedule to the right which will increase the total number of hours worked and aggregate taxable incomes.

Why might the aggregate supply curve shift to the right? Under the GMI reform proposal the EMTRs for most individuals would decrease as EMTRs under the 1986-87 regime are above EMTRs for the GMI reform for all levels of taxable income between $42 per week and approximately $500 per week. Nearly 78 per cent of all income earners were in this range. Furthermore, the reductions are substantial, reducing EMTRs from 150 per cent to 60 per cent in some cases. Although the EMTR would be increased from zero per cent to 35 per cent on incomes up to $42, very few people (less than one per cent of the taxpayers) were in this category. The increase in EMTRs for individuals with incomes exceeding $500 would be small and unlikely to cause significant supply responses. Thus, the biggest changes affecting the largest number of taxpayers will be reductions in EMTRs. This is likely to increase the supply of labour.[4]

As a result of the new marginal tax structure the net effect of the GMI proposal is likely to be an increase in participation, higher taxable incomes and hence higher taxation revenues. This would allow for even lower marginal tax rates than those proposed in Table 2.

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4. This assumes that leisure is a normal good and that the substitution effect is greater than the income effect. These assumptions are consistent with empirical estimates of aggregate labour supply functions. Empirical studies have shown that women are especially responsive to increases in wage rates (net of taxes and changes in welfare payments) and our proposal is likely to increase the labour participation of women more than it increases the participation of men.

Another problem with the current system of social welfare is that its complexity makes it virtually impossible to estimate the total level of support that is given to low income families. No one really knows whether the social security system is too generous or too mean (Gruen, 1982). Levels of cash assistance from the Department of Social Security are difficult to estimate, in part because they depend on the category of the recipient. One also has to take into account levels of other cash grants such as Family Allowances, Secondary Bursary Grants and Austudy. But the real difficulty is trying to estimate the dollar equivalency of numerous in-kind payments which include a variety of goods and services which are free or available at a subsidised price to the poor. These include subsidised housing, child care, pharmaceutical products, dental care, telephone rates, transportation and electricity. The value of these subsidies is extremely difficult to estimate and varies considerable from household to household. Because of shortages of public housing and subsidised child care places some low income families miss out on these benefits altogether.

Two points are clear. Firstly, the actual level of assistance provided by the current hotchpotch of social security programs is, to a very great extent, unknown and very difficult to estimate. Secondly, there are horizontal inequities arising from the fact that the actual level of total assistance varies significantly for families in similar financial circumstances.

In contrast, under the GMI scheme the level of assistance provided each person (the size of the demogrant) would be known to all and people could make informed decisions about its adequacy. Furthermore, EMTRs for all levels of income could be easily determined. The gradual shift from a mixture of in-kind and cash payments to a system of cash payments (the demogrant) would greatly reduce administrative costs, increase the individual's freedom of choice and substantially reduce horizontal and vertical inequities.

5. CONCLUDING REMARKS

Fundamental changes such as the proposed GMI are never easy to sell to the general public let alone to special interests groups that are adversely affected; nor are such changes easy to implement. Transitional arrangements would be necessary to assist those in the social security bureaucracy who would be displaced. Special transitional arrangements would also be necessary for those recipients whose benefits would be reduced (for example some single person households). Marginal tax rates would have to be increased slightly for the highest income earners. Nevertheless, these and other problems can be overcome. The proposed GMI scheme is, in our view much fairer than the current system and it is financially feasible. Its adoption would provide an income net for all individuals, eliminate most of the horizontal and vertical inequities that plague our current system and encourage greater participation in the labour force.

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DETERMINANTS OF WEALTH IN AUSTRALIA: AN ANALYSIS OF WEALTH HOLDINGS OF DIVORCING COUPLES*

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1. INTRODUCTION

Wealth is central to current and future debates about the welfare state. It is a source of **political power and influence** which, in the analysis deriving from Marx (1959), is not benign. It was also given prominence as a **macro-economic factor**, national savings, in the writings of J. M. Keynes (1936) and his followers. In the micro economic sense of individual private saving, the issue of the **disincentive effects** of public welfare interventions is another common area of concern. Feldstein (1987, p. 469) formulates the latter problem in these terms:

> *The basic problem of designing a social security program is to set the level of benefits ... in a way that best balances the desirability of protecting those who otherwise make inadequate provisions for their old age against the cost of reduced saving by those who would otherwise save in a rational way.*

The three thematic concerns with wealth, namely as a source of political power, as national savings and the incentive and discentive effects of policy on wealth accumulation, underlie current policy debates. Throughout our history empirical evidence of varying quality has informed these debates. In the work of government statisticians like Coghlan (1900) and Knibbs (1918) Australia had an exceptional start in the study of private wealth. However, as recent reviews by Nevile and Warren (1984) and Piggott (1984) amply demonstrate, this good start has not carried through to post-war studies of wealth. The problems are basic: poor data and consequently flawed analyses. The proposal to mount a national inquiry into wealth may have generated new data but its demise has been documented in various articles in the journal **Australian Society** (Raskall, 1986, 1987). The disappearance of this initiative into an 'invisible' Social Justice Secretariat in Canberra, however, has not signalled the death knell for public policy debate on wealth. This initiative coming from the left of the Labor Party was primarily concerned with wealth as a source of 'power'. Less general, ideological concerns with wealth have remained at the top of political agendas. Debates have continued with vigour in areas like housing, superannuation and private savings. What has been lacking is the total picture - the ability to assemble all the pieces of the wealth puzzle. The critical factor has been the lack of reliable data with which to do this. So Piggott's (1984, pp. 263-264) negative conclusion to his review remains relevant:

> *Research into [savings patterns, retirement provision behaviour, marriage and fertility patterns, and bequests (among other elements of the determinants of wealth distribution)] is at an early stage internationally and empirical work on Australia is almost non-existent.*

The purpose of this paper is to contribute to debates about wealth in some of the areas where the least work has been done. In particular, the paper puts together the components of wealth like housing, superannuation and so on to construct a wealth function containing the determinants of the wealth distribution in Australia.

* The authors acknowledge the support of the Australian Institute of Family Studies, in particular Dr Peter McDonald, in providing the data on which this study is based.

2. DETERMINANTS OF WEALTH

All studies of wealth indicate strong lifecycle effects whatever data or methods they use i.e. net wealth increases with age. This is generally explained by the lifecycle model of saving, namely that people save for their retirement and for hazards of old age. The US evidence is, however, that earnings exceed consumption for many households after age 45 years and there is little evidence of dissaving after retirement. Consequently Kotlikoff (1988) challenges the strength of the saving for retirement motive versus saving for intergenerational transfers and as a precaution against unspecified hazards. In the USA, Bernheim (1986) and Hurd (1986) using data from national panel studies found that accumulation continues even after retirement. In Australia the Social Security Review investigation also reported, from Departmental assets test declarations by age pensioners, that '...the value of financial assets of pensioners in successive age groups does not fall ...' (Foster, 1988, p. 44). This evidence is, however, inconclusive and mostly shows the low value of assets held by Australian pensioners. Approximately 77 per cent of single pensioners and 69 per cent of married pensioners reported assets of less than $10,000 in 1988. The lower earnings replacement for older Australians possibly gives them less capacity to save than older Americans.

Beyond the lifecycle factor all studies concentrate on inequalities in wealth holdings with sometimes contradictory findings. Gunton (1971) reported that the top 1 per cent of the population hold nearly 30 per cent of the nation's wealth while Podder and Kakwani (1976) reported less than 10 per cent for the same group. Gunton (1971) found that wealth concentration in Australia was worse than in the USA and the UK; however, Podder (1978) and Harrison's (1979) re-working of the Gunton data show that Australia is more equal than a range of countries. Piggott (1984, p. 260) in attempting to distinguish 'lifecycle' from what he calls 'inequality' differences is forced to the overly general conclusion that the wealth holding of the top 10 per cent of the population can be seen primarily as a reflection of unequal life chances. These findings are generally agreed to be unreliable with substantial error on most results.

The distinction between wealth that accrues from investment in human capital, i.e. education, versus that which comes directly from family inheritances is also an important one. Estimates of the extent of wealth derived from inheritances relative to life cycle savings in the USA (Kotlikoff, 1988) and Japan (Shimono and Tachibanaki, 1985) put the figure at around 80 per cent. This high figure may be an artifact of calculating inherited wealth as a residual after taking account of life cycle savings. Factors like rising property prices may be erroneously counted as bequests. Looking at the distinction as a political issue, wealth accruing to people with better education and skills creates differences in holdings but not necessarily **ethically** problematic inequalities. In this paper the wealth function methodology allows us to explore the contributions of schooling and further education to household net wealth as determinants of wealth. However, no calculations of the contribution of bequests were attempted because of the problems with methodology.

3. DATA AND METHOD

The data for analysis are drawn from the Institute of Family Studies **Economic Consequences of Marriage Breakdown** Survey (McDonald, 1986). The populations from which samples were drawn were people divorced from their first marriage. Two groups, couples married 5 to 14 years with two children and couples married 15 years or more with wife's age at separation between 45 and 59 years were selected from the ABS data tapes on divorces in Victoria.

There were 126 couples among the 825 respondents. The response rates matched those in comparable USA studies, namely 25 per cent of the initial sample with a 14 per cent refusal rate, an 18 per cent return to sender and a 43 per cent no response. In the process of divorce the problem of mobility and contact addresses is extreme. Of those who responded, two-thirds were acceptances and one-third refusals. A comparison of known characteristics of non-respondents with respondents showed no major differences, although younger women respondents were slightly older than non-respondents, and older respondents had been married for a shorter time than non-respondents although this group had marriages all longer than 15 years in duration. There is, however, a known inverse relationship between probability of divorce and socio-economic status. When the sample was compared to the income categories in the 1981 Census there were fewer low income respondents and more high income respondents than in the general population. With this notable exception the sample is representative of married couples in Australia. It should be noted that single persons are **not included** in this study. The assets valued were those held by households prior to divorce. Since we know that there is a close association between being employed and probability of first marriage

(Bracher, 1988) we expect that the younger the age of the respondent the stronger will be the bias toward higher socio-economic status.

The divorce situation provides an excellent opportunity for valuation of all household assets, which can be subject to contest if one party is unhappy with the valuation. The assets valued were: house and furniture, motor vehicles, superannuation and insurance, farm or business, liquid cash assets and other assets (including other land and real estate, shares and bonds, jewellery and furs for women and tools for men, artwork, and boats and camping equipment). Despite the need for settlement in divorce there were still significant problems of valuation. Respondents may not have actually valued all items and may have been unsure of the value of businesses, farms, life insurance policies and other assets in particular. Where values were not able to be reported, means were substituted in the case of less valuable items, and in the case of more valuable items, values were substituted on a case by case basis by the Institute of Family Studies. In some cases superannuation, particularly defined benefit schemes for younger respondents, presented imponderable possibilities for valuation. All values were reached on the basis of formulae derived from cases where valuations could be made, namely where people were approaching retirement or where there were defined contribution schemes. The total net wealth is simply the sum of these items and it can be a negative number. Human capital and contingent claims on the public sector are not included in the valuation of wealth.

4. THE MODEL

Regression analysis was used to estimate the wealth function with the log of wealth the dependent variable and negative net wealth cases excluded. The analysis estimated the following model:

$$\ln \text{(net wealth)} = K + B_1 \text{ Age} + B_2 \text{ Age}^2 + B_3 \text{ Years of Sch.} + B_4 \text{ Further Ed} + B_5 \text{ Sex}$$

Graduate qualifications and sex are entered as dummy variables. All dollar values reported are in 1984 A$.

5. RESULTS

The largest share of wealth is held in house and furniture and the second largest share is held in superannuation and insurance (Table 1). Vehicles and other assets account for around 10 per cent apiece and money assets and business assets are around 6 per cent of net wealth overall. It should be noted that these absolute values are representative only for the groups sampled.

There are extreme differences in the holdings of the top 10 per cent and the bottom 10 per cent of wealth holders. The 10th percentile hold only furniture, a vehicle and some cash totalling $3,200 (Table 2). By contrast the 90th percentile has net wealth of nearly $200,000 and their cash assets at $10,000 exceed the total wealth of the bottom 10 per cent by a factor of 3. The median net wealth has zero value for business assets and is slightly under half the net wealth of the top 10 per cent of the group.

The advantages of a good start in wealth accumulation are clear when these values are plotted by age (Figure 1). The 90th percentile begins at age 25 years at the same value of net wealth where the bottom 10th percentile finishes at age 65. The increase in wealth for the top 90th percentile is rapid up to age 60 relative to the median net wealth. This figure uses the average value of education in estimating values of net wealth.

The pattern of net wealth holdings by age (Figure 2) shows a steady increase to age 45, then a rapid increase up to age 58 years, after which there is a decrease in the wealth holdings of households relative to earlier ages.

The mean value of net wealth $98,271 has a large standard deviation and a range from $1,000 to $2,373,200 (Table 3). The mean value of age is 41 years and ranges from 24 to 69 years. About 70 per cent of the group have undertaken further education and it is about 50 per cent female.

TABLE 1: MEAN SHARES AND MEANS OF TOTAL NET WEALTH AND STANDARD DEVIATIONS

	Mean (SD) Share	Mean (SD) Value in 1984$
Money Assets (Bank etc.)	0.059 (0.096)	4,316 (8,595)
Vehicles	0.094 (0.191)	4,774 (5,480)
House and Furniture	0.570 (0.277)	40,386 (38,369)
Superannuation/Insurance	0.149 (0.199)	13,094 (23,512)
Business/Property	0.071 (0.184)	19,423 (96,840)
Other Assets	0.100 (0.168)	17,607 (81,836)
Total Net Wealth		98,271 (169,340)

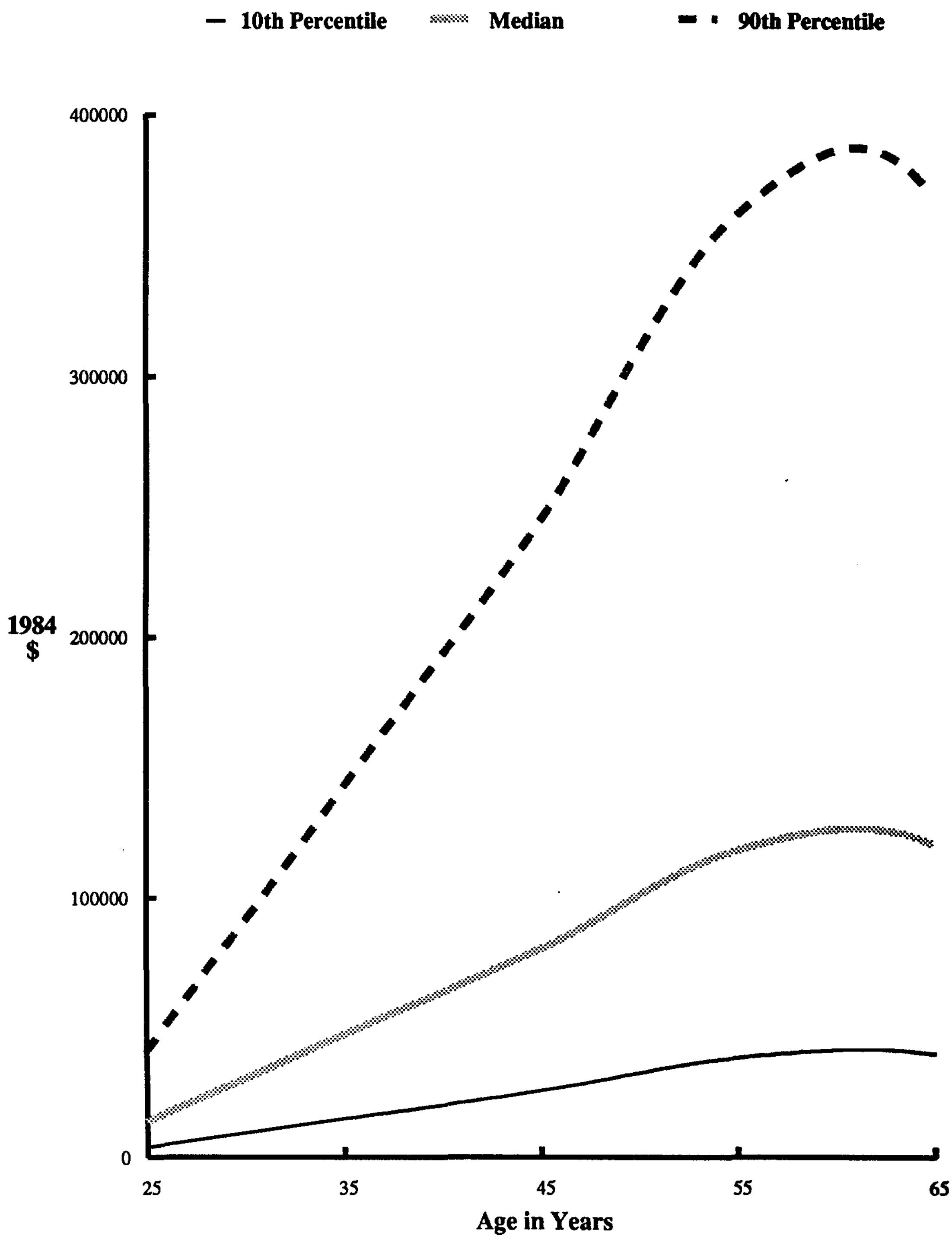
Source: Economic Consequences of Marriage Breakdown Survey.

TABLE 2: THE DISTRIBUTION OF WEALTH IN VARIOUS FORMS

Form of Wealth	10th Percentile	Median	90th Percentile
House	0	28,000	64,800
Furniture	2,500	6,000	15,000
Cash Assets	100	2,000	10,000
Vehicle	600	3,400	10,000
Superannuation	0	3,500	39,000
Other Assets	0	1,300	32,000
Businesses	0	0	23,000

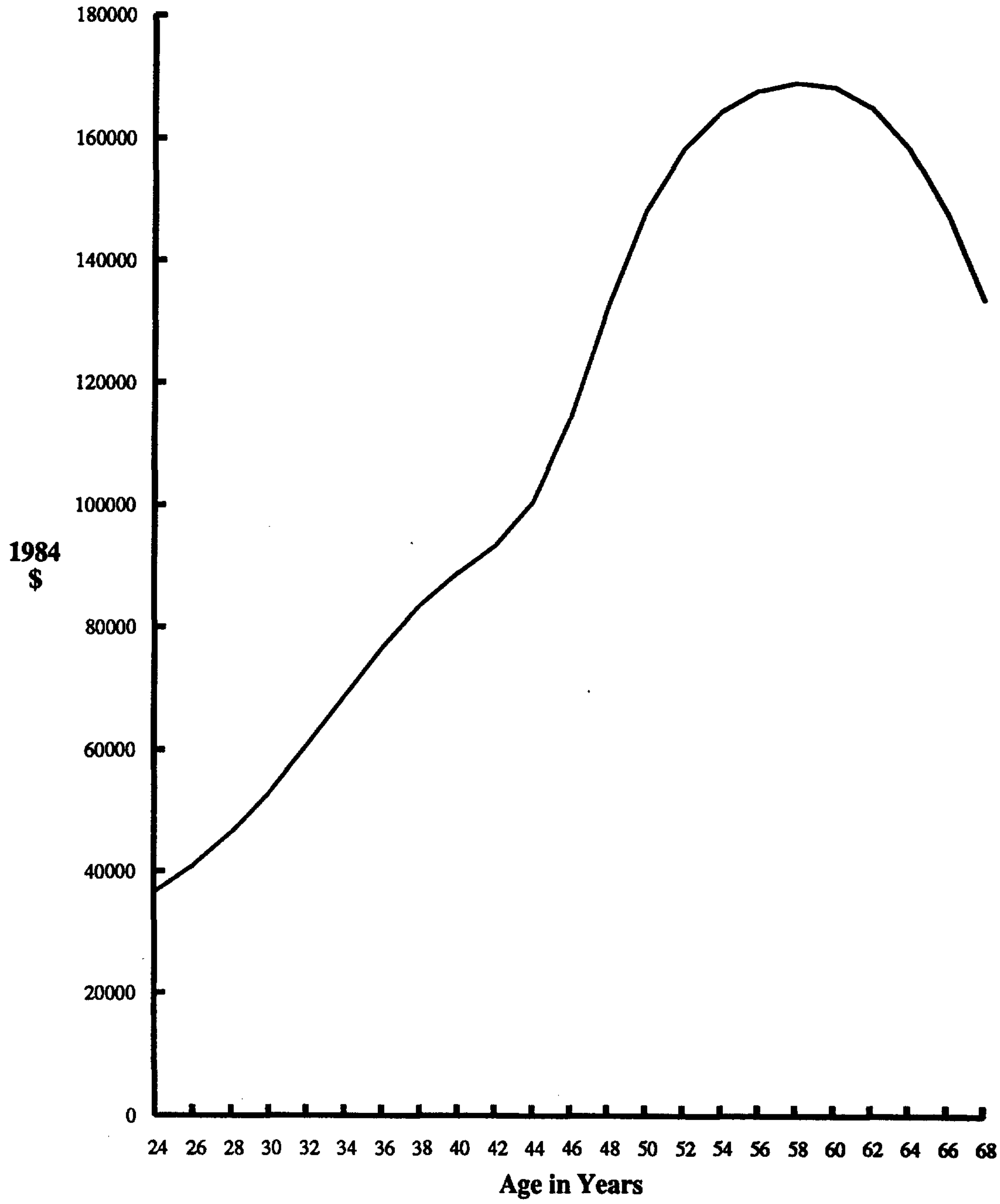
Source: Economic Consequences of Marriage Breakdown Survey.

Figure 1: Distribution of Wealth For a Person With Average Education



Source: ECMB Survey

Figure 2: Life Cycle Net Wealth



Source: ECMB Survey

TABLE 3: VARIABLES IN WEALTH FUNCTION DESCRIPTIVE STATISTICS

Variable	Mean (SD)	Minimum Value	Maximum Value
Net Wealth	98,271 (169,340)	1,000	2,373,200
Log Wealth	6.4 (1.0)	2.3	10.1
Age	41.3 (10.0)	24	69
Schooling	15.7 (1.5)	8	23
Further Education (a)	0.7 (0.5)	0	1
Gender (Fem)	0.5 (0.5)	0	1
Number	727		

Note: (a) The Question: Have you done any further study, training courses or apprenticeship since you left school? Exclude any short courses which you took purely for interest or pleasure but I do want to know about courses which you started but did not finish.

