

Towards a Balanced Vision: The Role of Social Goals, Social Policies and Social Benchmarks

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Towards a Balanced Vision: The Role of Social Goals, Social Policies and Social Benchmarks

by
Peter Saunders



THE UNIVERSITY OF
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Foreword

The major part of this report is a paper originally commissioned by the Economic Planning Advisory Commission (EPAC) as part of the background to the *National Strategies Conference. Shaping Our Future* which took place in Sydney on 24-25 November 1994. Funding for the preparation of the paper by EPAC is gratefully acknowledged, but the views expressed are the sole responsibility of the author. A shortened version of the paper appeared in *Conference Report 2. Perspectives on Shaping Our Future: Commissioned Studies*, which was published by EPAC in October 1994.

The main aims of the report is to emphasise the need for strategic visions for Australia to embrace and incorporate a social dimension if they are to be both balanced and relevant. It argues that economic progress does not occur in a social vacuum and focuses on the longer-term role of social goals and policies in the context of a re-invigorated and vibrant economy. Economic performance is important in determining the material standards which the population is able to enjoy, but many social goals are achievable in their own terms, irrespective of economic constraints. Others will assist, not impede, economic progress. Social policy, like all areas of government policy, is a means toward an end, and the ultimate objective of all social policies is the achievement, or at least the enhancement, of social justice. A balanced approach to development must thus combine economic progress with social justice, as must any future vision for national performance.

In releasing this report through the Social Policy Research Centre, its perspectives and arguments will hopefully be exposed to a wide audience. It is important that the current national debate over visions for Australia's future takes place at many levels and includes as broad a section of the community as possible. In agreeing to its publication in this form, EPAC has illustrated its commitment to these ideals. It now remains for others to take them up for themselves.

The report includes (as Appendix Four) a paper on 'Social Development: Aspects of Australian Experience', which was presented at the Regional Seminar on Social Development held in Bandung, Indonesia, on 25-28 July 1994. The preparation of this paper was supported by funding from the Commonwealth Department of Housing and Urban Development, although the views expressed are entirely those of the author. The paper focuses on three issues: the expansion of productive employment, the alleviation of poverty and social integration, all three of which are dealt with in some way in the main report. These three issues will shape the agenda of the World Summit for Social Development which will take place in March 1995 in Copenhagen.

Peter Saunders
Director

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In addition to playing a major role in the preparation of Appendix Three, Diana Encel read the entire manuscript and made many suggested revisions which improved both the style of the report and the clarity of its argument. Assistance with the collection and presentation of statistical material was provided, as ever, with technical competence and enthusiasm by George Matheson.

Ross Clare from EPAC provided useful comments on a first draft of the report, although he is in no way responsible for the use (or non-use) I have made of them. Lynda Pawley typed several versions of the manuscript with her usual calm and efficiency.

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1 Introduction

National performance has been the cause of considerable concern among broad sections of the Australian community. Some, like the Business Council of Australia, have focused attention on Australia's decline in the international national income league table and have advocated a program of economic reform and revitalisation designed to reverse that decline. Others, including the country's leading welfare organisations, have pointed to the adverse social consequences of economic recession and unemployment and argued the case for more active social policies to support and facilitate economic reform, but also designed to address problems of disadvantage, poverty and social exclusion. Others again, including a number of religious organisations, have called for a fundamental reconsideration of personal and social values so as to achieve a new sense of moral purpose within which the economic and the social spheres can become more people-focused, coherent and fulfilling.

Much of this debate has been fostered by the release in March 1993 of the Business Council of Australia (BCA) report *Australia 2010. Creating the Future Australia*. That report emphasised the need for Australia to regain a sense of national purpose focusing on a six point economic vision and a set of economic policies and reforms designed to achieve the vision by the year 2010. Other economic organisations, including the Committee for Economic Development of Australia (CEDA) and the Office of the Economic Planning Advisory Council (EPAC) have contributed to the debate by releasing documents which also focus on aspects of an Australian economic vision and the kinds of strategies required to achieve it.

In releasing its White Paper *Working Nation* in June this year, the Federal Government emphasised the need for the response to the problem of unemployment to be guided by a clear sense of vision regarding the nation's longer-term goals, aspirations and strategies. The White Paper proposals build upon the government's vision of Australia as a 'stronger, more dynamic and productive economy' (Commonwealth of Australia, 1994: 2) and 'a society which offers more opportunities than ever before, more incentives and rewards for enterprise and more security and cohesion' (Commonwealth of Australia, 1994: 16).

As this debate has proceeded, its focus has began to broaden. This is an inevitable consequence of the fact that economic progress does not occur in a social vacuum and that, as a result, any economic vision must pay need to the social context within which economic development can occur. In his President's Address to the Fifth National Business Summit held in March 1994, BCA President John Ralph acknowledged the need to broaden the debate by noting that:

In presenting its case for a high growth, high income strategy for Australia, the Business Council is fully aware that economic performance is not an end in itself, it is a means to an end. It is the means by which we can do the things the

community desires - to provide high levels of education and health care, high levels of employment, high environmental standards, adequate support for the disadvantaged and so on.