Source: Economic Consequences of Marriage Breakdown Survey.

The wealth function was estimated with the following coefficients:

$\ln NW = -.28 + .19A - .002A^2 + .10YOS + .16FE + .21S$

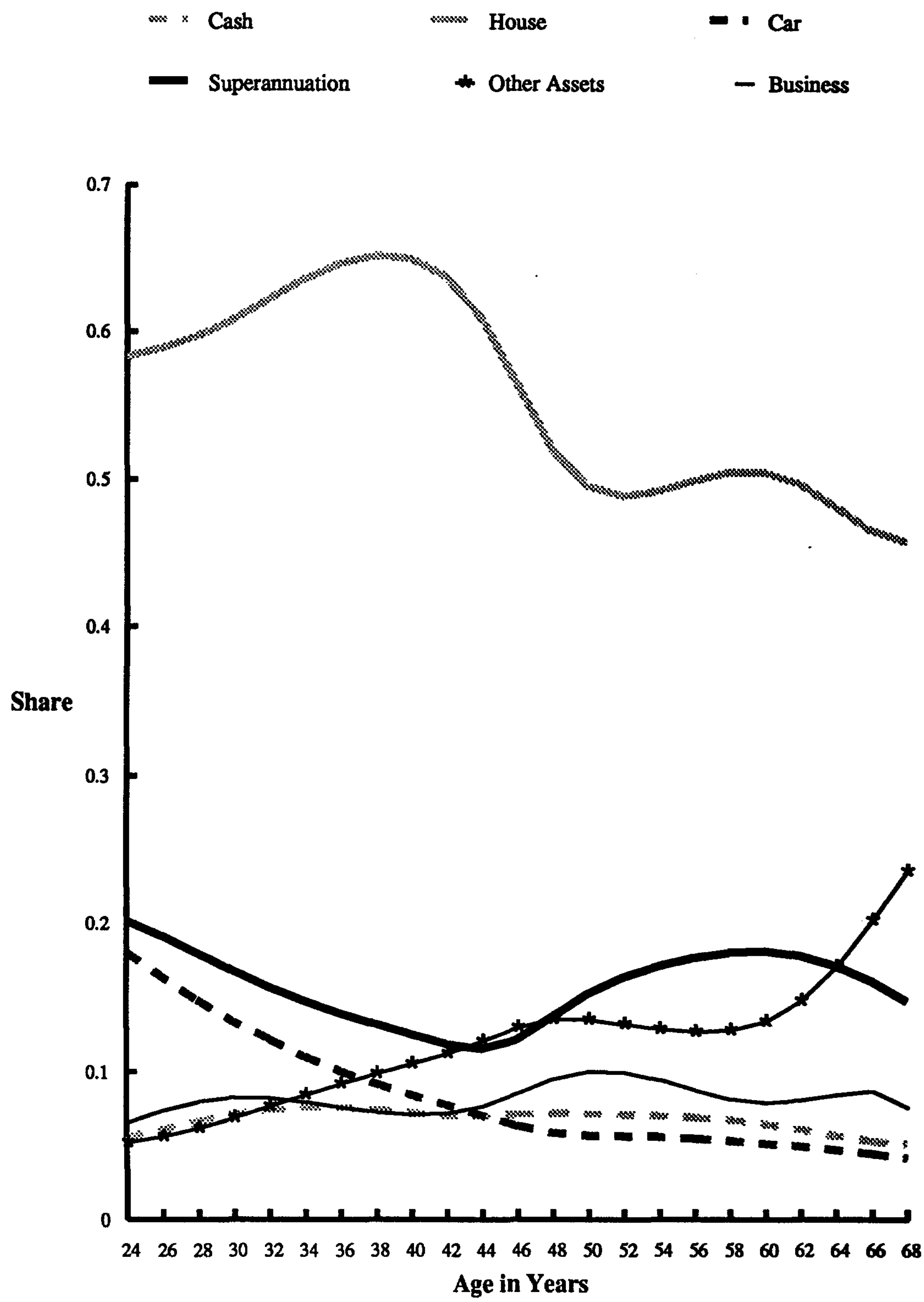
This model explains about one quarter of the variance in the dependent variable. All t-ratios are significant at 0.05 per cent.

The shares of different types of assests in net wealth are shown in Figure 3. The returns to education for those leaving school at ages 14, 16 and 18 years of age with some further education are shown in Figure 4.

The effect of the size of wealth holding itself has effects on the areas in which individuals invest. Persons with total net wealth holdings above or below the average were identified and dummy variables were added to the wealth function. This analysis estimates the effect on shares of wealth holdings of a 1 per cent increase in wealth. Because of the inclusion of the other variables in the wealth function, this is the effect of being relatively rich or poor net of where you might expect to be given gender, age, and schooling.

For persons with **above average** wealth this increase leads to an increase in the share of businesses, and in other equities - with a small increase in the share held by the value of the car. For persons with **below average** wealth, a 1 per cent increase in wealth leads to an increase in the share going to superannuation and housing and a decreased share going to businesses, other equities, and cash held in banks and other institutions (Table 4).

Figure 3: Shares of Net Wealth



Source: ECMB Survey

Figure 4: Distribution of Net Weath for Different School Leaving Age Groups

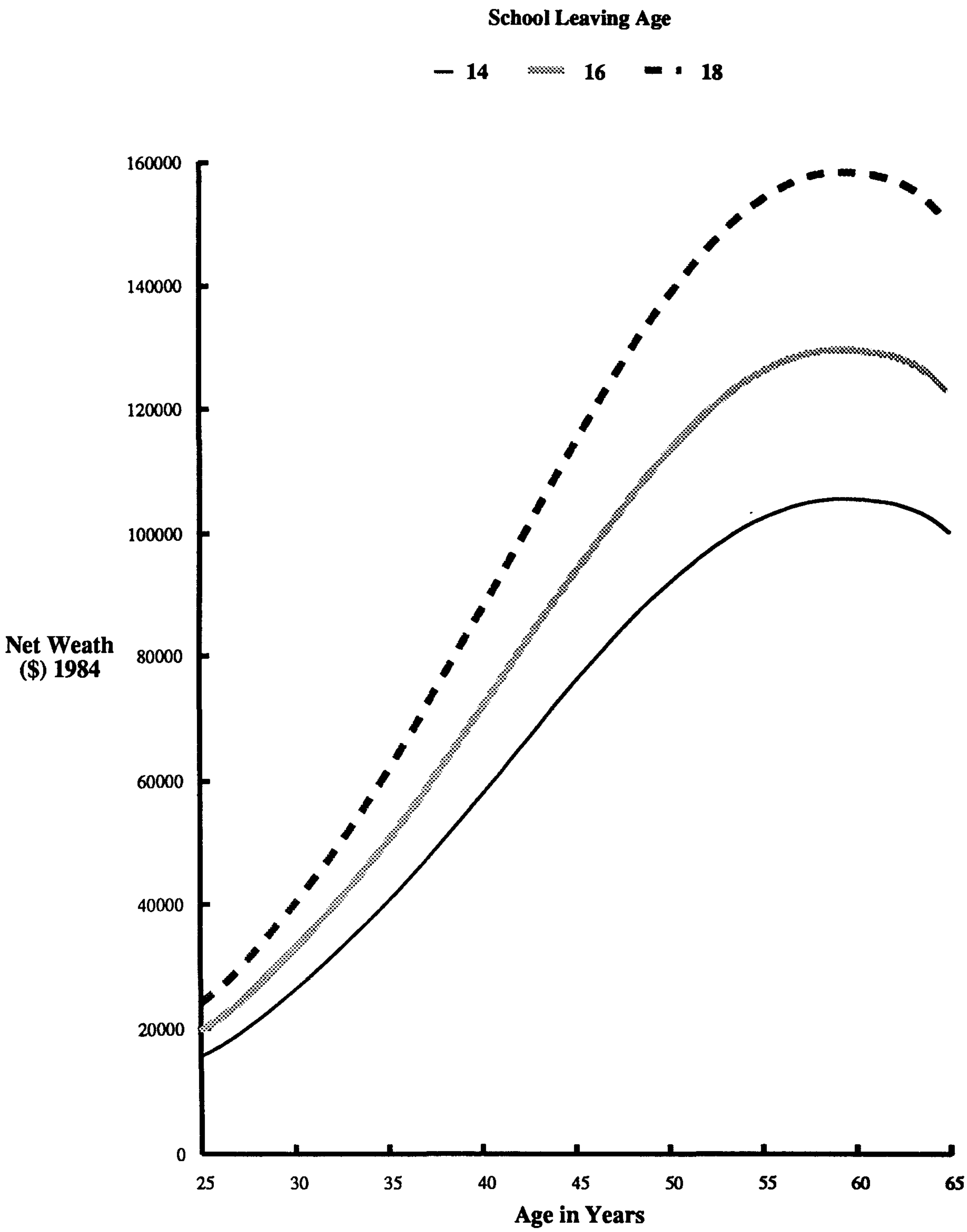


TABLE 4: EFFECT OF RELATIVE WEALTH POSITION ON THE ALLOCATION OF WEALTH SHARES

Percentage point change in in the share of each asset in total wealth as a result of a 1 per cent increase in wealth controlling for gender, age and schooling.

	Persons with below average wealth	Persons with above average wealth
ASSET TYPE:		
House	0.149*	-0.163*
Furniture	-0.100*	-0.057*
Money Assets	-0.031*	-0.010
Cars	-0.015*	0.002
Superanuation	0.045*	-0.045*
Businesses	-0.007	0.178
Other Assets	-0.013	0.084*

Note: * t-value is significant at a level > 0.05.

6. DISCUSSION

The share of housing in the total value of net wealth is identical to that reported in Williams (1983) which he identified as an increase from the 1960s (when it was about 50%) mainly at the expense of equities. Along with housing, the results here also indicate the importance of superannuation although at retirement ages its value crosses with other assets due to conversion of lump sums into equities and other property (McCallum and Beggs, 1989). Both these assets were tax advantaged at the time of survey, but the accumulation is motivated by different reasons to save. Investing in a house has the dual motive of purchasing a service and providing a bequest to family when one dies. By contrast investment in superannuation is a compulsory part of an employment contract and, consequently it is a high proportion of the wealth of younger respondents whose consumption typically exceeds income. Savings could possibly be shifted to bank and other financial institution accounts if they were similarly tax advantaged.

The rapid increase in the amount of net wealth holdings from age 45 to 60 years matches the evidence from USA which Kotlikoff (1988, p. 43) refers to as 'hump saving' because earnings profiles exceed consumption profiles. The fact that this increase occurs for the 90th percentile rather than at the median net wealth values for each age confirms Podder's (1978) survey evidence about an inverse relationship between degree of diffusion of wealth and age of head of household. He found that the older was the head of household, the more was wealth concentrated among families in the top income brackets. This is possible because the top wealth earners have money in high earning areas like businesses and stocks and shares, which are not options for less wealthy households and they gain most advantage from investments in superannuation. Those with more years of education are also known to have continuously increasing wage profiles, while those with less education plateau after their mid 30s (Beggs and Chapman, 1988). Clearly, a good start in accumulating wealth through an intergenerational transfer yields increasing returns by age because it gives access to high yield assets

The male/female difference, 21 per cent, can be explained in two ways: as a higher valuation by women relative to men because men perceive they gain from a lower valuation of assets and vice versa for women; a lower response rate for an older cohort of men relative to older women when wealth is highest. It should be thought of as a control in this wealth function.

The 2.6 per cent effect of each year of age (taking account of the quadratic) is an expected result. What is more controversial is the significant coefficient for the age squared variable. This indicates that wealth accumulation changes to decumulation around age 58 years and lends tacit support to a lifecyle model of saving. The coefficient on the age squared variable has a significant t-ratio (Table 5). The minimum public retirement income support provided in the Australian age pension may limit the capacity for the average person to continue to save after retirement from full-time work.

Finally, the 10 per cent gain for each year of schooling for non-graduates is of a similar order of magnitude to that evidence for income functions in Australia (Chapman and Mulvey, 1986). The 16 per cent coefficient for further education would add around 4 per cent per annum for a 4 year post school course. This would give a high 14 per cent per year of schooling overall. This earned differential in wealth holdings needs to be distinguished from the unearned bequest from family which also allows advantages in wealth accumulation as already discussed. There are also potential wealthy family effects through the education variable.

7. CONCLUSION

The results from this evidence indicate the critical importance of policies on housing, superannuation and education in effecting the distribution of wealth in Australia. It also emphasises the bias produced in preferred forms of wealth accumulation by tax advantages on housing and superannuation.

The most complex area is that of housing where the most recent changes in housing values have yet to be assessed. The share of housing in overall net wealth is liable to have increased in recent years above the 60 per cent seen in the early 1980s. The general principle is that the more people are excluded from areas where wealth is accumulated the greater will be the differences in wealth accumulated over the lifecycle. This is most noticeable in superannuation where only around half of the full-time workforce has had access to tax advantaged accumulation through superannuation. This lack of access accentuates the gains to those who do have access, particularly when they are in higher tax brackets. The ACTU superannuation push, coupled with Department of Social Security policy emphasis on extending coverage of superannuation, are removing this barrier to access and this should improve wealth distribution at older ages. Finally, the emphasis on equity of access to education is highlighted by these results on wealth. Any changes which make access less equitable will accentuate wealth differentials. In principle it is access to the means of accumulating wealth, namely housing and superannuation and education, that needs to be improved if we are to make the distribution of wealth more equitable. Differences in wealth will remain because of luck, people's different abilities, and because of inherited wealth.

TABLE 5: THE WEALTH FUNCTION

Variable	Coefficient (SE)	T-Ratio
Age	0.19 (.034)	5.67
Age squared	-0.002 (.0004)	-4.29
Schooling	0.10 (.023)	4.38
Further Education	0.16 (.074)	2.16
Gender	0.21 (.067)	3.14
Constant	-0.28 (.81)	-0.34

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RETIREMENT INCOME AND WOMEN: THE CHALLENGE FOR SOCIAL SECURITY POLICY

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1. INTRODUCTION

Australia is in the process of responding to the social and economic realities of population ageing. There has been some analysis of the possible social and economic effects of population ageing and, during recent months, the release of several policy reviews on retirement incomes. A key issue that has only been mentioned in passing in these reviews is the gender composition of the aged population now and in the future, and the implications that this has for social policy, particularly retirement incomes policy.

As is the case in other Western countries, the Australian population aged over 60 is predominantly female. Amongst the oldest age cohorts, the percentage of women continues to increase due to the higher death rates and lower life expectancies of men. It is also predominantly a single female population due to higher male death rates, and the socially determined pattern of women marrying men who are several years older than they are. Population projections into the future, and projections of male/female life expectancies, suggest that this situation is unlikely to change in the forseeable future.

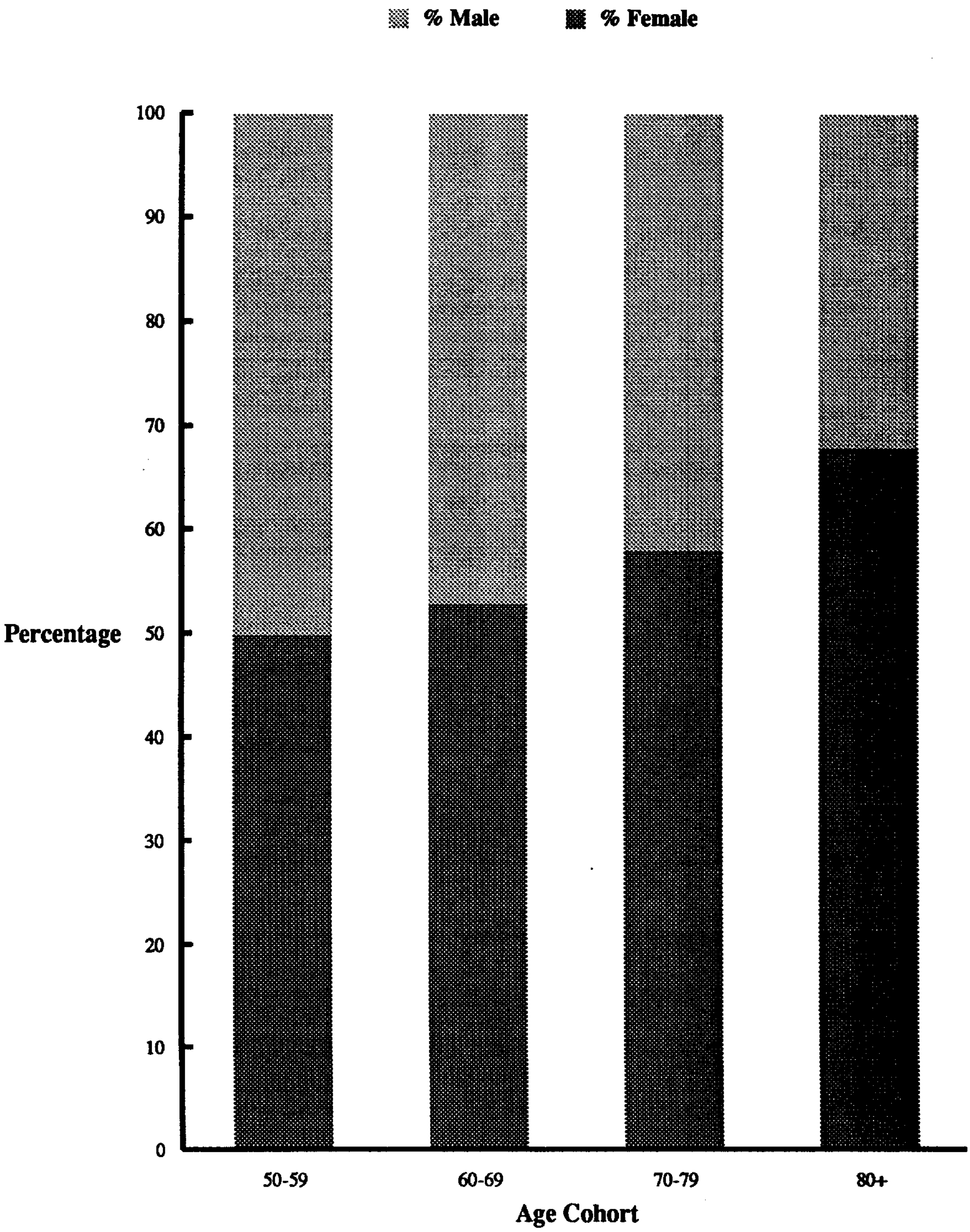
This ongoing 'feminisation' of the aged population has major implications for social policy, particularly in the retirement incomes area.

The extent of dependence of the current generation of older people upon the Age Pension - 78 per cent of all older income units receive a public pension and 45 per cent receive more than 90 per cent of their income from government income support (Foster, 1988) - has been a cause of concern. Optimism has been expressed that this will be reduced as the generation of Australians who have had higher rates of disposable income and access to means of savings for retirement enter the retirement aged population. In particular, the encouragement of superannuation as a tax advantaged form of retirement saving has been an explicit part of the policy to encourage a greater extent of self provision for retirement.

The reality remains, however, that the aged population in the future may well continue to be predominantly an older female population - the majority of whom are single and are heavily dependent upon the full Age Pension. The assumption tends to be made that as more women enter the paid labour force, their access to superannuation in particular will improve their economic status in retirement. Although there is evidence that women are forming an increasingly large proportion of the Australian workforce, and that societal expectations about women's work and the associated work life patterns of women are changing, there is little evidence that future generations of older women will be significantly better off economically as they become older than those who currently are aged. In fact, given the emphasis now on self provision for retirement, unless greater consideration is given to women's options for retirement income planning, there is reason to be concerned that future generations of women may be even **further** economically disadvantaged in old age.

The absence of good longitudinal data on age cohort patterns of labour force participation and retirement savings has meant that cross-sectional data on employment and superannuation scheme membership have been extrapolated to predict a change in women's retirement income status. Longitudinal research, given the time that it takes to obtain

Figure 1: Age Cohort by Gender in Australia



Source: ABS Projections of the Population of Australia

results, is obviously of limited utility for timely decision making on policy; however, assumptions based purely on cross sectional statistics from ABS do not enable the differences and similarities in life patterns between age cohorts to be determined.

The lifetime patterns of employment, family, and retirement income planning of Australian women were the focus of the research project on Women and Financial Planning. Analysis of these patterns has major implications for the economic status of current and future generations of older women, since women's income in old age is, for the vast majority, a reflection of their marriage and family-linked economic decisions made during working life.

The research was designed to approximate as closely as possible longitudinal data by collecting information from women aged across the life span about their past, current, and future plans for family responsibilities, paid work and retirement. Age cohort differences were a particular focus of the research. The study was cross sectional but the inclusion of retrospective and prospective questions enabled us to make comparisons between age cohorts as well as some predictions, although we acknowledge the reliability and validity constraints on this.

2. METHOD

A specially designed interview survey was carried out in conjunction with the Morgan Gallup Survey of Consumer Opinion Trends, a weekly Australia-wide survey of men and women. A large specifically developed set of questions was added to the weekly survey. A national random sample of 680 Australian women aged 16 and over was interviewed in March 1988. Three weeks later an additional random sample of 333 older women (aged 40 and over) was interviewed. This additional sample was drawn to ensure an adequate representation of older women.

The final sample comprised 1,013 women ranging in age from 18 to over 90 and geographically representative of the Australian female population.

Figure 2 shows the age distribution of the sample used in the study in comparison with the ABS figures on the Australian population as a whole.

This paper will focus on three major questions:

1. What are the family and worklife patterns of Australian women; how do they differ across age cohorts?

2. What evidence is there of changing superannuation entitlements amongst women; are these different across age cohorts?

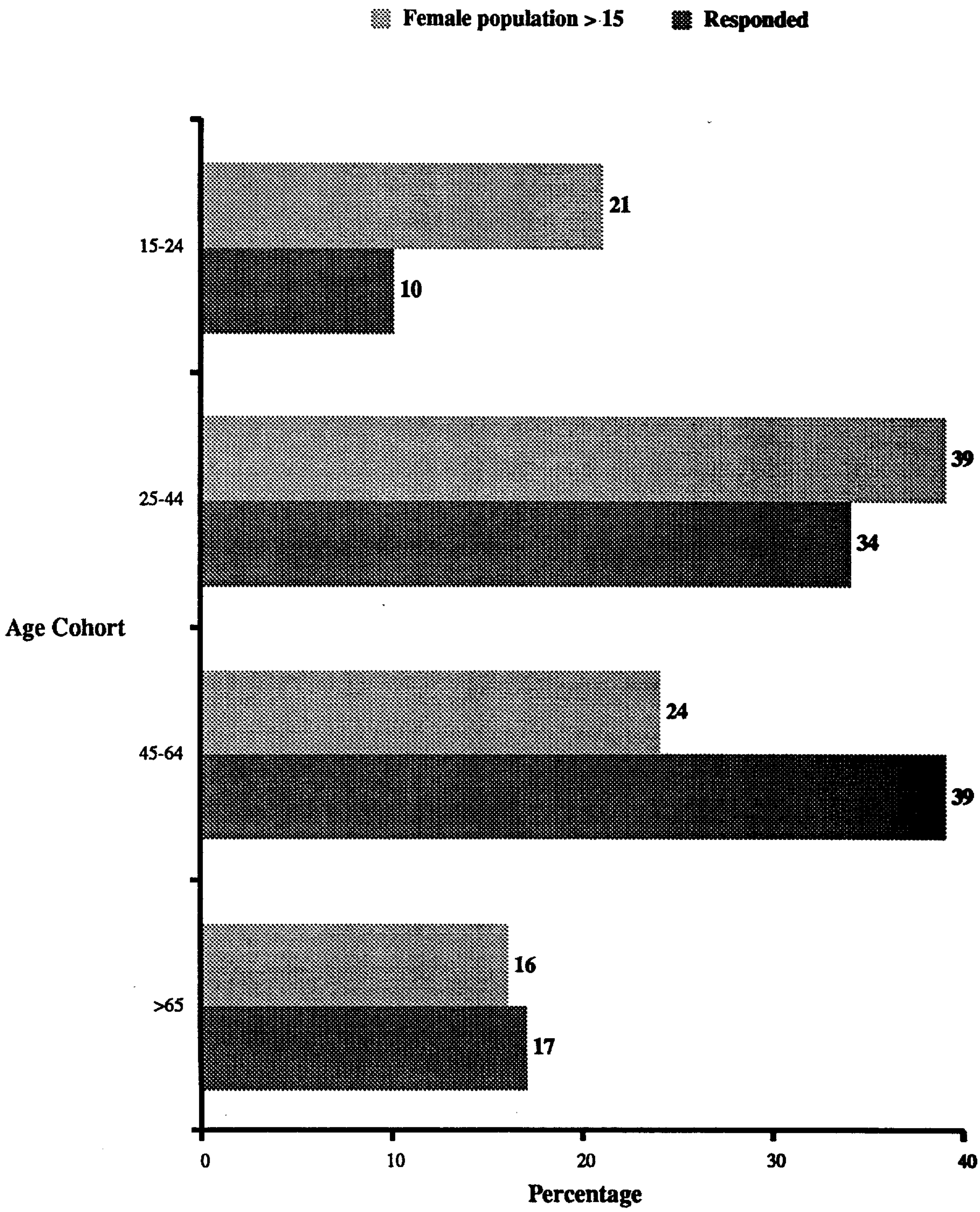
3. What are the implications of these data for retirement incomes policy?

3. RESULTS

Family and Work Patterns

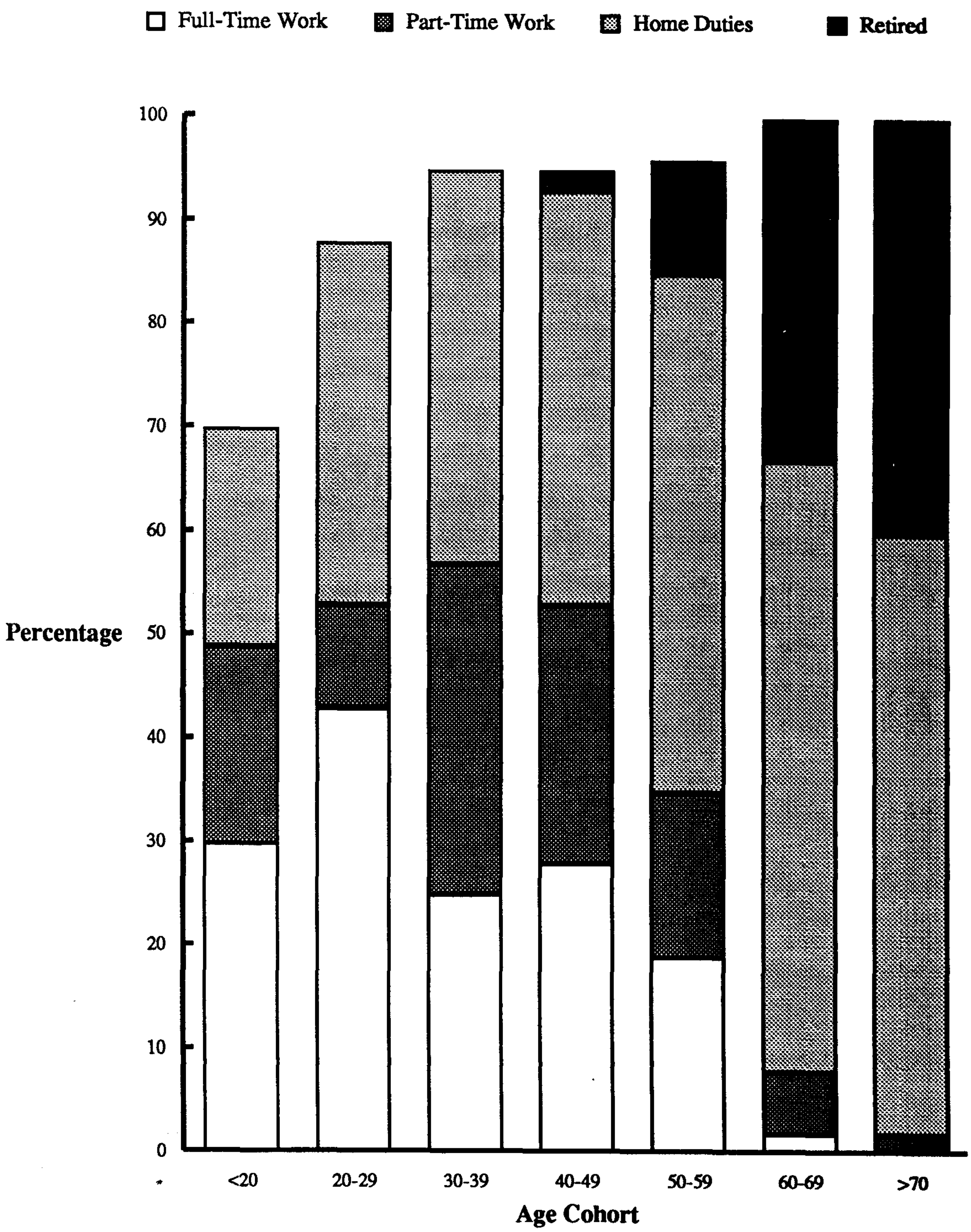
The cross-sectional patterns of work status by age cohort shown in Figure 3 indicate that the highest rates of labour force participation occur amongst women aged under 30. Participation in full-time work peaks in the 20-29 year age group (43%), drops to 25 per cent between 30 and 39, to rise slightly again in the 40-49 age cohort. Participation in part-time work follows the opposite trend: 10 per cent of the 20-29 year olds; 32 per cent of the 30-39 age cohort, and 25 per cent of the 40-49 age cohort work part time. There is also a gradual increase in the proportion of each age cohort who report themselves as being occupied in home duties. Within the 20-29 age cohort there is a gradual shift out of full-time work and into home duties after about age 25. The reason for these patterns are usually family demands, particularly around child rearing.

Figure 2: Characteristics of Respondents to Superannation Questionnaire Compared with the Australian Female Population



Source: Rosenman & Winocur (1988)

Figure 3: Work Status by Age Cohort



Source: Rosenman & Winocur (1988)

Figure 4 summarises the data on labour force withdrawal across age cohorts. The pattern shows that once women enter the years of heavy family responsibilities, the vast majority either have or plan to drop out of the workforce. Amongst the older age cohorts (70+), a much higher percentage had either never worked or had withdrawn for other reasons, predominantly marriage. Amongst the younger age groups (under 40), the age of marriage and child bearing is accelerating but the majority still marry and have, or plan to have, children, and plan to withdraw from the workforce for child bearing and rearing.

Of further significance is the period of time taken for these breaks. The clear pattern is for breaks of five to ten years and longer. There is some evidence (Figure 5) that those under 40 anticipate slightly shorter breaks, i.e. up to five years, than the older women, many of whom did not, or do not, plan to return to paid employment. The pattern remains that women have fairly short periods of continuous full-time employment prior to child bearing which typically begins when they are aged in their mid 20's. They then withdraw from the workforce for several years at a minimum, with re-entry, if it occurs, being in mid life around ages 35 to 40.

A second distinctive feature of women's work patterns is a clear preference for return to part-time rather than full-time work which enables them to accommodate family responsibilities and, for many, becomes the preferred permanent work status. This is accommodated within the labour market as indicated by Australia's high and growing rates of casual and part-time employment.

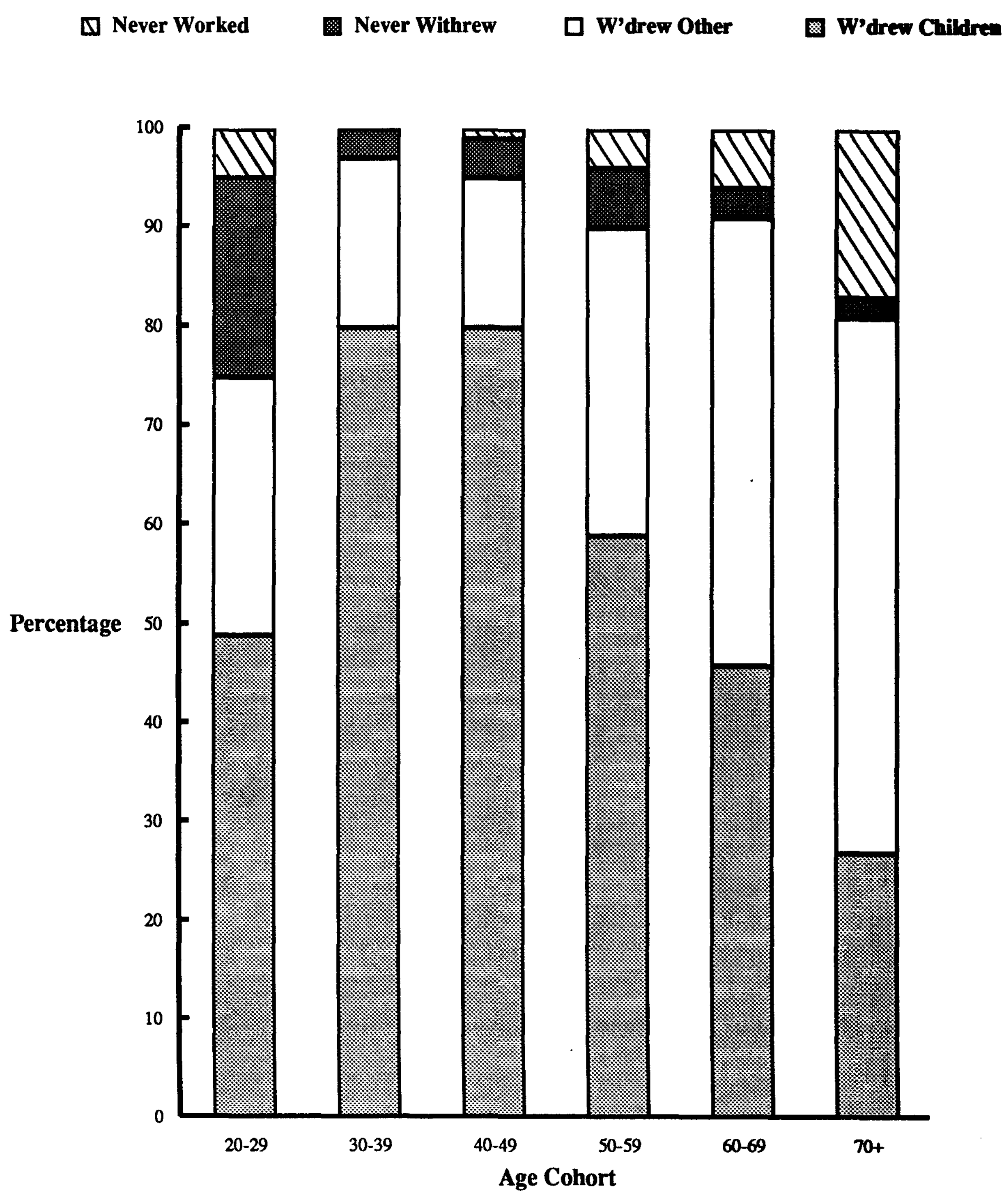
Superannuation Coverage

The relationship between these employment patterns and superannuation scheme membership is quite predictable. The rate of superannuation coverage of employed women in our sample was 35 per cent which compares favourably with other national statistics. The key to this, however, is that only 39 per cent of women in our sample were in paid employment. Rates of occupational superannuation scheme coverage of all women are significantly lower. Taking into account the majority of women who are not in paid employment, what this means is that only 15 per cent of women of working age (20-65) reported having some form of superannuation in their own right. The typical pattern amongst younger women (i.e. under 50) seemed to be to join superannuation as a requirement of their jobs when they first enter the work force. Where there is an option about joining superannuation, many do not exercise it because they do not plan to remain in the work force and/or with that particular employer. When they withdraw from the labour force, usually for family reasons, they cash in their scheme. If they return to paid employment, most likely on a part-time basis, many schemes currently exclude them from membership. If, and when, they return to full time work, the period left to them to accumulate any significant amount of superannuation entitlement is extremely limited. This is especially significant since the vast majority of our sample anticipated retiring at or before age 60. In combination with this truncated work pattern during which they are able to accrue benefits, women's low wages mean that, even with superannuation scheme membership, very few will accumulate substantial amounts of retirement income through occupational superannuation.

It is clear from our data that without changes to occupational superannuation to encourage women to join schemes and to preserve benefits during periods out of the labour force, the proportion of women who will be able to draw on superannuation payouts at retirement will continue to be low. Furthermore, the goal of increasing rates of superannuation scheme membership amongst women will not ensure adequate superannuation payouts at retirement. Without major changes in societal expectations, and in the economy, that would enhance women's occupational aspirations and would achieve pay equity between women and men, even with 100 per cent coverage by occupational superannuation, women will continue to enter retirement without significant sources of income.

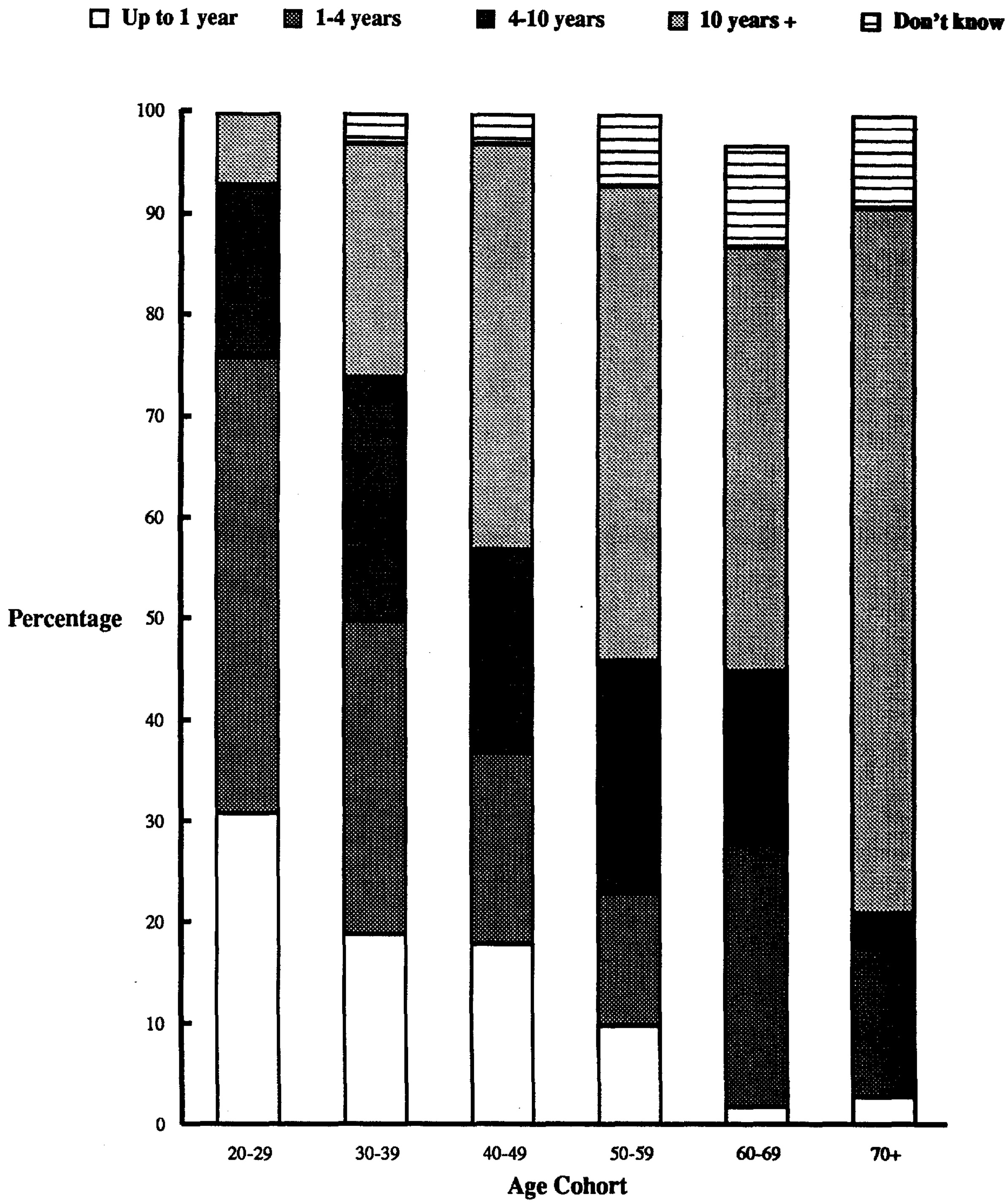
This has major implications for retirement incomes policy. Put simply, a retirement incomes policy that allows the majority of women adequate incomes in old age cannot be built around a government encouraged expansion of private occupational superannuation, particularly if the hope is that private superannuation will gradually replace the pension as the main income source for the majority of the aged population.

Figure 4: Labour Force History by Age Cohort



Source: Rosenman & Winocur (1988)

Figure 5: Actual/Anticipated Break for Children by Age Cohort



Source: Rosenman & Winocur (1988)

The Importance of Family Income to Women

The occupational superannuation system is designed around the traditional (although increasingly less common) male work life of full-time continuous employment over a 30-40 year period. The focus of the income maintenance system is upon the individual contributor and the maintenance of living standards into retirement that are based upon individual earnings. Neither of these reflects the reality of work life or income status of women.

The vast majority of Australian women continue to plan marriage and children. These expectations, and the realities of societal demands about maternal care of children while they are young, shape educational aspirations, patterns of labour force participation and reduce actual and potential earnings for the majority of women.

The contribution that most women make to family, including husband's, economic well-being through their domestic labour, and the individual cost that they bear through a reduction in lifetime earnings potential is not adequately recognised either by our legal or our retirement incomes system.

While individual earnings are low for the majority of women, economic well-being and living standards are determined by family income, predominantly the earnings of a spouse rather than by their own (usually low) earnings. It is important that women's entitlements to the maintenance of living standards based upon family income be recognised by income maintenance policy.

Within our sample, Figure 6 shows that although relatively few women had superannuation entitlements in their own right, a much higher percentage of married women had husbands who were members of superannuation schemes.

Amongst married women, rates of superannuation coverage of husbands were highest during the peak male earning years of 35-55. Significantly, the majority of married women who were in superannuation schemes themselves were also married to men who belonged to a superannuation scheme. Almost 25 per cent of the married women in the sample were in families in which neither member of the couple had superannuation coverage.

As Figure 7 shows, the vast majority of single women did not have any superannuation coverage.

Neither the economy nor the legal system has devised ways of valuing the contribution of women's unpaid work at home, and the personal costs in terms of lifetime earnings and earnings potential to the economic well-being of the individual family or the nation. Consequently, women, when they become single through widowhood or divorce, are penalised economically in old age for socially sanctioned decisions made during mid life. This needs to be confronted in retirement incomes policy.

There are three major sets of issues that retirement incomes policy needs to confront in dealing with the challenge of ensuring women's income security in old age.