The Council believes, however, that the opportunity to develop our society along whatever lines the community wants must rest upon a secure foundation of economic success. The driving force behind *Australia 2010* is the intent to create an Australian economic environment which enables us to make the choices we want to make, and which at the same time gives the economy the strength and resilience to withstand external shocks. It is this economic strength which will enable Australia to go on evolving as a fair, caring and free society. (Ralph, 1994: 8)

Community groups and welfare organisations have given further impetus to the evolving 'vision debate' through their own publications and advocacy activities. These include the Victorian Community Summit organised in November 1993 which provided a forum for religious leaders and others to debate issues of justice and equality as well as to articulate their own vision of how to tackle community problems and dilemmas (Victorian Council of Social Service, 1994).

In responding to the October 1993 BCA Annual General Meeting, the Prime Minister announced that he had asked Professor Glenn Withers, the Director of EPAC, to take the lead for the Government in reviewing the BCA's policy goals in order to identify the areas of agreement and difference with the government's own ideas about the way ahead for Australia.

This report was commissioned by the Office of EPAC as part of that exercise. The report aims to encourage a more balanced evolution of the Australian 'vision debate' by focusing on the longer-term role of social goals and policies in the context of a re-invigorated and vibrant economy. Its aim is to generate a re-orientation in the debate rather than to provide specific suggestions. The development of a set of social objectives and a strategy for achieving them which is consistent with other (economic, political and cultural) aims will require a far broader range of inputs - from experts in a number of fields, as well as from the community at large.

The report is organised as follows: Section 2 briefly describes some of the main elements in the changing economic and social context which have led to the current vision debate. Section 3 then addresses the difficult question of the meaning of social policy and how it differs from, and relates to, economic policy. Section 4 reviews the main elements of some of the economic vision statements developed in Australia in recent years, specifically those presented by the Business Council of Australia and by the Committee for Economic Development of Australia. This is followed, in Section 5, by a brief discussion of alternative scenarios for the development of social policy in Australia, focusing on the role of government. Section 6 then considers in more detail what is required for the development of a set of specific social goals, with illustrative examples drawn from several areas presented in Section 7. The main conclusions of the report are brought together in Section 8.

2 The Changing Context

For the three decades following World War II, the Australian economy generated full employment and a sustained rise in real national income. The increase in prosperity over the period was translated into rising living standards for the great majority of Australians and whilst it would not be true to claim that there were no groups who missed out nor any areas of unmet social need, the consensus was that the 'lucky country' tag was generally well-deserved. Australia was widely regarded as a high-income, resource-rich, fair-go egalitarian social democracy whose optimistic longer-term prospects attracted a steady flow of immigrants from around the world.

Much has changed since the oil shocks of the 1970s undermined that period of economic prosperity throughout the industrialised world. The experiences of the 1970s highlighted two important lessons for countries like Australia: first, that the world economy was fundamentally and inextricably interdependent; and second, that conventional macroeconomic stabilisation policies were relatively ineffective at dealing with contemporary economic problems. For the last two decades the trend to economic prosperity, along with the expectations and aspirations to which that led, has virtually disappeared in most OECD member countries, to be replaced by cyclical instability around a far more modest trend rate of economic growth. This has resulted in widespread community perceptions of economic insecurity, a more pessimistic view about longer-term economic prospects and increased disagreement over the policies required to address these issues. Partly in consequence of this decline in economic prospects has been the increased attention paid to the social dimensions of Australian lifestyles, both in aggregate and within specific socioeconomic groups.

Few seem to doubt that social problems are of increasing concern. There is little agreement, however, on the precise dimensions of those problems, what has caused them and which of them should be accorded the greatest priority. These issues are not unique to Australia. The changing economic context within which we have found ourselves is affecting the opportunities and choices confronting other countries also. All nations now recognise the need to adopt a more outward-looking economic strategy underpinned by increased competitiveness, a process which makes it all the more difficult for each individual country to be successful internationally.

These changes are leading to a reconsideration of the values underlying national economic policies, a process which is also proceeding worldwide. The United Nations has convened a World Summit for Social Development which will take place in Copenhagen in March 1995. The three main themes to be discussed at the Summit are the expansion of productive employment, the alleviation of poverty, and social integration. These have been chosen to provide a focus for debating common concerns about the need to balance economic and social progress so that increased

material prosperity can be accompanied by the enhancement of human potential within an equitable, inclusive, participatory and environmentally sustainable context.

One of the enduring lessons of the recent past is how resilient some of our social problems are, even in circumstances where considerable resources have been devoted to addressing them. Almost as a matter of definition, it requires socially-based action in order to address social problems. This in turn involves government intervention, though not necessarily government expenditure: governments can support, facilitate, manage and enable through actions which often require relatively few resources.