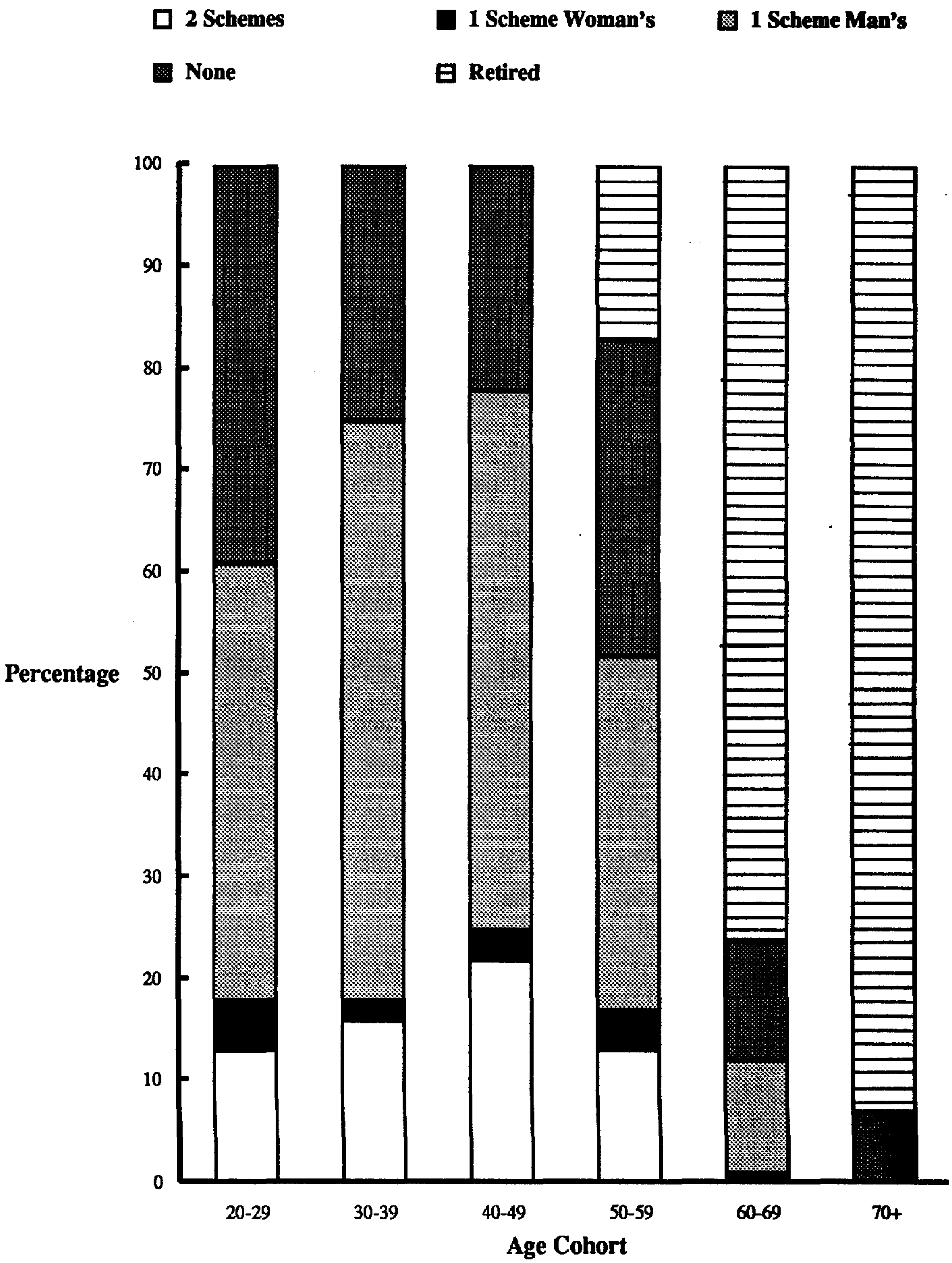
1. **Women must be encouraged and enabled to become economically independent in their own rights in old age through any avenue possible.**

There are obviously multiple strategies needed to achieve this. Accepting that, in the short term at least, existing pay inequities are likely to continue, strategies need to focus on public education. Firstly, they need to encourage women to exercise their option to participate in superannuation and, secondly, to preserve such benefits upon leaving an employer, or upon workforce withdrawal for family or other reasons. Women must also be educated about the necessity of being aware of a husband's entitlements, and their rights to a share in case of marriage dissolution.

Occupational superannuation schemes should be required to become more accessible to women. While direct sex discrimination is no longer allowed, exclusion of certain classes of workers (usually part-time or casual), and the continuing lack of standards for vesting and portability make many schemes unattractive to women and indirectly discriminatory, given their expected worklife patterns.

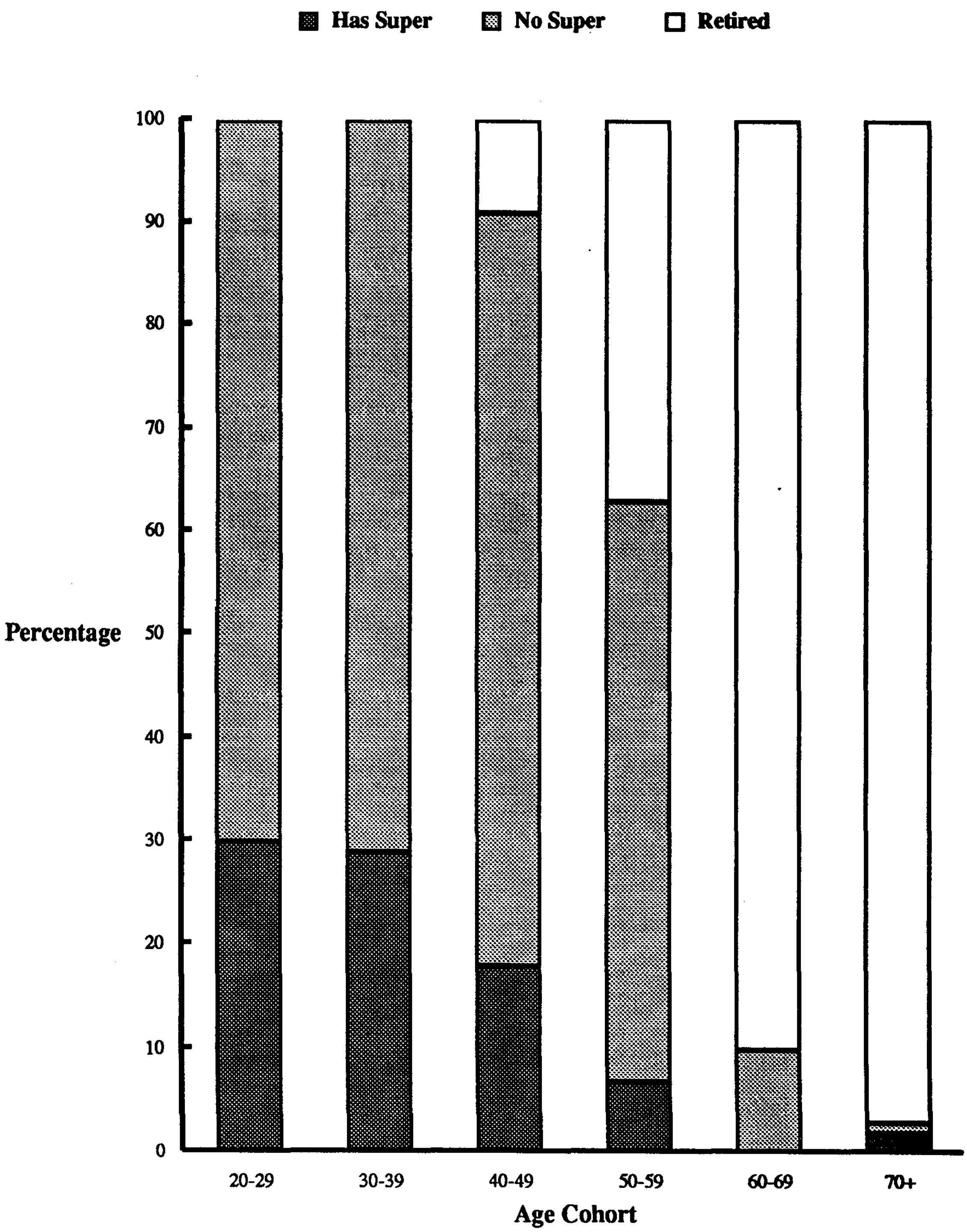
If occupational superannuation is to become a key part of retirement incomes policy and to retain its tax advantaged status, it should be subject to either direct regulation, or tax incentives, to remove the terms which indirectly discriminate against women in many superannuation schemes.

Figure 6: Superannuation Coverage by Age Cohort (Married)



Source: Rosenman & Winocur (1988)

Figure 7: Superannuation Coverage by Age Cohort (Single)



Source: Rosenman & Winocur (1988)

Every avenue must be opened to ensure that women are able, and encourged to become entitled and retain entitlement to superannuation. The reality of women's worklife patterns and low wage rates will continue to ensure that even with continuous superannuation membership, relatively small payouts are likely to continue to be the norm at retirement.

2. **The second challenge for retirement incomes policy is how to ensure that women are enabled to maintain into old age a standard of living that has been determined by family income rather than individual earnings during mid life.**

This is a problem of the appropriate unit for contribution and for benefits. It involves not just the superannuation, but also the pension and income tax systems since what is considered to be the income units are not consistent across any of these systems. It is also an issue that causes problems for retirement income systems in many countries.

Put simply, women contribute to family economic well-being by both their home activities, and by forgoing current consumption to enable a partner to contribute to superannuation. Their own incomes and earnings potential are often depressed because of the dominance of family obligations. Yet pension and superannuation and taxation systems are designed around the individual contributor as the unit. There are three possible ways of dealing with this, all of which would require some structural change.

i) Superannuation entitlements and all other assets acquired during a marriage should be dealt with as family property to be shared equally between members of a marital couple. The justice of this in the event of divorce has been recognised, although its effectiveness in practice is questionable. In theory, it should also be recognised at retirement by the splitting of family assets, including superannuation, between members of a couple. Obviously, the preference for lump sums in Australia, the tax treatment of lump sums, and the limitations to income-splitting under the tax system, as well as personal preference would make this difficult. Nevertheless, it is a principle towards which we should be working.

ii) At a minimum, however, in the short term, partners should be encouraged, if not required, to consider the economic needs of a spouse, particularly should she survive him, when annuities, pensions or investment decisions on lump sums are made for income in retirement.

iii) In the United States, where annuities rather than lump sums are the norm, all annuities are joint and survivor, i.e. to the married couple with a survivorship component, unless this is explicitly waived by the partner. Provision should also be made for tax deductible contributions from family income to be able to be made to a superannuation scheme for a non-employed spouse during the time that she spends out of the workforce. Although this would only benefit higher income families (who are looking to reduce tax liability) it would establish the mechanism for women to have access in their own right to family income for retirement. Currently, a person must be employed to be eligible to take out private superannuation and benefit from the tax advantages. This obviously excludes non-employed women at home.

3. **The right to an adequate Age Pension must become an issue for women.**

Efforts to improve women's access to superannuation will only pay off in the long term. Even in the longer term, without a major change in women's work patterns and earnings, any retirement income system (be it employer organised occupational superannuation, trade union schemes or national superannuation) in which income in old age is related to individual earnings during working life will disadvantage the majority of women. Accordingly, the availability of, and the right to, a non-contributory means-tested Age Pension will continue to be an important - if not a major component of retirement incomes for most women. Despite all efforts to ensure that women obtain access to their own, and their spouse's superannuation in retirement, there will continue to be women who have little or no income or assets accrued for old age, and who outlive their savings. The majority of women will, in all likelihood, spend their final years widowed and often living alone. For almost all women the availability of an adequate non-contributory Age Pension will remain a necessity.

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'DON'T THINK TWICE ITS ALRIGHT' IDEOLOGIES AND AUSTRALIAN SOCIAL WELFARE

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ACT Council of Social Service

The organising principles which structure Australian society are gender, age, race, locality and class. Each of these divisions are embodied in the ideologies which underlie the social welfare system. Together these ideologies constitute a severe impediment to the development of a progressive social welfare system. The inherent conservatism of the policy makers, both public servants and politicians, grows out of these ideologies.

It is the conglomeration of these ideologies which prevents the present Australian Government moving to introduce a deregulated income maintenance system. The different treatment of the family in the social security and taxation systems exemplifies this problem.

This paper examines these processes and argues the case for a guaranteed minimum income based on the individual as the unit of payment.

1. INTRODUCTION

We could have afforded to have created in this country an income maintenance system which ensured that everyone whose income (from whatever source) fell below set limits was assisted to maintain a decent standard of living. It would have been possible to have paid every individual an income sufficient to have maintained them with dignity and to have then used the taxation system to recoup from the more affluent sufficient revenue to have paid for this income guarantee. This has not been done. Instead we have been subjected to a range of ill-informed rationalisation about double dipping, costs, lowered productivity, and so forth. Australians have no difficulty accepting that superannuatints should be paid full superannuation irrespective of their other income, but become alarmed when a similar approach is suggested for the welfare system.

Australia's system of income maintenance is an extraordinarily targeted one. This highly regulated income support system contrasts strongly with the open slather or deregulated money market approach of the present Government. In this paper I will attempt to set out the components which have structured the income maintenance arrangements, not suprisingly it will be shown that these structural features of the welfare system are also to be observed as central components in mainstream Australian life.

Modern Australia was founded on invasion. White Australians murdered and raped the indigenous owners of this land. They continue to invade and steal Aboriginal land. The invaders are now the miners, the welfare, and the police. The original invaders were the soldiers, the police, missionaries, farmers, and squatters. All of this has been sanctioned by white indifference, acquiescence, legal fiction and greed.

Modern Australia was created out of theft and murder and is maintained by a class and caste war. The ideologies which determine the form of the class war are sexism, racism, ageism, and urbanism. These ideologies are reflected in the market place and the social welfare system. They underline Australians' unequal access to choice and opportunity. People who experience physical, intellectual or emotional disabilities are further disadvantaged.

2. RACE

When you are living in a nice quiet part of suburban Australia it is very easy to forget that this country was founded on invasion and dispossession of the original inhabitants. However, you don't need to travel very far from the cities to encounter the remnants of our unsuccessful genocide attempt. Some people will not have to travel at all. Over the last fifty years Aboriginal people have come in quite large numbers into the inner cities and in suburbs like Redfern; many have established homes. In the north of Australia and in the arid interior, Aboriginal people comprise a significant proportion of the population. In many small towns they are the major ethnic group.

Until 1960 Aborigines[1] were not paid Social Security. Aborigines living in remote parts of Australia were not paid Social Security until the 1970s, and even today many Aboriginal people in these parts do not get anything like the payment of income security, which other Australians would regard as normal. The Department of Social Security has in recent years attempted to supply income security to the more remote regions of this country and has made a special effort to get payments to Aboriginal people. Money for sufficient staff (particularly those of Aboriginal descent) and its ignorance of Aboriginal people are the major obstacles to the effective supply of income security to Aborigines.

Our colonial past is virtually invisible in the citified south, but we maintain a very real colonial presence in north and central Australia. The last recorded officially sanctioned punitive raid against Aborigines was carried out in the north of South Australia in 1942 (Rowley, 1970). Aboriginal people currently living in the Northern Territory and the Kimberlies can recall massacres of their people.

When you're living in the south it is very easy to forget the degree and extent of everyday racism, but from time to time you get jolted out of your complacency by press reports. I'd like to mention just two recent examples. The first is that of Leslie Sampie, the 20-year-old intellectually disabled, virtually deaf, son of the Kimberley Land Council chairperson, who was attacked by Peter Wicks and James Dyson in the courtyard of a Broome Hotel.

> *Medical evidence indicated he was beaten so badly his heart was jolted from its sac; his spleen and other organs were severely injured; his head was stowed in with a brick; he had bruises and abrasions all over his body; one of his ears was nearly severed with a Bowie knife, and he had two shallow stab wounds in his chest.*
>
> *The medical report suggested he would have died from these injuries within a week.*
>
> *But the immediate cause of death came from his throat being slit from ear to ear.* (The Weekend Australian, 15-16/4/89, p. 6).

The jury found Peter Wicks not guilty of murder but guilty of manslaughter. James Dyson, who denied using the knife or the brick, (evidence contradicted by another witness) was found not guilty, and is now free.

The other case I'd like to refer to is that of David Gundy murdered by police during a raid on his Marrickville home whilst they were conducting a search for the person who had shot two Sydney police some days before. Officers involved in the raid, which also killed the two family dogs, were heard to remark after the shooting and their discovery they had twice shot an unarmed man who had nothing to do with the police shooting 'Well he was about the same height'. I suppose if Aborigines all look alike, then this must be put down as a reasonable mistake - this was certainly the thrust of the comments made by Pickering, the NSW Minister of Police. Given the extent of racism in this country, it is probably understandable that one dead Aborigine more or less is a matter of little concern, but how do the police justify the killing of the dogs?

Alan Jordan's recent book entitled 'Of Good Character and Deserving of a Pension: Moral and Racial Provisions in Australian Social Security' (1989) demonstrates the enshrinement of racist provisions directed particularly at Aborigines and Asians was not an oversight but the clear intention of the majority of parliamentarians at the time of the introduction of the Age and Invalid Pension in 1908.

Given the strength of racism which exists in Australia, it is hardly surprising that such racist views have in the past been enshrined in the income maintenance provisions. Now at least the overt racist provisions in the legislation have been removed but racist attitudes and practices are very much a part of many Social Security offices, although one will also find active non-racists working in these same offices.

1. In the 1940s some Aborigines, exempted from Aboriginal Acts and who were regarded as living as Europeans, were paid Social Security.

Racism directed towards Aborigines is still a major problem. In 1988 the newly elected President of the Returned Services League, himself a recipient of a Totally Permanently Incapacitated veterans payment (which allows him to be paid for 8 hours' labour per week) was quoted as calling for blood tests to be carried out on Aborigines who claimed welfare benefits in order to determine what amount of 'Aboriginal blood they had' (Canberra Times, 9/9/88, p. 1). During 1988-89 the Royal Commission into Aboriginal Deaths in Custody investigated some of the more than one hundred such deaths since 1980. In Western Australia (the State responsible for the largest number of deaths in custody) the Government purchased $300,000 worth of new riot control gear to equip its police force to handle Aboriginal riots (Vanguard, 7/9/88, p. 4).

3. AGE

Discrimination on the basis of age, sometimes termed 'ageism', has been brought to general attention by specific age-related interest groups such as pensioner groups, senior citizens clubs, and the youth sector (Youth Affairs Council of Australia; 1983, 1984). Older citizens tend to centre their objections around issues such as compulsory retirement ages and the lack of regard shown for the continuing contribution which many feel they could make to the society. They have compared their treatment to that of planned obsolescence of consumer durables. The young have pointed to the lower than adult rates of payment of social security benefits, the even lower rates of student allowances (the overwhelming majority of students are less than 21 years of age) and the junior rates applying to many industrial awards where comparable work is done by people of any age.

In 1987 the Hawke Government, not content with maintaining a lower rate of Unemployment Benefit payment to those under 18 years of age, abolished this group's entitlement to Unemployment Benefit. The Unemployment Benefit was replaced by a Job Search Allowance made up of two components: a basic $25 a week benefit which was subject to the applicant meeting the normal Unemployment Benefit conditions including a personal income test and a family income test for a further amount of $25 a week. It is possible to see this decision as simply another manifestation of ageist policies directed at the young but this only accounts in part for the decision. The other component embedded in this form of payment is designed to support a conservative view of appropriate familial relationships. The parents are forced to provide some income assistance to their children who, prior to this change, were seen as independent and part of the workforce.

Chris Sidoti, Secretary of the Human Rights and Equal Opportunity Commission, has noted that no Australian jurisdiction 'makes discrimination on the basis of age unlawful' despite its being unlawful in almost every state in the United States of America following the lead of Colorado in 1903. This is not simply an oversight in Australia.

> *In New South Wales the Anti-Discrimination Board recommended in 1980 that age should be listed as on of the prohibited grounds of discrimination under that State's Anti-Discrimination Act, and that recommendation has been repeated every year since.*
> (Sidoti, 1988)

The Victorian Government is currently attempting to introduce legislation which will outlaw discrimination on the basis of age (Weekend Australian, 13-14 May 1989, p. 8). Sidoti argues that the bias for maintaining such ageist policies lies in a number of unsustainable assertions about age, namely that the old are more subject to stress, illness, injury and decline in productivity and that the young are less productive.

Anyone who has looked at the recent changes made by the Hawke Government to the income security provisions for unemployed people can not fail to be struck by the obvious discrimination directed against our youngest citizens. With a degree of barbarism, not seen since the height of Fraser and Viner's bash-a-dole-bludger campaign, Brian Howe has cut the already pitifully inadequate Unemployment Benefit in half for those unemployed whose parents had an income which Howe considered was sufficient to support them. Howe seems to be determined to return us to the days of 1908 when in order to get an Age Pension one had to establish that one's family was unable to provide support. The most disturbing part of Howe's administration of the Social Security portfolio is the constant meanness of spirit which has infected it.

4. URBANISM

Discrimination on the basis of residence has not been afforded the attention it deserves (Lawrence, 1987). One possible reason for that is that unlike gender, age or race, residential status can be changed simply by leaving a particular locality. In mobile societies, such as Australia, for most people any discrimination they encounter as a result of living in a particular locality is of a short term nature. But there are groups of people who spend their whole lives in areas where comparatively few social services are provided. Anyone who lives outside a narrow band of land bordering the Pacific Ocean adjacent to the major cities or near Adelaide or Perth, experiences a diminution of services compared with people living inside that band. The further one lives from such major urban centres, the greater the decrease in services.

The concentration of goods and services in the major population centres, to the exclusion of services to rural areas, is a major cause of the unequal treatment of poor people in Australia. It affects both white and Aboriginal people in Australia, but because Aborigines suffer more poverty more frequently and because of their low literacy levels, they are particularly disadvantaged by living in remote areas.

On the frontier in the United States and in the Australian bush, rural dwellers were forced by sheer necessity to engage in forms of mutual helping. This necessity arose out of the neglect of the country people by authorities in the cities. There has been within Australian welfare circles a very convenient belief that somehow people in rural areas join together and ensure that disadvantaged people in isolated areas see to their own immediate welfare crises - this myth is part of the more general myth of Australian mateship which some city people contend still exists in the bush. Studies by the Poverty Inquiry have shown that whatever assistance the more affluent in rural areas are capable of organising, there are many people experiencing poverty who are excluded from local helping arrangements (Commisssion of Inquiry into Poverty, 1974).

The assistance which was provided was a very selective form of communal help - long after indigenes had their land stolen they were excluded from such co-operative efforts. City people have come to glorify the support systems in the bush, perhaps because those helping arrangements which do exist are a far cry from socialism - they amount to a rural version of liberal self-help.

It is not possible to take seriously the suggestion that the needs of isolated people in rural areas can have totally escaped the attention of the Social Security Department. Yet it was not until the late 1960s that the Department of Social Security began to address the issue of people in remote areas and, up to the present time, has committed very little time, energy and money to this problem. Much of the publicly available information about benefits is in a written form. This creates added difficulties in rural areas where illiteracy rates are much higher than in cities. The Department has begun experimentation with audio and audio-visual cassettes in a number of languages.

In recent years, the Department of Social Security has begun to address some of the issues raised by the urbanist nature of its administration by the employment of Aboriginal liaison officers to service isolated Aboriginal communities, the decentralisation of offices, and the use of agents in small country towns to assist rural people to claim. There has been some degree of bipartisan political recognition of the neglect of rural people. In 1976 the Fraser Government introduced special Unemployment Benefit conditions for farmers experiencing financial difficulties. And in 1984, partly because of the recognition of the extra costs of living incurred in remote areas and partly because people in remote areas were seen to receive less value from fringe benefit schemes, the Hawke Labor Government paid an additional Remote Area Allowance on many benefits and pensions to people living in isolated areas. The areas covered by this provision were based on the Taxation Zonal system which had long recognised that extra costs of living were incurred by residents of such areas (Commission of Inquiry into Poverty, 1975).

5. GENDER

In laying bare the patriarchal assumptions integral to the ideologies of conservatism, liberalism, social democracy and Marxism, feminists have exposed the sexist nature of the societies organised around these positions. They have shown that beyond other forms of control exerted upon welfare recipients patriarchy adds a further oppression on women, children, and dependent men through its welfare programs. Understandably feminists have concentrated upon the family as the centrepiece of their analysis. In isolating the twin issues of dependency and intra-family repression, feminists have added a new dimension to the way social scientists have come to look at the role of the Australian family.

Perhaps the clearest example of conservative reaction to the extension of welfare payments comes whenever proposals are put forward which impact on relationships within families. In such situations the conservatives are almost invariably opposed by feminists and often liberals and social-democrats. The payment of a Supporting Mothers Benefit in circumstances which did not require a woman with children in her custody to prove she had been deserted 'without just cause' nor that 'she had left with just cause' but simply that she lived apart from her spouse aroused considerable conservative reaction. Conservatives raised the spectre of young women setting out to have children in order to get the benefit and hence avoid work. The suggestion that sane human beings would set out to attain an income which had the potential to ensure their income remained below the poverty line for the next sixteen years might seem ridiculous, but at the time of the introduction of the Supporting Mothers Benefit it was put with alacrity by many in conservative forums (Kiely, 1982; Charlesworth, 1982).

The 1987 decision by the Hawke Government to stop paying Family Allowance to families who had high incomes could be seen as motivated by a genuine social-democratic desire to ensure that more assistance was then available to be paid towards the upkeep of children who lived in low income earning households. This argument was consistently put by the Government (Howe, 1987) and they were joined by new right spokespersons such as Andrew Hay (Donohoe, 1987). They were opposed by feminists and socialists: the feminists arguing that even if the earner in a family had a high income, this did not ensure that all in a family would benefit, and that in many families the Family Allowance was the only money over which many wives had total control (Cass, 1983). Socialists argued against the reduction in Family Allowance on the grounds that it would end the one truly generally available welfare payment which was not surrounded by complex eligibility requirements (Tomlinson, 1988). Socialists insisted that if the issue which was being addressed was reducing budget outlays then in order to ensure that more money was going to be available to assist those children who lived in poorer families this outcome could have been achieved by raising the tax rates on all higher earners whilst maintaining Family Allowance payment for all children (Tomlinson, 1988). Given that social-democrats have an ideological commitment to equity and clearly the presence of children in any family decreases the available resources, then this socialist proposal would seem to have a real attraction. That it was not adopted is now history, a history which discloses the way in which social-democrat governments come to be heavily influenced by conservative and patriarchal values when they come to implement social welfare distributional systems.

Liberal and Labor Ministers of Social Security have consistently claimed that the social welfare system in this country operates to support the family. Yet the liberal philosophical position is firmly attached to the notion of individualism. An examination of the legislative and administrative provisions of the Department of Social Security with its dual eligibility requirements - individual eligibility and income eligibility of the entire nuclear family - shows how in many circumstances the principle of support for the family is placed in opposition to individual rights. Such a contradiction is only possible because of the way dependency is interpreted and used by those who make and administer income maintenance policy.

The issue of dependency is central to a conservative conception of all helping systems. The traditional charity systems rely on the suggestion that there exists an interdependent relationship within all families. The connection between this suggestion and conservative ideology is clear. The adoption of the family as the unit of income within almost all social security schemes since Federation demonstrates how deeply wedded to such a conservative conception of dependency is the idea of control by the head of the household and it is no accident that the household head (breadwinner) has been thought of by governments, from federation to at least the 1970s, as nominally male.

6. CONCLUDING COMMENTS ON IDEOLOGIES

As mentioned, the ideologies of racism, sexism, ageism and urbanism pervade the welfare system. The concentration of goods and services in the major centres of population to the exclusion of services to rural areas, is a major cause of unequal treatment of poor people in Australia. It affects both white and Aboriginal people but, because Aborigines suffer poverty more frequently and because of their low levels of literacy, they are particularly disadvantaged. Racism, particularly directed against Aborigines, and ethnocentric practices, directed at non-English speaking migrants, are part and parcel of the income maintenance system. The old and the young are discriminated against by the income maintenance and other distributional systems.

Patriarchal arrangements mar the system, as evidenced in the middle-class and patriarchal definition of appropriate family structures which has formed the basis of legislative and administrative provisions.

These features when added to the liberal and conservative views, which have been so influential in Australia, result in the creation of an income maintenance system which is a far cry from any Marxist determination to assist people according to their financial needs.

7. A SAFETY NET OF WELFARE PROGRAMS

It is the reliance on categorical welfare payments, rather than upon general income guarantees, which is the hallmark of the Australian system of income distribution. All Social Security Ministers from Margaret Guilfoyle to Brian Howe have claimed that it is the combination of all the categorical welfare programs which together ensure that genuinely needy people are able to obtain appropriate benefits and, therefore, the safety net of categorical payments provides a satisfactory way of dealing with the income needs of all poor Australians.

The categorical safety net approach in one sense stands in opposition to the concept of an income guarantee. Yet, in another sense, the safety net approach is compatible with the concept of ensuring all in need an income. The safety net approach in its most developed form - cradle to the grave security - assumes that all in 'need' will be provided with sufficient to ensure that everyone's particular needs will be met. Were it able to do this, it would approximate the Marxist determination to provide 'to each according to his (or her) needs'. The safety net approach has the potential to provide more than a guaranteed minimum. It purports to provide a guaranteed adequate income and services to all. Unfortunately, the methods of delivery and assessment have, at least to this point in time, meant that many who require assistance fail to acquire it.

At a more mundane level, whether a person receives a categorical benefit might have little to do with how well the person meets the eligibility requirements. Issues such as whether the person lives in an urban or rural setting, the person's knowledge of the existence of the benefit, whether the person or a friend is likely to press for a payment, the person's readiness to appeal if refused and other such issues, all have a major influence as to whether a person receives a social welfare payment.

There is a belief in liberal and conservative circles that the process of determining eligibility on the basis of personal attributes helps to control recipients of welfare. This makes residual welfare attractive to those conservatives who feel the poor need to be controlled or 'at least kept in their place'.

Even if it is accepted that a high incidence of poverty in certain groups is a good reason for singling out those groups for special attention in any anti-poverty program, this does not of itself present a compelling reason to restrict assistance to those groups (Browning, 1975). This point underlines the need to look carefully at the groups which are excluded from assistance in any program as well as those included if an understanding of the ideological underpinnings of categorical programs are to be discovered. For example, despite the fact that Australian Aborigines are the group most likely to experience poverty, they were until the 1970s the group most likely to be specifically excluded from assistance.

Conservative ideologies, particularly in association with liberal ideologies, have heavily influenced the structure and administration of the Australian welfare industry. Such ideologies continue to have a major impact upon the delivery of existing services and the development of new programs. They are responsible for the complex array of categorical payments in preference to general programs, for the reliance on privatised charity systems providing residual welfare programs to plug the holes in the safety net, for the non-universal nature of welfare delivery, and for the sense of control which pervades the delivery of welfare services.

The discretion of the Department of Social Security staff is paramount. The administration of Social Security clearly exposes the inherent conservatism which informs such decisions. The conservatism is reinforced by a liberal determination to treat applicants for Social Security as individuals: it is a far cry from any Marxist desire to meet the needs of all in an equal manner. Social democrats have placed much importance on equality, but they have not been very successful in translating their belief in equality into practice in the welfare arena. There is a confusing array of unequal welfare benefits which are offered to people whose economic needs are very similar but whose gender, age, race, or marital status varies.

8. INCOME GUARANTEES

Henderson's Poverty Inquiry and the Priorities Review Staff provided the two most important Australian suggestions for implementing generalised minimum income schemes. Had they been implemented, they would have gone some considerable way towards creating a fair income distribution in this country compared with the existing categorical system of welfare payments. Both the Henderson and Priorities Review Staff suggestions would simplify income maintenance delivery and increase the rate of take-up in Australia. They both envisage amalgamating the positive and negative taxation arrangements within one department. Both would attempt to do something for the working poor as well as the workless.

However, both proposals have continued to divide the working class into those who can establish eligibility for any of the pre-existing worthy categories and those who cannot. Neither scheme addressed the problem of intra-family dependency (or alleged dependency) in any useful way (Tomlinson and Creed, 1984). So, if either program were implemented, it would leave intact existing patriarchal relationships. The maintenance of the family as the unit of welfare and in some forms of taxation reinforces patriarchal arrangements.

The adoption of the individual as the unit of payment was rejected by Henderson and the Priorities Review Staff on the grounds of cost. An alternative suggestion has been the paying of a living-alone allowance, but it would appear to have associated with it most of the difficulties which determinations of who is and who is not sharing a 'bona fide domestic relationship' experience.

If more equitable approaches are to be implemented, further consideration will need to be given to the issue of the appropriate unit of payment and taxation. But whatever action is taken in relation to meshing the taxation and welfare services available to Australians, an effort needs to be made to sort out the inequities which exist within each system. The taxation and social security systems' adoption of differing approaches to common law marriages, legal marriages and other forms of relationships, will need to be rectified before a fair system of income maintenance can be installed. The welfare system is riddled with inconsistences; the taxation system also treats some people inconsistently.

What is apparent is that any government intending to introduce an income guarantee in Australia would not be able to do so in a satisfactory manner by tinkering with the edges of the social welfare and taxation processes, but would have to engage in a major restructuring of both the tax and social security systems.

A restructuring of both the positive tax system which ensured that the more affluent paid a fair percentage of their income in tax and, equally importantly, abolished the gross inequities within the welfare system. A reconstituted income maintenance system would not necessarily be dependent upon enforcing patriarchal dependency and existing race and class relationships. It could be a system which would attempt to supply benefits equally to rural and urban people irrespective of age or gender. But to do this would necessitate the introduction of an income guarantee which completely integrated the tax and welfare systems.

General income guarantees are favoured by those on the left of the political spectrum because they are seen to deliver equal benefits to all in equivalent financial need. They can be seen as a step on the way to socialism and full blown equality. They are valued also because they do away with discretion, categorised benefits, residualism and the ideology of less eligibility.

Those liberals who are in favour of income guarantees tend to argue that the benefits, at least in the negative tax form, stem from the fact that they deliver in an efficient manner payments to those who need them, that they limit the provision of assistance to low income earners and the workless, and do away with the need for the plethora of supplementary welfare programs which have arisen within the welfare system since the Second World War. Those who are committed to monetarism see in negative tax the deregulation of the relations of distribution and argue that such processes are compatible with their general desire for a deregulated economy.

The Hawke Government has introduced an income guarantee for families, called the Family Allowance Supplement (FAS). This payment upgraded the Fraser Government's Family Income Supplement (FIS) and has raised the take-up rate for eligible families from 30 per cent (FIS) to 50 per cent (FAS). That is half the families in dire financial straits have not applied for the assistance they are entitled to.

But this is a far cry from a generalised income guarantee for all Australians. The sticking point is the refusal to adopt the individual as the unit of income and taxation. The desire to reinforce patriarchal control on those deemed to be dependent on spouses or parents is the major ideological obstacle.

It is little wonder that this is not clear to all when one looks into the ideological soup which Howe and Hawke are sipping. Gender, race, age, residence, disability, the work ethic and less eligibility are all mixed together. Before an income guarantee available to all, irrespective of age, gender, marital status, race, locality, disability, or work preparedness, could be introduced, politicians will need to relinquish their desire to enforce particular behaviours upon the citizens of this country. They will have to stop talking about satisfying people's needs and start meeting citizens' basic financial needs.

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TRANSITION FROM WELFARE STATE TO 'STATE OF WELL-BEING'

The Hon. Ian Wilson, MP
Federal Member for Sturt

1. INTRODUCTION

This paper is based on the assumption that the policy objective of income maintenance/income security should be to ensure that people without a socially acceptable level of income are provided for, either by private or public sector transfers. It examines the mix of private and public sector responsibility for dependants as well as the efficacy, causes, extent and cost to the public sector of changes in that mix. It proposes that the tax system should be reformed so that, in reality, the underlying tax base is shaped in a way which fully takes account of the principle of 'capacity to pay'. It proposes that 'capacity to pay' should be sensitive not only to the level of the taxpayer's income, but also to a taxpayer's responsibilities for social expenditure which, if not met by the taxpayer, would add to public social expenditure.

This paper advocates the introduction, as part of the underlying tax base, of 'social expenditure tax credits' equal in value to the public sector cost of meeting those social expenditures. This paper describes how social justice, lower taxes, smaller government, and greater individual and household self-reliance can be achieved:

- by a greater proportion of society's social expenditures being met by the private rather than the public sector;

- by reducing churning, resulting from collecting taxes from those entitled to social security or other public sector payments, or benefits in kind;

- by reforming those features of the tax and social security systems, which influence social behaviour (and earnings, savings and expenditure behaviour) towards public sector dependence rather than private sector self-reliance.

2. INCOME SECURITY

It is generally accepted that the role of government is to ensure that no Australian should live below a basic minimum standard of living. Whilst in the paid workforce it is assumed that employees receive wages which will, at least, enable them to live at, or above, this minimum standard of living. However, current wage and tax rates do not necessarily allow workers to put money aside for their future needs or the needs of their families. Wages are not sensitive to family size and the tax and social security systems make only token adjustments. Current disposable incomes do not allow families to live at the same standards as those of a single taxpayer who receives the same taxable income.

The great majority of Australians are concerned, not only that they have an adequate income whilst in the workforce, but also when they are studying, caring for children, out of a job, sick or retired. All individuals will, at some point in their lifecycle, spend time out of the paid workforce.

The role of government should be to develop policies based on a commitment to fairness, equity and compassion. These policies should guarantee every Australian with a socially acceptable level of income maintenance, standard of education and health care so that a minimum standard of living and proper degree of personal economic independence is available at all times. If at all possible they should enable individuals and their families to achieve these objectives through self reliance.

3. SOCIAL EXPENDITURE

There has been much confused thinking in relation to social expenditures and the economic and political problems caused by their increase. This has come about because it is all too often assumed that social expenditure is incurred only by governments (the public sector). This is not true and never has been. A heavy responsibility for this type of expenditure has been and will continue to be borne by individuals and their families (the private sector).

It is generally agreed that social expenditure includes expenditure on pensions and other income maintenance, education, health services, housing and welfare services. Some of this expenditure is incurred by or spent on those who are in the employed workforce. The balance is incurred by or spent on those who are not in receipt of an earned income as they are too young, too old or for some other reason do not have a paid job. But it should be noted that, of this group, those who are self reliant are dependent on the transfer of resources from the employed workforce.

Those in the employed workforce spend a considerable amount of their earnings not only in meeting their own education, health, housing, welfare and living expenses (private social expenditure) but on meeting the education, health, housing, welfare and living expenses of those who are dependent on them (also private social expenditure). Of the many who are not employed, it is mainly the elderly who meet their social expenditures from income derived from superannuation pensions, dividend, interest and other forms of investment incomes. But there are many whose social expenditure is largely the responsibility of government (the public sector).

In its report entitled **Social Expenditure 1960-1990, Problems of growth and control**, the Organisation for Economic Co-operation and Development (OECD) defined social expenditure 'as direct public expenditure' (OECD, 1985, p. 18). In its paper **Growth in Social Expenditures** the Office of the Economic Planning Advisory Council (EPAC) said that, 'Broadly speaking, social expenditure includes spending at all levels of government' (EPAC, 1986, p. 6) on those items normally categorised as social expenditure. Only by way of passing comment did the OECD paper refer to that fact 'that in many countries there are large private sectors of social provision' (OECD, 1985, p. 18) as did EPAC when it acknowledged that the 'balance between the public and private sectors in the social services' (EPAC, 1986, p. 6) is an issue.

The assumption that public social expenditure is the only social expenditure worthy of concern and detailed analysis has had unfortunate consequences. It has resulted in a lop-sided debate and an inadequate policy response to the need for change to improve the way in which society's social responsibilities are discharged by individuals and their government. Fortunately there are signs of change. The OECD in a later paper **Ageing Populations, The Social Implications** takes a much broader approach in its consideration of social expenditure and discusses the role of the private sector in undertaking social expenditures (OECD, 1988, p. 46).

Total Social Expenditure

The extent of total resource allocation to social expenditure by any society is a matter of choice. Large social expenditures in themselves are not a bad thing. Rather, it is the mix of social expenditures between the public and private sector which is a matter for concern - especially for those who believe that governments should be small, that they should be facilitators rather than financiers and protectors rather than providers.

Mix of Social Expenditures

The current mix of private and public sector responsibility for social expenditures for dependants is highlighted by the fact that nearly 3 out of 5 Australian are dependent. That is, they have no current workforce income of their own. Our population includes 9.4 million dependants out of a population of 16.5 million. Of these, 5.7 million are dependent on the private sector and 3.7 million are dependent on the public sector. The more detailed profile in the Appendix makes clear the extent of dependency and reminds us of the large number of adults and children who require income support, education, health, housing and other support either directly from the employed workforce (the private sector) or indirectly from the employed workforce through the taxes collected by government (the public sector) which are then used to provide support).

Measuring Social Expenditure

Attempts are often made to measure the size and growth of public social expenditure both as a whole and by program type (income maintenance, education, health, housing and other welfare services). Any measurement of social expenditure should include an estimate of the total amount of the economy's resources allocated to social expenditure. It should not be limited to an assessment of the amount (although it may be large) allocated by government. There should also be an estimate of the resources devoted to social expenditure on those in the workforce as well as those not in the workforce.

Of this total, estimates should be made of the proportion of the resources so allocated which are:

- firstly, transferred from those in the employed workforce
  - directly to those dependent on it, and
  - indirectly to those who are dependent on it, through distribution by the government of taxes it collects, largely from the employed workforce, and,
- secondly, utilised by the paid workforce on itself
  - directly through its own spending, and
  - indirectly through government spending.

It is also desirable that the impact of any changes in the demographic structure of the population or the level of per capita social expenditure benefits be regularly assessed. For example, it is important to understand that in an ageing population, regardless of whether the social expenditure on the elderly is through the private or public sector, increased resources must be transferred from the employed workforce to the elderly if their standard of living is not to be reduced.

This more comprehensive approach to social expenditure issues will facilitate an estimate of the efficacy and effectiveness of changing the private sector and public sector mix. If the role of the private sector is to change, and especially if it is to be increased, the impact on distributional equity must be carefully examined. Increases in private sector responsibility for social expenditure should, in the first instance, be developed on the basis of the existing distributional arrangements. The assessment of the appropriateness of varying these arrangements should be regarded as a separate exercise.

Measuring Public Sector Social Expenditure

In Australia, from 1961-62 until 1987-88, the real level of spending by government on social security and welfare increased at an average rate of 5.6 per cent p.a. Whereas over the same period the average rate of real GDP growth has been only 3.9 per cent per annum, a real rate of growth nearly 2 per cent p.a. less than that for social security and welfare spending. Public sector social expenditure has increased as a percentage of GDP and of government outlays as well. But these facts alone do not justify those who call for 'welfare cuts across the board' or for the abolition of so called 'middle class welfare'. The distributional impact of the tax cuts which these 'welfare cutters' advocate would cause severe hardship to individuals and families.

Measuring Private Sector Social Expenditure

An indication of the magnitude of one component of private sector social expenditure is to be found in an estimate by EPAC. In the Working Paper accompanying its October 1988 Council Paper, **Income Support Policies, Taxation and Incentives**, EPAC found that the minimum amount transferred by taxpayers to their dependent spouses was $2.9

billion per annum and that the minimum amount spent by parents on their children was $6.7 billion per annum (EPAC, 1988).

Growth in Social Expenditure

Growth in social expenditure is a function of several things;

- the growth and demographic change of the population,

- an increased coverage (e.g. increased school retention rates or utilisation of health services) of social expenditures with no change in the population, and

- increased per capita benefits relative to GDP.

Furthermore, unless there is real economic growth, any given level of per capita social expenditure can only increase if there is a reallocation of resources towards social expenditure and clearly there is a limit to the extent such reallocation can occur.

Changing the Mix - Market Failure or Market Encouragement

The high ideals of the Welfare State are in danger of being set aside because of the manner in which it has sought to achieve them. It justified its approach by reference to the alleged inability of the free market to guarantee outcomes which meet society's welfare objectives. As a result its solutions for fulfilling the desire for distributional justice have been rooted in the idea of market failure and an annual rather than lifecycle accounting mentality.

This led supporters of the Welfare State to assume that the only way to the fulfilment of its ideals was for it to become a provider as well as a financier. It not only pays for education, it operates schools. It not only pays health costs, it provides health services. It not only pays the cost of insuring against social risks, it acts an insurer. Rather than leave people with the resources to provide for their own future needs, it imposes taxes, on the assumption that workers have no desire or responsibility to provide for future needs. The very manner in which it filled gaps in the market failure in other areas and resulted in the government takeover of otherwise viable market activities.

The vision which led to the creation of the modern Welfare State should now be used to transform it into a 'State of Wellbeing'. The result of such a transformation would be that the dignity of the individual would be enhanced, individual initiative and self reliance encouraged, effort rewarded, and freedom of choice guaranteed. To do this we must take a fresh look at enabling individuals and families to take responsibility for their own social expenditure.

We must begin to privatise 'the Big Ticket Items' of government social expenditure, such as those on schools and universities, health care and hospitals, as well as income security and welfare. The private sector has proven capacity and expertise in all areas of social provision. It efficiently operates profit and non-profit hospitals and schools with high standards of excellence. Through personal saving and private sector superannuation many do provide for their dependants and their own periods of dependency. In health, as well as in education, the public sector should progressively withdraw from the 'production process'. In this way, the management function would be subjected to the disciplines of the market, and consumers given greater freedom of choice.

Governments could retain responsibility for prudential regulation and the setting of minimum standards, as well as the provision of tax relief and, where necessary, financial assistance. But all this should be done in a way which minimises public sector expenditure. The process of privatisation in the areas of health and education, as well as in the area of income maintenance, would provide its own source of inspiration to a community which values freedom and personal self reliance. Such a process would stop the drift to increasing public sector dependency and lead in time to smaller government.

4. LONG TERM GOALS

I have a vision for the future. In that vision I see:

- **an Australia** in which (subject to the national interest) governments cease to be owner-operators of anything that the private sector can effectively run;

- **an Australia** in which taxpayers can opt out of tax to the extent that they:

    - meet the cost of a standard government school place for their children,

    - provide themselves with the means of meeting the cost of basic medical and hospital care when they require it,

    - provide for themselves a guaranteed stream of income in retirement equal to the current age pension;

- **an Australia** in which those with low incomes are given some degree of personal economic independence and the means of paying and providing for education, health insurance cover and retirement incomes by making cashable to them, the tax credits available to taxpayers.

I believe that:

- children can be provided with compulsory education without governments running schools or as many schools as they now operate;

- patients can be provided with affordable medical and hospital care without governments running hospitals (or as many as they now operate) and paying for them by raising taxes or imposing levies;

- people can be assured of an adequate stream of income during the years of retirement without governments taking, by higher taxes, they money people would otherwise have been required to save for this purpose.

Through smaller government and lower taxation Australians can achieve a 'State of Wellbeing', self reliance and distributional equity which will be a vast improvement on dependency on the Welfare State.

5. REFORM OF THE TAX SYSTEM

One of the first and most important steps that I see as necessary is the fundamental reform of the Australian taxation system. Most Australians believe that the cost of government should be shared according to the principle of 'capacity to pay'. Yet today they are confronted by a tax system which, when analysed, is found not be based upon this principle.

6. CAPACITY TO PAY

Clearly 'capacity to pay' is a function of an individual's income. The higher your income, the greater your taxpaying capacity. Under a progressive tax system those on higher incomes not only pay more tax in absolute terms, but average tax rates rise as income increases, as do marginal rates as taxpayers move from one tax bracket to another. But, 'capacity to pay' is not a function only of an individual's income. Capacity is affected by the costs incurred in supporting dependants as well as being influenced by the incomes received by other members of the taxpayer's household.

Our tax system makes only a token gesture to the cost of supporting dependants. It does not truly reflect the principle of 'capacity to pay'. Tax liability is not adjusted:

- to adequately compensate for the cost of maintaining dependants (whether they are spouses, children, adult student children or other family members or even friends), or
- to allow for the cost of discharging the social obligation of those who pay (or could pay if they were not so heavily taxed) for:
    - their children's education,
    - their own and their family's health insurance, or
    - the cost of providing retirement income for themselves or their dependants.

Cash allowances and tax rebates, which are made available to most taxpayers who support dependants, are substantially less than assistance provided to dependants for whom the public sector is wholly responsible. The same is true of the levels of tax relief and other assistance provided to those who pay for their children's education, their own and their family's health insurance or, in the case of the majority, their own and their dependants' retirement income provision.

Taxpayer Living Expenses - Threshold

There are some who argue that there should not be a threshold below which no tax is payable or, that if there is to be a threshold, it should be phased out (or abated) as income rises. It is generally agreed that a taxpayer's contribution to government expenditure should be some function of his **above** subsistence income. It is also thought inappropriate to impose a tax liability on person whose only source of income is a social security pension.

Dependent Children Living Expenses

Currently, taxpayers who support dependent children receive very little relief through the tax system. Subject to income tests, social security cash payments are paid to carers of children (Family Allowance and Family Allowance Supplement). Together, these allowances fall a long way short of the subsistence incomes provided by the government for children solely dependent on the public sector.

The current approach of government is to treat children who are maintained by their parents as 'consumption goods' 'purchased' by them. It is assumed that those who choose to have children should pay for the pleasure they derive from them and that they should be supported out of after tax income. Parents are therefore forced to choose between children and other 'consumption goods' such as motor cars or holidays, and, in these days of high interest rates, between children and a home of their own. So long as the tax system fails to provide tax relief to the extent of the subsistence cost of children, we are unlikely to return to replacement fertility rates and the rate of population ageing will accelerate and then, except for the effects of immigration, the population will begin to decline.

Some may argue the tax relief given to a taxpayer, who supports children, should be equal to tax otherwise payable on the cost of providing for their subsistence requirements. Because this involves taxpayers being called upon to meet a proportion of the subsistence cost of maintaining their children, those with this view also treat children as 'consumption goods'. If the tax system is to truly reflect the principle of 'capacity to pay', the tax relief provided to taxpayers who maintain children should be **equal to their subsistence costs.** This amount should be set at the level of income paid by governments to, or on account of, children solely dependent on the public sector.

The role of the public sector should be to ensure that every child, **whether dependent on the public or private sector**, is guaranteed a subsistence level of income. It already provides free, compulsory primary and secondary education, so why not provide children with a similar guarantee with respect to their subsistence income. To those who argue that parents derive a private benefit from the decision to have children I would point out that, over and above the subsistence costs associated with children, parents have to meet the additional costs and responsibilities of raising them.

Dependent Spouse Living Expenses

A similar approach should be adopted to ensure that those who support spouses and adult student children receive a rebate equal to the standard rate pension. This would be the cost to the public sector of supporting these dependants if they were not being maintained by taxpayers. If it were thought desirable, eligibility for a rebate at this level could be subject to a work, childcare responsibility or study test. This rebate could be paid in cash to the dependant or allowed as a deduction of the supporting taxpayer's tax.

Other Social Responsibilities - Increasing Private Sector Role

Let me show you how some of society's equity objectives can be achieved through private social expenditure rather than public social expenditure.

Education

Few would dispute that our objective in relation to education should be to ensure that all children receive a good standard of schooling for an agreed period.

If it is decided that education should be free, then it should be free for all Australians. Currently, school education is free but only if it is obtained at a government school. The taxes which meet the cost of running government schools are collected from all taxpayers, including those who send their children to independent schools. The many parents who make this choice, not only pay a price in the form of school fees but, through their taxes, pay part of the cost of educating other people's children. In running schools, governments are engaging in activities which private citizens, community groups and religious groups have shown they can do just as well.

All parents should be provided with 'education expense tax credits' set at the value of a state school place. Through the reduction of the tax liability of taxpayers, and the redemption of the credits by non-taxpayers in payment of school fees, the universal availability of free education would be ensured.

Health

In the case of health, our obligation should be to ensure that basic medical and hospital care is available to all when it is required and that those who need it are able to pay for it. This does not mean that governments should assume responsibility either for providing or financing this health care.

Currently, basic medical and hospital cover is provided to all Australian under the government 'Medicare system'. Part of the cost of this cover is financed by a levy of 1.25 per cent imposed on a taxpayer's income. The remainder is financed by government revenue obtained by the imposition of other taxes. In addition, there are government run hospitals and a government run health insurance organisation.

Those individuals who choose to take out private hospital insurance face a double cost. They not only have to pay health premiums, but through their taxes and the Medicare levy, pay part of other Australians' hospital costs. In order to restore efficiency and freedom of choice to our health system, government must withdraw from its present role as a financier and provider. This would enable taxes to be lowered so that the majority of taxpayers have sufficient after tax income, to take responsibility for their own health insurance. For those who are solely dependent on the public sector, present health arrangements would continue to be provided free of charge.

So that individuals with sufficient incomes do assume responsibility for their own and the health insurance of their dependants, they should be given the choice of either insuring privately or paying a 'health care levy' on their incomes. This levy should be calculated at a rate that would meet the cost of basic medical and hospital care if the whole community were covered in this way.

For the majority of the full time workforce it would be cheaper to privately insure. This is because the 'health care levy' would incorporate the costs of providing health services to pensioners who, as a group, require more health care than the young. The method of calculating this levy would ensure that the majority of taxpayers would be better off with private health insurance. Those on low incomes, would have the choice of paying the 'health care levy' and receiving 'Medicare like' services or meeting the cost of private insurance out of their after tax income, to the extent that this cost is not met by opting out of the 'health care levy'.

Retirement Income

Similarly, in the case of retirement incomes, our objective is to ensure that individuals have a minimum stream of income in their retirement years. This could be achieved by lowering taxes to facilitate the private provision of retirement income and by establishing a framework which guarantees that those who opt for private provision reach retirement with an entitlement to a guaranteed minimum stream of income for the rest of their lives.

There should be a universal entitlement to a flat rate pension or flat rate superannuation credits. These credits should be of equal value to the savings necessary, at pensionable age, to purchase an indexed pension similar to the age pension. So long as age pensions are paid at a flat rate the earnings related portion of retirement income should be provided out of after tax income.

The availability, to taxpayers or their employers, of superannuation tax credits would have to be conditional on taxpayers entering adequate pension contracts, which should satisfy requirements relating to:

- vesting,
- portability,
- prudential standards - so that guaranteed pensions are available throughout retirement, and
- entitlement - so that lumps sum payouts are conditional on adequate security being given to the government to protect it from any future claim for pensions form those taking a lump sum.

I believe that reforms of this nature would have four positive impacts on Australia. They would:

- reduce the size of the government sector and thereby reduce government expenditure and the tax burden,
- expand opportunities for providers of education, health and pension services in the private sector,
- increase the impact of market forces on any residual government activity in the fields of health or education, and
- increase freedom of consumer choice.

7. FLAT RATE TAXES

Flat rate tax proposals have, in recent years, been on the Australian political agenda. Any tax structure can be characterised as a flat rate tax at any chosen rate. Tax liability greater than that calculated as due at the flat rate would be considered as a surcharge. Conversely, tax liability less than that calculated as due at the flat rate would be considered as a rebate.

Keating's 30 per cent Flat Rate Tax (without Medicare) with Rebates and Surcharges

The Keating tax rates introduced on 1 July, can be characterised as a 30 per cent flat rate, with a rebate of $1,530 to create the $5,100 tax free threshold, an additional 9¢ in the dollar rebate on income between $5,100 and $17,650 and a 1¢ in the dollar rebate on income between $17,560 and $20,600. Therefore, a taxpayer on $20,600 is eligible for a rebate of $2,686. As taxable income rises above $20,600 the benefits of the tax free threshold and rates lower than 30¢ are abated, first by a surcharge of 9¢ in the dollar and then by one of 17¢ in the dollar until income rises to $43,194.12. At this point, though the taxpayers' marginal rate is 47¢ in the collar, his average rate is 30¢ in the dollar. On incomes between $43,194.12 and $50,000 taxpayers pay a surcharge of 17¢ in the dollar and on incomes beyond $50,000 the surcharge of 19¢ in the dollar above a 30¢ flat rate.

Keating's 30 per cent Flat Rate Tax (with Medicare) with Rebates and Surcharges

The Keating tax rates introduced on 1 July, can be characterised as a 30 per cent flat rate, with a rebate of $1,530 to create the $5,100 tax free threshold and additional 7.75¢ in the dollar rebate on income between $5,100 and $9,560. At $9,560 there is a surcharge (for single taxpayers) of 11¢ in the dollar until income reaches $10,187. From then on, until income reaches $17,650, there is a rebate of 7.75¢ in the dollar. Therefore a taxpayer on $17,650 is eligible for a rebate of $2,383.13. As taxable income rises above $17,650, abatement of the benefits of the tax free threshold and of rates lower than 30¢ continues until income rises to $39,930.14. At this point, though the taxpayer's marginal rate is 48.25¢ in the dollar, his average rate is 30¢ in the dollar. Once income rises above $39,930.14 the taxpayer would pay a surcharge of 18.25¢ in the dollar and later of 20.25¢ in the dollar above a 30¢ flat rate.

30 per cent Flat Rate with Rebates and Surcharges to Achieve a Flatter Two Rate Structure

The reform of the tax structure to implement a flatter, two rate scale with a tax free threshold can be expressed as a change in the rate scale. Alternatively, it can be expressed as a variation of the rebates and surcharges now available under Keating's rate scale characterised as a 30 per cent flat rate tax. This variation adjusts the tax liability from that would be payable under a 30 per cent flat rate tax.

8. THE BENCHMARK TAX STRUCTURE

Once the 'capacity to pay' principles are defined they should be incorporated in 'the benchmark tax structure' used to assess the extent of tax expenditures. Those who measure tax expenditures today, approach their task from the viewpoint that a taxpayer's income belongs to the tax collector, except to the extent that tax is not imposed. An alternative and fairer approach would be to measure these expenditures from the viewpoint that, income belongs to the taxpayer, except to the extent that tax is imposed.

To measure tax expenditures a benchmark structure which includes a flat tax rate of 100¢ in the dollar could be chosen. Alternatively, the top marginal tax rate or the marginal tax rate imposed on the majority of the full time workforce could be selected as an underlying flat rate. Any revision of tax below the chosen rate could be characterised as a tax expenditure. In Australia today, Treasury currently adopts the individual tax unit and includes the tax free threshold in its definition of the benchmark. Because the individual is the tax unit, modifications in tax liability because of dependant care responsibilities are treated as tax expenditures. Treasury offers no rationale for including the threshold in the benchmark structure. Perhaps it does so because it acknowledges that subsistence income should not be taxed. If this is the reason, it should also include those rebates which today exempt from tax a small portion of the subsistence income of those dependent on the taxpayer. But it does not do so, though in its 1988 **Tax Expenditures Statement** it did acknowledge that 'this is no to say that such provisions are not a defensible design feature of the tax system' (Treasury, 1988, p. 3).

I believe there is an urgent need for a vigorous campaign to persuade Treasury to revise it's approach to incorporate this 'defensible' alternative. All 'capacity to pay' adjustments whether in respect of the taxpayer, or on account of those dependent on the taxpayer, should be regarded as part of Australia's chosen benchmark tax structure. Among these adjustments should be those which reflect a taxpayer's lifecycle tax capacity, including on the one hand allowances made for saving to achieve future self reliance and on the other (negative adjustments from the taxpayer's point of view) when the system gives the opportunity to incur social expenditure ahead of ability to pay as is the case with the Graduate Tax.

Furthermore, whether these adjustments are made by means of cash allowances paid to the taxpayer or tax rebates, both should be treated as tax credits integral to the benchmark structure, except to the extent that they exceed a taxpayer's annual or lifecycle tax liability. All such cash payments and refunds should be regarded as adjustments to correct, or balance, a taxpayer's tax payments to equal tax liability determined by the application of the principle of 'capacity to pay'. Wherever possible, the administrative procedures used should aim to minimise churning resulting from the over-collection of tax which must be refunded.

9. INCOME SPLITTING

I have for many years advocated that the right to split income for tax purposes should be available to all families. Families, indeed all households, with similar household incomes should be subject to the same tax burden. This tax burden should not be function of the proportion in which the household income is earned by its members.

The current tax system is especially harsh on those who live in single income households and those households where one spouse has a smaller income than the other. Their tax burden becomes heavier the greater the difference in the proportions in which husband and wife contribute to household income. Allowing those with unequal incomes to be taxed on a partnership basis results in all families, with similar incomes bearing similar tax burdens. A change in the unit of assessment from individual to family taxation would achieve the same result. If the current individual rate scale were used, two income families would pay more tax. Whereas if the family rate scale had rate steps double those of the individual rate scale, the same result would be achieved as by allowing income splitting.

An alternative way of achieving the same tax outcomes as allowing families (under the current rate scale) to split their income(s) is to introduce a flat rate tax structure from the first dollar to last. Under a perfectly flat tax structure the proportions in which household income is earned has no effect on tax liability. If this flat rate structure was introduced with a threshold, the same result can be achieved by making a second tax free threshold available to single income families. It is my view that the unit of taxation should remain the individual. Income splitting should be permitted, or the same outcome achieved, by making available to the higher income earner in the household a tax rebate, or to the dependent spouse a cashable tax credit equal to the reduction in tax that would arise from full income splitting.

Under the rate scale to operate from 1 July, single income families (with children) whose incomes are below $19,262.50 are up to $129 better off with a spouse rebate of $1,200 than they would be under income splitting. A $1,200 spouse rebate creates an additional tax free threshold of $5,714.28 giving to these households a combined tax free threshold greater than twice an individual's tax free threshold. But families whose household income is greater than $19,262.50 are much better off under income splitting. Families with incomes above this amount include not only a significant number of single income families whose income earner is in the full time workforce, but two income families where the household income is not earned in an equal proportion.

Single income families without children are better off, regardless of their household income, if they are allowed to split their income than if the taxpayer receives a $1,000 spouse rebate. The $1,000 spouse rebate creates an additional tax free threshold of only $4,761.90. As a result they pay at least $71 more tax than they would do under income splitting.

For families with household incomes of $25,000

- a single income family with children will be liable for $4,007 ($5,207 - $1,200),
- a two income family where one breadwinner earns less than $17,650, would have a total tax liability of $3,108,

- the single income family pays $899 more in tax than the two income family,
- for every additional dollar earned above $17,650 up to $20,600 the single income family pays 8¢ in the dollar more tax and beyond $20,600 they pay 18¢ in the dollar more tax than the two income family.

For families with household incomes of $40,000

- a single income family with children will pay $10,257 in tax ($11,475 - $1,200),
- two income family with children, where both breadwinners earn $20,000 each, would face a total tax bill of $6,634,
- a single income family pays $3,623 more tax than a two income family with the same household income,
- on the last dollar earned the single income family pay 18¢ in the dollar more tax than the two income family.

There are some who argue that there are costs associated with earning the second income and that two income families are disadvantaged when single income families are permitted to split their incomes for tax purposes. If such a disadvantage does occur it should be dealt with by specific rebates available only to those two income families who incur costs such as childcare expenses, travel, clothing and food costs associated with earning the second income.

The proportion of two income households is rising. Notwithstanding this, most Australian families experience significant periods of their lives when they are dependent on a single income. Whatever the cause of this, these families should not be penalised by the imposition of heavy taxes very often at a time they can least afford it. As more and more families live at a two income standard the relative disadvantage imposed on single income families increases.

Family households are the mini-economies in which the majority of Australians live. Those with similar household incomes should bear identical tax burdens. Income splitting is an important step towards a fairer taxation system which is truly based on the principle of 'capacity to pay'.

10. 'CAPACITY TO PAY' TAXATION

The tax system is not only unfair as between taxpayers, but so far as all taxpayers are concerned, the burden is too high. The majority of taxpayers want to receive in their pay packets more of the money they earn. They want to decide how they will use it. They don't want governments spending it for them.

For many years the standard rate of tax was 30¢ in the dollar. It used to be the case that more than 80 per cent of taxpayers paid only 30¢ out of the last dollar added to their incomes. Notwithstanding the new rate scale operating from last Saturday (1 July 1989) many more than 20 per cent will be paying not 30¢ but 50.25¢ (including Medicare levy) on every additional dollar they earn. Each year, thousands of taxpayers who are in the full-time workforce move from 30.25 tax (Medicare levy) bracket to the 40.25 bracket because the steps in the rate structure have not been indexed.

If the marginal rate of tax payable by the majority of the members of the full-time workforce is regarded as the standard rate (or underlying flat rate) Labor has lifted this rate from 30¢ to 40.25¢ in the dollar.

11. TWO RATE TAX STRUCTURE

A flatter two rate tax structure has my enthusiastic support. It should have:

- a tax free threshold equal to one third of average weekly earnings (at present, approximately $8,333),[1]
- a marginal rate of 30¢ in the dollar on income in excess of one third of average weekly earnings up to average weekly earnings (at present, approximately $25,000),
- a marginal rate of 40¢ in the dollar on income above average weekly earning (at present, approximately $25,000),
- an average rate of tax which does not exceed 30 per cent until income is twice average weekly earnings (the 10¢ in the dollar over 30¢ collected on income above average weekly income can be viewed as a means of abating the tax free threshold together with a surcharge on incomes above twice average weekly earnings),[2]
- tax credits to adjust tax liability to take account of differences in capacity to pay, caused by factors other than the level of income.

These 'capacity to pay' tax credits should give acknowledgement to taxpayers who discharge their own social responsibility (e.g. to take out their own health insurance and to provide their own retirement income) and the social responsibility for those dependent on them (e.g. maintenance of dependent children and spouses and of meeting their education and health insurance costs).

Tax credits relating to a taxpayer's own social responsibility should include:

- a 'threshold tax credit'

  to create a tax free threshold so that those with incomes less than average weekly earnings are exempt from tax on the first one third of their incomes;

- a 'health insurance tax credit'

  to exempt those who meet the cost of their own and their dependants' basic medical and hospital insurance from a 'health care levy' which would otherwise be imposed on them over and above the flatter two rate structure;

- a 'retirement incomes tax credit'

  to reduce tax liability over a working life to an amount equal to the real value of the lump sum needed to purchase an indexed pension equal to the age pension;

- other tax credits

  to adjust the tax burden to take account of other limitations of taxable capacity of other categories of taxpayers.

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1. Although the term average weekly earnings is used, $25,000 is actually average annual earnings. I refer to $25,000 as average weekly earnings as most people are more familiar with this term than average annual earnings.

2. To achieve full income splitting in the case of couples, abatement of the tax free threshold could commence when their combined income exceeds twice average weekly earnings. The abatement rate proposed is 10¢ in the dollar. Put another way, the tax free threshold is reduced by $33 for every $100 of income above twice average weekly earnings. The abatement rate is lower than those now operating to withdraw the Medicare levy concessions, the pensioner tax rebate and the Family Allowance Supplement.

Tax credits relating to taxpayers who meet the social responsibilities for those dependent on them should include:

- An 'independence allowance' or second threshold tax credit

  An independence allowance or spouse rebate equal to a second 'threshold tax credit' could be provided;

  - either, by making the 'threshold tax credit' fully cashable, or cashable to the extent of the tax payable by the supporting taxpayer,

  - or, as a tax rebate to the supporting taxpayer as a present.

  If implemented as an 'independence allowance' it would provide a degree of economic independence to mothers (or fathers, if they are the primary care providers) of children, and other selected groups with low or no incomes.[3]

- A 'child maintenance tax credit'

  To reduce tax liability or be cashable, to meet the minimum cost of maintaining pre-school, primary school and secondary school children and non-adult teenagers. As a first step, which maintains current distributional equity, these tax credits should replace Family Allowance and Family Allowance Supplement.[4]

- An 'education expense tax credit'

  To reduce tax liability of all taxpaying parents of school children or to be redeemable by other such parents at a rate equal to the amount of what governments now spend on educating children in state-run primary and secondary schools.[5]

- Other tax credits

  To adjust tax burden to take account of other expenditure on dependents which would otherwise be the responsibility of government.

To move to a 30/40 rate structure with its proposed thresholds would cost about $4,500 million, as compared with 'Keating 1989-90' (tax and Medicare). The cost of allowing families with dependent children to income split is estimated at about $1,250 million, if income splitting relates only to the second tax free threshold.

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3. The independence allowance, equal to 10 per cent of AWE would replace the spouse rebate. It would be made available by means of a cashable tax credit. The amount cashable would be reduced as income rises so that no amount is payable to those with taxable incomes in excess of the tax free threshold.

4. The child maintenance credits would be universally available to those who have the primary responsibility for the maintenance of children. They would reduce the carer's tax liability and be cashable to the extent that the credits exceed their tax liability at the flat rate, net of other tax credits. The credits would be set at variable levels to take account of the different ages. These credits would not be subject to abatement at any level of income because there is no level of parent income at which the provision of a minimum subsistence allowance for children should be treated as expenditure on consumption goods. These credits would replace family allowances and other allowances and benefits paid for the support of the children of supporting parents and other pensioners and beneficiaries.

5. The education expenses and retirement income tax credits should be universal. Through tax relief rather than Government expenditure funded by increased taxation, these credits are the health insurance proposal would preserve the principle of the universal availability of free education, make universal a flat rate age pension or superannuation tax credit, but not both, and ensure universal health insurance cover.

The cost of allowing all families to income split would be such that this reform would have to be phased in as a full 'capacity to pay' tax system is implemented. As a first step, dependent spouses caring for children could be benefited by raising the threshold for the imposition of the 40¢ in the dollar marginal tax rate to family incomes in excess of twice average weekly earnings. A second step could be to allow taxpayers with dependent spouses an increased, and then a full, entitlement to income splitting.

Thus far I have advocated

- reform of the tax system to a flatter 30/40 rate structure,

- income splitting to give two tax free thresholds to families with children, either by a cash payment to the carer of the children or as a spouse rebate to the supporting taxpayer,

- individual and family responsibilities for health insurance as an alternative to liability for a full cost 'health care levy' on top of the flatter 30/40 rate structure,

- cashable tax credits designed in a way which preserve existing distributional arrangements and leave money in the hands of taxpayers to enable them to fulfil their social responsibilities to maintain themselves and their families, meet their health and education expenses and provide for their retirement.

Future reform should include changes to achieve better distributional equity. These changes should include;

- 'child maintenance tax credits' increased to 15 per cent of married pensioner rate for children under 13 and to 20 per cent of married pension rate for children 13 to 15 years,

- credits for dependent adults increased to 50 per cent of the married rate pension,

- tax credits for retirement incomes totalling, over a lifetime, the capital value (but not more) of purchasing an annuity equal to 50 per cent of the married rate pension,

- tax credits for education equalling the cost of a public school placed to all who pay for their children's education, whether in a government school or private school,

- use of graduate tax approach to assist parents or students to meet the private cost of non-compulsory education to the extent that it is not considered a public sector responsibility.

How could this be achieved, given the current income tax yield and the level of government expenditure? Let me offer some suggestions. First, it is argued by some that, as effective marginal tax rates are lowered, there will be incentive effects which will result in an overall increase in taxable income. Second, a generalised withholding tax extending beyond the present PAYE and prescribed payments system could be used to achieve a greater level of taxpayer compliance. Third, a reduction of government expenditure by use of tax credits rather than direct government to enable taxpayers to pay the cost of maintaining and educating children and of providing themselves and their families with health insurance cover. Fourth, the reduction of government expenditure by the abandonment of unnecessary and duplicated activities and the improvement of government efficiency. Fifth, change the mix of direct and indirect taxation. Sixth, the application to the states of the principle that if a government wants to spend money it should be the one responsible for raising it. The states could discharge this responsibility through:

- the funds they would collect from an enrolment driven school education system,

- the funds they would receive from insured hospital patients along with grants provided to cover pensioners and other qualified health card holders, and

- the more extensive use of franchise taxes and other taxes.

It is my hope that in the not too distant future we will see the introduction of a tax system which is truly based on 'capacity to pay'. If this vision were to become a reality the dignity of the individual would be enhanced, individual initiative and self reliance would be encouraged, effort rewarded, and freedom of choice guaranteed.

APPENDIX

These dependancy statistics were taken from two Australian Bureau of Statistics Catalogues (**Australian Demographic Statistics**, 3101.0, December Quarter 1988 and **The Labour Force**, Australia, 6203.0, June 1988) and a **Four Weekly Statistical Bulletin** by Department of Social Security.

As the information sources are not entirely compatible some averaging and rounding has been necessary to achieve this profile of Australians public and private sector dependancy. For example, it has been assumed that:

- students who receive Austudy have been considered to be dependent on their parents (i.e. the private sector) even though they receive a benefit from the government,

- similarly, children whose carer receives a family payment such as family allowance and/or family allowance supplement only are considered as being dependent on their carers (i.e. private sector).

Of Australia's population of 16.5 million -

7.1 million are in the employed workforce, and

9.4 million are provided for by either public or private social expenditure (16.5 - 7.1).

Of those who are dependent, 3.7 million, i.e. less than half are **dependent on the public sector and include:**

0.8 million out of 4.6 million children and student children

1.5 million out of the 2.4 million people aged 60 and over (excludes those 60 and over in full time workforce)

0.6 million unemployed and their spouses

0.3 million sole parents

0.5 million invalid pensioners, sickness beneficiaries and service pensioners under 60

The remaining 5.6 million are dependent on the private sector and include:

3.8 million children and student children (4.6 - 0.8),

0.8 million of those aged 60 and over (2.3 - 1.5), and

1.1 million dependent spouses.

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LONG TERM DEPENDENCY ON SICKNESS BENEFIT*

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1. INTRODUCTION

The analysis presented in this paper is based on the results of a sample survey of long-term sickness beneficiaries - defined as people in receipt of sickness benefit for twelve months or more - conducted by the Social Policy Division of the Department of Social Security.

Sickness benefit, introduced in 1945, was in theory intended as a short-term payment for people **temporarily** unable to work because of illness or injury. In contrast invalid pension, which had been introduced much earlier, was intended to assist people **permanently** incapacitated for work to an extent of 85 per cent.

In practice, however, certification for sickness benefit is renewable indefinitely and the proportion of sickness beneficiaries who are in receipt of benefit for long periods has been increasing in recent years. When the Department of Social Security undertook its survey of long-term sickness beneficiaries in 1988, almost one third of sickness beneficiaries had been receiving the benefit for one year or more. The proportion who had been in receipt of benefit for one year or more was 18 per cent in 1977, and increased to 32 per cent by 1988. Such trends raise a number of questions, including the appropriateness of sickness benefit for these long-term beneficiaries.

The survey was primarily an exploratory study of the characteristics and circumstances of long-term sickness beneficiaries, focusing on the nature of the medical condition, education and employment history, barriers to workforce participation, and perceptions of future benefit and employment prospects. Personal interviews were conducted with 176 long-term sickness beneficiaries in Sydney, Melbourne and Brisbane (response rate of 76 per cent). The report of the survey results has been recently published (DSS, 1989).

2. GENERAL CHARACTERISTICS OF THE POPULATIONS

The general characteristics of the survey group were similar to those of the population of long-term sickness beneficiaries - there were many more males than females, most were single, and there was a significant proportion of persons aged 45 years and over. A relatively large proportion of this long-term group had been on benefit for two years or over, with longer durations being related to age. In fact, there was a cohort of older beneficiaries in the survey group who had been on sickness benefit for a considerable length of time.

Three specific groups of long-term sickness beneficiaries can be identified which were distinguishable by their age, birthplace, employment history, medical condition and employability.

The first group were the younger beneficiaries aged under 25 years, who comprised 9 per cent of the survey population. Just over half of this group suffered from mental disorders (including schizophrenia, alcohol dependency syndrome and drug dependence) and a further 40 per cent had injuries which were mainly as a result of car accidents. Most had low educational levels and unstable work histories.

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* This paper is based on papers written by Judi Robinson and Terese Smith of the Social Policy Division, and on the report of the survey of long-term sickness beneficiaries (DSS, 1989), written by various members of the Social Policy Division. The views expressed in this paper are those of the author and are not necessarily those of the Department of Social Security or the Minister for Social Security.

The second group which could be identified were those aged 45 years and over - the older long-term beneficiaries - who accounted for over 40 per cent of the total. Most of these had been in receipt of sickness benefit for long periods, with nearly half having a duration on benefit of over two years, and most suffered from chronic or degenerative diseases such as diseases of the musculoskeletal or circulatory system. In addition, a large proportion had suffered injuries, mainly as a result of work-related accidents. While their educational levels were generally low, most had quite stable work histories.

A third group distinct cohort group, who could also be considered a sub-group of the older beneficiaries who were born overseas. These were predominately male, most were married and they were older than Australian-born beneficiaries. The characteristics of this group were significantly different from those of Australian-born beneficiaries. Most had had stable work histories in low-skilled or low-status jobs, and had no prior benefit history. Their medical conditions were mainly as a result of accidents, many work related, which imposed physical restrictions limiting future employment.

3. PATHWAYS ONTO SICKNESS BENEFIT

In order to gain some insight into why these people remain on benefit for such long periods of time, it is necessary to examine their background prior to receiving sickness benefit. It has been proposed that the provision of sickness benefit, instead of being mainly for the employed, has become a benefit primarily for the unemployed (Jordan, 1987). Some support for this proposition is gained from the analysis of people's pathway onto sickness benefit.

A large proportion of respondents had not been working immediately prior to receiving sickness benefit. In fact, some 60 per cent had transferred to sickness benefit from some other benefit or pension, mainly unemployment benefit (Figure 1). Even those who came to sickness benefit from the workforce (often after using up paid sick leave or being on compensation payments) had had unstable work histories which included periods of unemployment or many different jobs.

While most of the survey group had worked at some time, mainly as labourers, plant/machine operators/drivers or tradespersons, most had had unstable work histories, with over half having experienced at least one period of unemployment prior to their current episode on sickness benefit (Table 1).

Over 70 per cent of those aged under 25 had experienced previous periods of unemployment and over half had transferred directly from unemployment to sickness benefit. Most of the older beneficiaries, however, appeared to have had more stable work histories, although over half had experienced periods of unemployment at some time.

Therefore, before many of these beneficiaries had even begun to receive sickness benefit, they had experienced difficulties in gaining or maintaining employment. Lack of education, training, skills or work experience were factors which had made it difficult in gaining employment for over three-quarters of the beneficiaries who had been unemployed.

4. INCOME SUPPORT NEEDS OF LONG-TERM SICKNESS BENEFICIARIES

Overall, the survey results imply that there are a number of factors which impact on the future income support needs of long-term beneficiaries. Although certain groups can be identified with particular characteristics, it is the sheer diversity of the circumstances exhibited by the beneficiaries which is striking. The range and causes of medical conditions, the effects these have had on the beneficiaries' living arrangements are just some of the more noticeable differences.

In this respect, determining the future needs of long-term beneficiaries requires an individual approach. However, it is untenable to expect income support schemes or policies which reflect individual requirements to be developed.

Figure 1: Previous Benefit History by Age

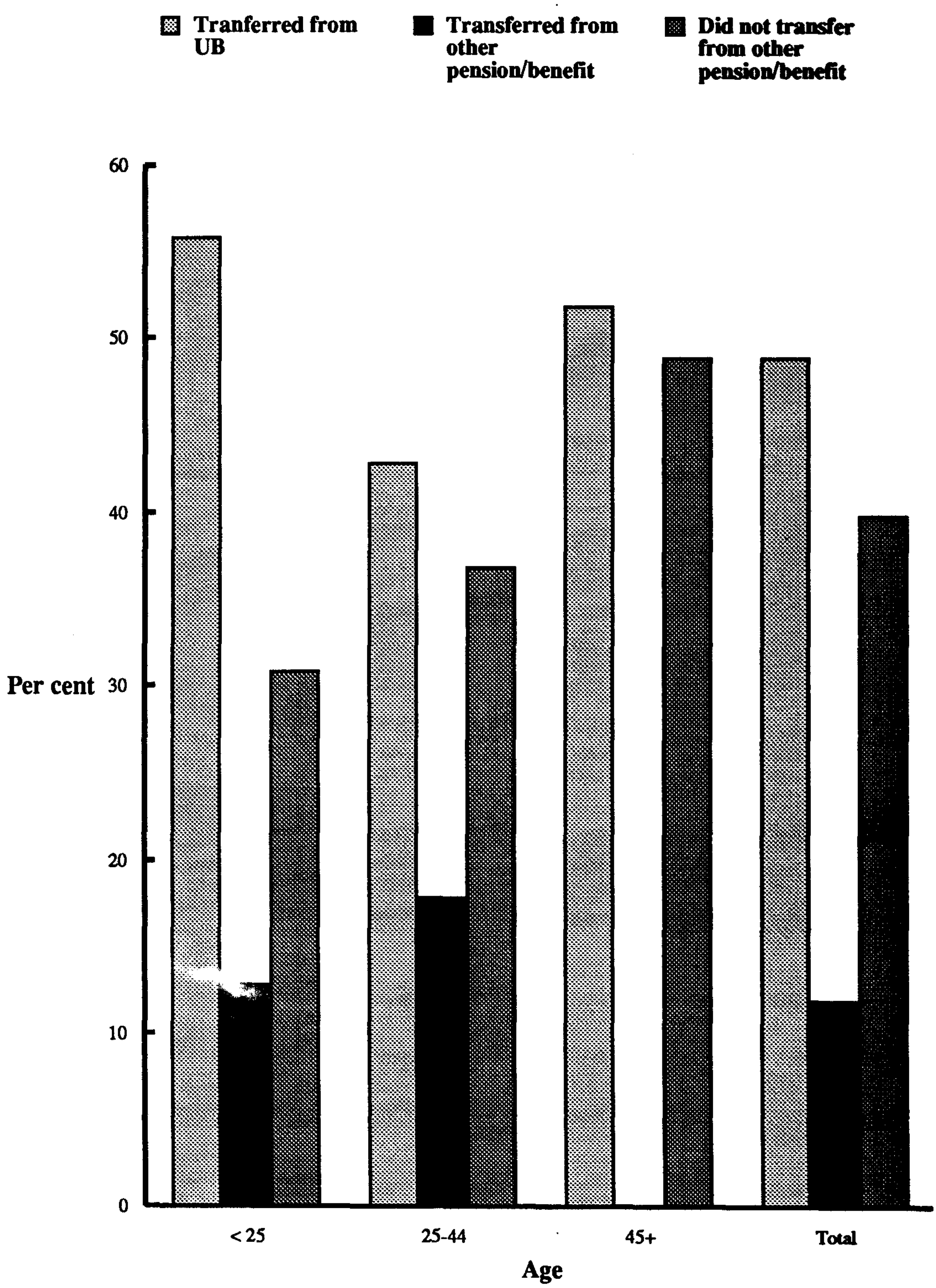


TABLE 1: EXPERIENCED PERIODS OF UNEMPLOYMENT BY SEX AND AGE

	Sex		Age (Years)			
	Male %	Female %	Under 25 %	25-44 %	45 and over %	Total %
Yes	55.1	59.5	72.2	62.8	45.0	56.0
No	44.9	40.5	22.8	37.2	55.0	44.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Broadly there are four factors which will impact on the income support needs of long-term sickness beneficiaries in the future:

- their prospects of recovery;
- their prospects of successfully entering or re-entering the labour market;
- their prospects of transfer to invalid pension; and
- the extent to which they can successfully participate in rehabilitation or training.

5. PROSPECTS OF RECOVERY

Whereas sickness benefit and invalid pension were envisaged as two distinct payments and are, in fact, administered as components of two separate programs, the population of ill, injured and disabled represent a continuum of types and severities of differing disabilities.

Most of the long-term sickness beneficiaries could not be described as suffering from incapacities of a 'temporary' nature and for many the chances of 'recovery' appeared to be slight. Three-quarters had suffered from their main medical condition for three years or more at the time of the survey, including 46 per cent who had their main condition for six years and over. Over half were considered by their doctors to be unfit for work indefinitely and a further 20 per cent were considered unfit for an unknown period. For many, therefore, the chances of recovery from these medical conditions, and consequent (re)entering into the labour force appear to be limited.

Nearly two-thirds of the survey group reported having more than one medical condition. The most commonly reported main medical conditions were in the categories of diseases of the musculoskeletal system, mental disorders (including behavioural problems and drug and alcohol dependence) and injuries (Table 2). Just under half of the beneficiaries aged under 25 suffered from mental disorders and a further 20 per cent had injuries which were mainly as a result of car accidents. Most of those aged over 45 suffered from chronic or degenerative diseases of the musculoskeletal or circulatory system, or injuries, mainly as a result of work-related accidents. This also reflected the high proportion of overseas-born beneficiaries in this age group, most of whom suffered from musculoskeletal conditions.

TABLE 2: MAIN MEDICAL CONDITION

		Long-Term Sickness Beneficiaries %	Invalid Pension Grants[a] %
1.	Infectious and parasitic diseases	*	*
2.	Neoplasms	*	7.3
3.	Endocrine, nutritional/metabolic diseases and immunity disorders	4.1*	2.5
4.	Mental disorders	21.6	19.3
5.	Nervous system and sense organs	6.2	12.8
6.	Circulatory system	8.9	15.0
7.	Respiratory system	4.3*	8.0
8.	Digestive system	*	*
9.	Genitourinary system	*	*
10.	Skin and subcutaneous tissue	*	*
11.	Musculoskeletal system	30.6	27.7
12.	Congenital anomalies	*	*
13.	Symptoms, signs and ill-defined conditions	*	*
14.	Injuries and poisoning	18.4	2.7
Total		100.0	100.0

Notes: (a) Distribution of main medical conditions of persons granted invalid pension in the six months from January to June 1988.

* Relative standard error greater than 40 per cent.

Long-term sickness beneficiaries' perceptions of their health status varied according to their main condition, the number of conditions suffered and their age (Figure 2). Younger beneficiaries tended to be more optimistic, with over half thinking that their condition had improved and would continue to improve. Those aged over 45 were more likely to feel that their condition had deteriorated since being on benefit and that it would continue to deteriorate. This was particularly so for older recipients with conditions of the musculoskeletal system, or those with more than one condition.

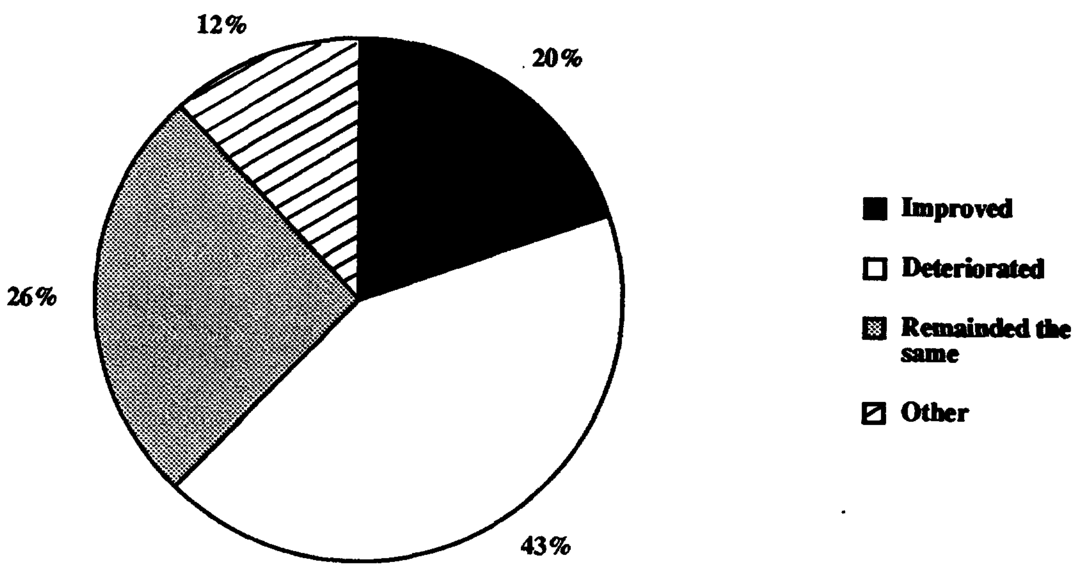
The treating of doctors of long-term sickness beneficiaries appeared to concur with their clients in their assessments of beneficiaries' chances of working again.

Over half of those aged 45 and over were considered by their doctors to be unfit for work indefintely and a further 18 per cent for an unknown period of time. The outlook for beneficiaries under 45 was only slightly more promising.

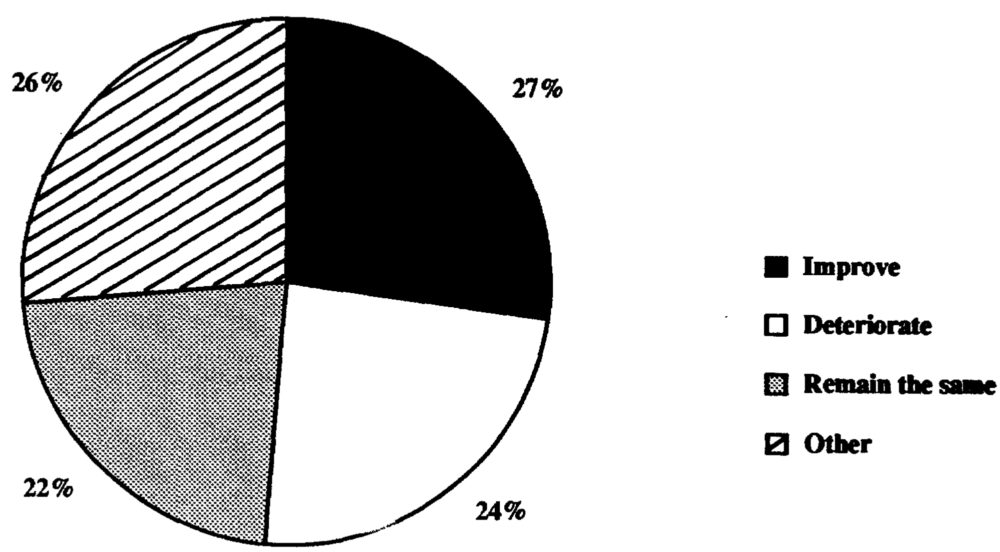
Of those aged 25-44 over half were considered unfit for work indefinately and over a fifth for an unknown period. However, almost 30 per cent would be fit for work within twelve months. Of those aged under 35 just over one third would be unfit for work indefinately and over a quarter for an unknown period. Their doctors thought that almost 40 per cent would be fit for work within twelve moths of the assessment made for the treating doctor's report.

Figure 2: Perceptions of Health Status

a) Since applying for Sickness Benefit



b) In the Next Twelve Months



6. PROSPECTS OF ENTERING OR RE-ENTERING THE LABOUR FORCE

The results of the survey imply that long-term sickness beneficiaries face a great many barriers to returning to employment, in common with long-term unemployed people, but have the added disadvantage of having to overcome the effects of extended periods of ill-health or injury. Because people in this group have been out of the labour force and in receipt of benefit for such long periods, they have tended to lose much of their attractiveness as job prospects and now face very considerable disadvantages in re-entering the labour force.

As would be expected, medial condition was the most common factor preventing work mentioned by the survey group (Table 3). However, most respondents also mentioned other factors such as educational level, lack of skills, time out of work, loss of confidence and age. Even those respondents who expected their medical conditions to improve in the next twelve months foresaw other factors which would prevent them from working, in particular a loss of confidence and a lack of jobs. Age was a common factor preventing work mentioned by respondents aged over 45 - most had spent long periods on sickness benefit, expected their condition to deteriorate, and rated their chances of working as poor.

Half of the survey group felt their medical condition would severely affect their ability to work, primarily because of the physical restrictions that their condition imposed. These respondents could not work in their usual occupations because of the physical nature of the work - most had been labourers or tradespersons - but at the same time they could not imagine doing any other type of work because they did not have the skills or education. While some mentioned the possibility of undertaking 'light duties' or office work, most felt they could not compete successfully for such jobs.

The other half of the survey group felt that their medical condition moderately or substantially affected their ability to work. A large number of these respondents had psychological or behavioural problems. For example, a number of those who suffered from alcohol dependency felt the effect of their condition on their ability to work varied considerably - some days they could work, some days they could not. Other respondents experienced psychological restrictions to work, such as an inability to cope with stress, a lack of motivation, or periods of depression.

Even respondents with physical conditions faced psychological barriers to work. It seems that those who have been out of the labour force for long periods of time may develop psychological barriers, such as loss of confidence, a factor preventing work that was particularly mentioned by women and younger respondents. Quite a large number of respondents also mentioned that there were no jobs available for them to apply for - this factor again relates to a belief that they either did not have the skills or education to apply for jobs which they would be physically capable of doing, or that they could only do certain types of work or work certain hours because of their medical condition. In other words, the types of jobs they were capable of doing were restricted.

In general, the survey group had low expectations of returning to work in the future, with nearly 60 per cent rating their chances of working as poor (Figure 3). The older respondents were more likely to rate their chances of working again as poor, mainly because of their age, because they had been out of work too long, or because they thought their medical condition would deteriorate. However, over 70 per cent of younger respondents felt their chances of working again were moderate to good and were interested in undertaking training to assist them gain employment.

In order to return to the workforce, therefore, long-term sickness beneficiaries not only have to overcome the effects of their incapacity, illness or injuries as well as the combined barriers of age, poor educational background, lack of skills and work experience and loss of self-esteem, they also face the major problem of having to compete with the unemployed for any available jobs. In addition, they are often faced with the negative reactions of prospective employers to a history of sickness, and in many cases, compensation claims, which may work against them when competing for jobs. Recent market research undertaken for the Department of Social Security which examined employer attitudes to older people found that many employers tended to view older people who have been compensation claimants with suspicion.

Close to half of the long-term sickness beneficiaries indicated a prior or current association with some form of compensation while 34 per cent had a claim (including third party compensation) pending. Several beneficiaries felt that their compensation history had affected their employment potential, citing the refusal of some employers to engage 'at risk' persons (namely those with a known history of injury).

TABLE 3: ALL FACTORS PREVENTING WORK BY AGE[(a)]

	Age (years)			
	Under 25 %	25-44 %	45 and over %	Total %
Medical condition	72.6	93.3	96.5	92.9
Age	14.9*	19.5	49.4	31.7
Skills/Education	53.0	36.6	33.5	36.7
Time out of work	42.9	35.4	28.4	33.1
Loss of confidence	33.8	41.0	19.2	31.1
No jobs available	18.1	23.5	20.1	21.6
DSS entitlement affected	*	*	*	5.8

Notes: (a) Percentages do not add to 100 because of multiple responses.

* Relative standard error greater than 40 per cent.

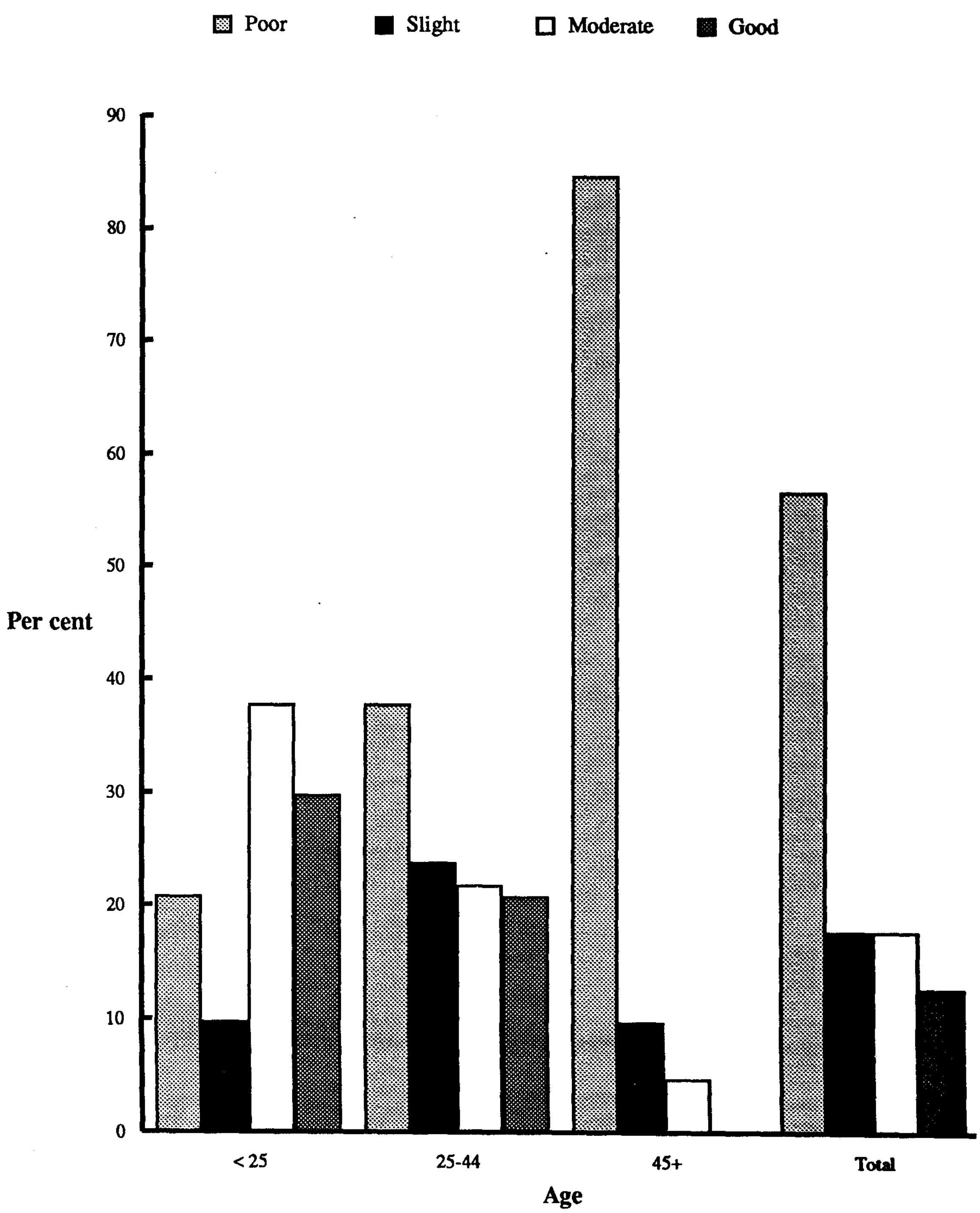
The evidence suggests that long term sickness beneficiaries re-entering the labour force will require substantial assistance just to get them to the starting line in the competition for jobs. However any efforts to facilitate their labour force re-entry will not succeed unless the program is accompanied by a comprehensive information campaign to change the perception of many employers that the long-term ill and injured represent too high a risk in terms of lost time and compensation liabilities and encourage them to give these people a chance to demonstrate their employment potential.

7. PROSPECTS OF TRANSFER TO INVALID PENSION

It is apparent from the survey results that long-term sickness beneficiaries, especially those aged 45 and over, have many characteristics in common with invalid pensioners. In particular, the nature and duration of their medical conditions were quite similar. A comparison of the main medical conditions of the long-term sickness beneficiaries surveyed and those of persons granted invalid pension in the six months to June 1988 showed that over half of each group had mental disorders or musculoskeletal conditions (Table 2).

While in general many sickness beneficiaries apply for and are granted invalid pension as a result of their medical conditions, it appears that a large proportion remain on sickness benefit for long periods without even testing their eligibility for invalid pension.

Figure 3: Perceived Chances of Working in the Next Twelve Months By Age



Half of the survey group reported that they would prefer to be on a different pension or benefit with most these preferring invalid pension because of the higher level of payment, the less stringent reporting requirements, and more fringe benefits or concession (Figure 4). Despite this, just over half of those surveyed said that they had never applied for invalid pension, while very few respondents intended to apply for invalid pension, while very few respondents intended to apply for invalid pension in the next twelve months, even when they thought their chances of working again were poor. A number of respondents, including and majority of the younger respondents, did not perceive themselves as 'invalids' and had no intention of applying for invalid pension a they hoped to return to work or experience an improvement in their medical condition.

Other respondents, including a large number of older beneficiaries, felt that their medical condition was long-term and as they had been on sickness benefit for a considerable period of time, they felt they should receive the invalid pension. However, less than half of the respondents had already applied for invalid pension, and 60 per cent of these had been rejected, mostly because they had been assessed as less than 85 per cent incapacitated.

For the majority, the decision not to apply for this pension was a conscious one as a lack of awareness of invalid pension was mentioned by only very few beneficiaries as the reason for not having applied. An underlying reason for many beneficiaries preferring not to apply appeared to be their perceptions of the 'permanency' of invalid pension. That is, they felt that once they were on invalid pension, they would be on it for good.

Treating doctors also considered that over 70 per cent of older beneficiaries would be unfit for work indefinitely or for an unknown period as a result of their medical condition. In most cases, not only were they considered unable to undertake their **usual** occupation, it was considered by doctors that they would have difficulties in working in **any other job.**

It can be concluded therefore that many of the long-term sickness beneficiaries will remain on benefit for increasingly longer periods while continuing to test their eligibility for invalid pension. When the situation of the sample group was followed up six months after the survey, it was not surprising to find that the majority had remained on sickness benefit. Only 10 per cent overall had been granted invalid pension in that time (mainly older people), although it could not be ascertained how many more had applied. The data seems to imply that the granting of invalid pension is somewhat age dependent and that a combination of employability, disability and age are what determines the granting of invalid pension.

A further follow-up of the sample group in June 1989 (16 months after the initial interviews) revealed that just over half (51%) were still receiving sickness benefit (Figure 5), and 17 per cent had been granted invalid pension.

8. PROSPECTS OF REHABILITATION AND TRAINING

A major problem for long-term sickness beneficiaries is that no programs are specifically aimed at rehabilitating or training this group, whereas there are programs targeted to other groups such as sole parents (JET) and unemployment beneficiaries (NEWSTART). This issue was mentioned by many of the beneficiaries surveyed, particularly younger beneficiaries, who saw training or retraining as the only way that they could gain skills and experience which would enable them to re-enter the workforce.

This survey found that long-term sickness beneficiaries had very little contact with the Commonwealth Rehabilitation Service (CRS) and programs which would have enabled them to develop new work skills and to enhance their employability.

When asked about their interest in undertaking training over half of the beneficiaries indicated that they were not interested. Only 18 per cent of beneficiaries aged 45 and over were interested in training compared with 45 per cent of those under 25 and 54 per cent of those aged 25-44 years.

Overall, however, long-term sickness beneficiaries are difficult to cater for in terms of rehabilitation or training programs specifically because they are such a diverse group with many different medical conditions and problems. For example, some would require assistance with language and literacy while others would need help to develop

Figure 4: Whether Would Prefer To Receive Some Other Pension or Benefit

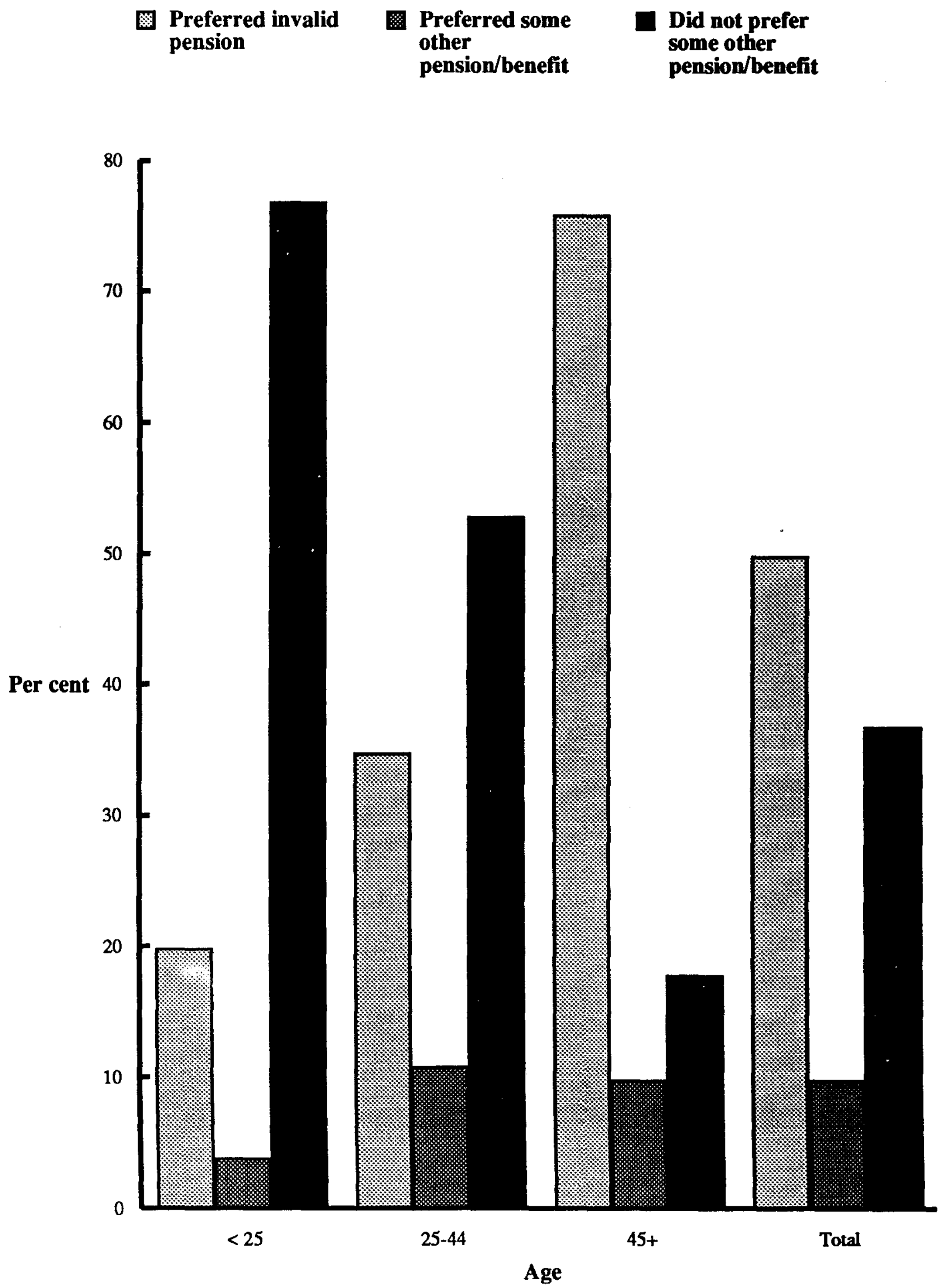
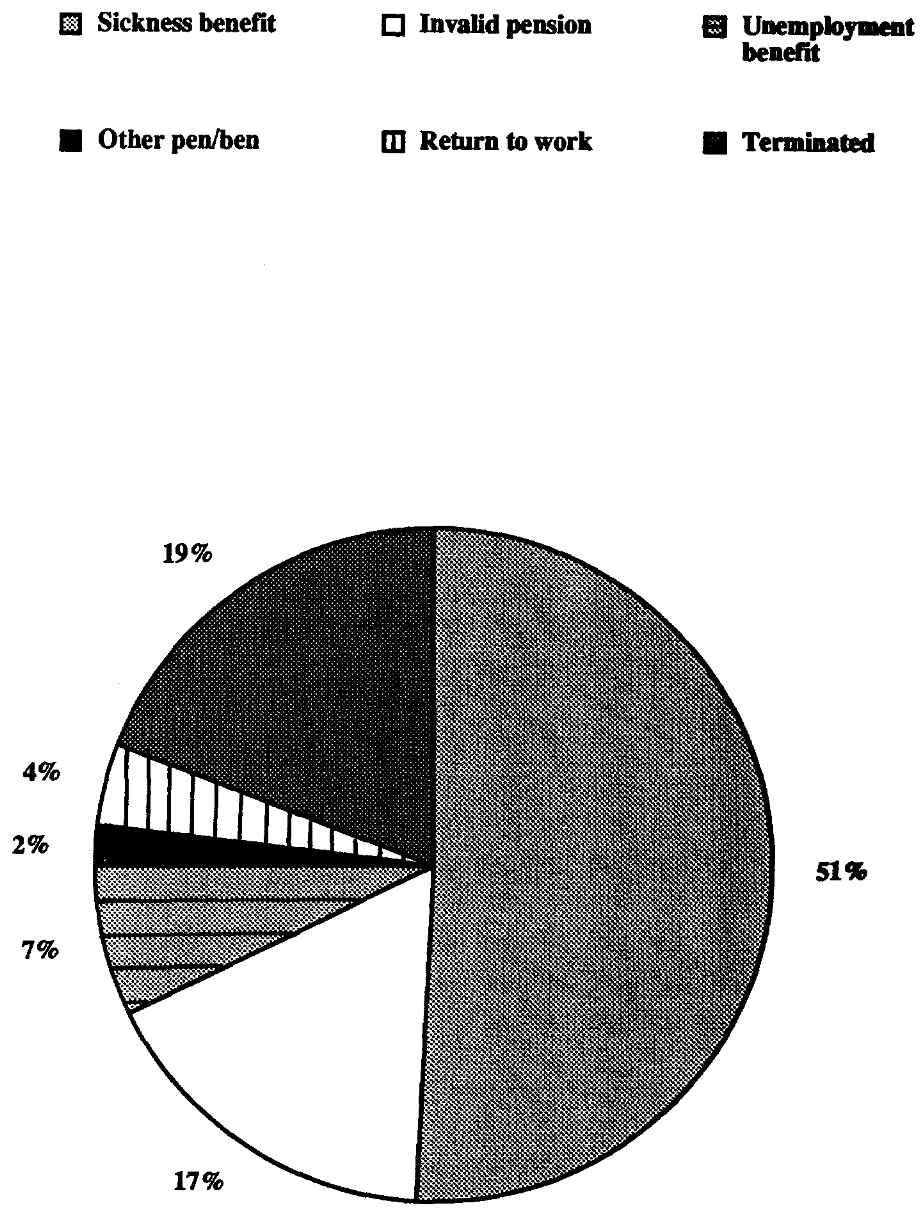


Figure 5: Follow-Up of Respondents 16 Months After Interview



vocational skills. In addition, may would require assistance initially to overcome the social and psychological problems which have developed as a result of such long-term dependence and illness. What would essentially be required, therefore, is some arrangement for assistance which is based on individual 'needs'.

An early intervention strategy which targets new grants of sickness benefit and in particular those in the younger age roups will help to minimise the effects of marginalisation from the labour force which occur as a result of long durations on sickness benefit.

9. CONCLUSIONS

With the increase in the number of people remaining on sickness benefit for long periods of time, and the reduced capacity for employment of many long-term sickness beneficiaries, it appears that, for a considerable number of people, sickness benefit is no longer a temporary payment for those unable to work, but a payment for those who do not easily fit into the categories of unemployed or disabled. As a consequence, they are not targeted for training programs and other initiatives aimed at assisting the unemployed, nor do they enjoy the security and extra income and fringe benefits received by invalid pensioners.

In many ways, the characteristics of the population of long-term sickness beneficiaries resemble those of unemployment beneficiaries, particularly long-term unemployment beneficiaries. They face similar barriers to entering the workforce, including long periods out of employment, low educational levels, limited job skills, age, and loss of confidence. In addition, however, they suffer from some types of medical condition which immediately makes them less competitive in the labour market.

At the same time, the population of long-term sickness beneficiaries are similar to the population of invalid pensioners, particularly in regards to their morbidity characteristics. The existence of many older long-term sickness beneficiaries, who suffer from chronic medical conditions coupled with socio-economic disadvantages, brings into question the procedures for the assessment and granting of invalid pension.

In many ways, these long-term beneficiaries are the forgotten people in the income support system. The sheer diversity of their circumstances and characteristics has meant that they have been left in the 'too hard basket', where solutions are not easily found.

It is clear that many of these long-term beneficiaries are unlikely to be able to return to the labour force without significant assistance, including not only training and reskilling programs, but also changing both their own and employers' perceptions of their employment potential. In addition, if rehabilitation and other assistance is not available to these people at younger ages or when they first move onto sickness benefit, many are likely to remain in receipt of income support for most of their lives - whether on sickness benefit, unemployment benefit or invalid pension - at great cost to society and to themselves. In this regard, there is considerable need for reconsideration of the type of income support paid to people who may be outside of the labour force.

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