Where public resources are required, and where the supply of these resources is not delivered by the economy, nor by the political process through increased taxation, social problems can become more acute. But even where resource constraints are not present, there seems little confidence that enough information is currently available about the nature and causes of social problems, nor about the efficacy of alternative means of addressing them. Knowledge is as much a barrier to effective solutions in many instances as a lack of resources. Many of these social problems have, like the decline in economic capability, become ingrained in the fabric of society to the point where despair is a common reaction among those who ponder potential solutions.

Another lesson we have learnt from the experiences of the last two decades is the need for patience. Many of our economic and social difficulties did not emerge overnight. Nor did the social, economic, political and ideological context which largely determines when and how to respond to them. There is a need to look beyond the immediate horizon, not only backwards in order to understand the causes of the current problems, but also forwards in order to canvas potential solutions.

The need to adopt a longer-term perspective has been recognised in the economic policy arena, where it is now accepted that short-run stabilisation policies must be formulated in the context of a medium-term fiscal strategy, and where it is acknowledged that many of the benefits of structural adjustment policies (microeconomic reform) will not emerge for some time. The same is true in relation to social issues, where the true costs (in human and social terms) are generally long-term, as are the benefits from finding solutions. Short-run palliatives have never been successful at solving long-run structural problems, in either the economic or the social spheres. A longer-term policy horizon is in any case required to address problems like population aging and the decline in manufacturing which are themselves essentially of a long-term nature.

This increased emphasis on the medium- to - longer-term perspective has raised issues about the nation's longer-run economic and social objectives. Unless an attempt is made to articulate these longer-run goals, there is little prospect of gaining community consensus on what they are (or should be) and of prioritising them. Furthermore, the articulation of longer-run goals is an essential element in generating the debate which is necessary to convince the community to make the short-run sacrifices required to achieve them.

This is the broad context within which a debate about alternative future visions is required. The motivation underlying the specification of any vision is to articulate a set of goals and aspirations for the future in order to generate debate about alternative strategies for the present. From this perspective, to engage in debate over the content of any specific vision is not to divert attention away from the problems of today, but rather to focus attention on how we might improve the circumstances of tomorrow.

To date, much of the effort put into specifying alternative national visions for Australia have focused almost exclusively on their economic dimensions. At one level, this is to be expected, and is all to the good. As in the past, how well the economy can perform on a sustainable basis will play a major role in determining the material standards which the population is able to enjoy, as well as placing limits on the resources available to meet social and collective needs. However, while it is true that the achievement of some social goals is constrained by economic performance, this is not always the case. Many social goals are achievable in their own terms, irrespective of economic goals or constraints. Others will assist, not impede, progress towards economic development. There is no natural order or hierarchy of objectives which places top priority on the economic goals. To try and articulate a vision which specifies what our longer-run economic goals should be is nevertheless an important precursor to identifying intermediate targets and the nature of the constraints, conflicts and trade-offs facing any plan of action.

Such vision exercises should not, however, be limited solely to the economic dimensions of future goals. They must, if they are to maximise their potential, also extend to the social aspects, for two reasons. First, because whatever economic goals are identified as being central to the future vision, these will ultimately have to be pursued in a **social** context. This necessarily implies that social goals and the kind of society we want for the future cannot be ignored. Second, because any vision must take account of both goals **and** constraints, one cannot ignore social goals and how these facilitate and constrain economic goals.

3 Social Policy

3.1 What Is Social Policy?

It is not easy to give a precise meaning to the term social policy which has both conceptual clarity and practical application. These difficulties are evident in the famous remark by Professor T.H. Marshall that 'social policy is not a technical term with exact meaning' (Marshall, 1967: 7). In drawing attention to this ambiguity, Marshall went on to define social policy as referring to:

... the policy of governments with regard to action having a direct impact on the welfare of citizens, by providing them with services or income. The central core consists, therefore, of social insurance, public (or national) assistance, the health and welfare services, housing policy. (Marshall, 1967: 7)

This definition, it should be noted, refers to both the **ends** or **goals** of social policy - the improvement of the welfare of citizens - and the **means** of social policy - provision of income support and services. This explains why some see social policy as concerned with the study of the welfare state, which encompasses both the expression of a number of social goals and a set of institutions, policies and programs designed to achieve those goals (Saunders, 1994).

There is, however, an element of circularity in equating social policy with the welfare state. The welfare state is one particular institutional form of social policy, but it is not universally applicable to all societies at all points in time. Many developing countries, for example, including those in the Asian-Pacific region, are wary about developing their own welfare state, partly because they see Western experience as having undermined the roles of the family and other informal social networks. The public welfare state operates alongside these important private welfare mechanisms in all countries, including Australia.¹

The above definition of social policy has been criticised for being too narrow because it omits other important areas of government activity which serve social ends. Piachaud (1993), for example, has recently proposed a definition which also encompasses policies designed to tackle specific social problems such as crime, drug addiction and child abuse and policies aimed to shape the general development of society. Included here would be equal opportunity legislation, environmental policies, population and immigration policies and, in the Australian context, multiculturalism. This broader framework is reflected in the authoritative account of Australian social policy developments in the 1970s produced by the Institute of

1 A brief description of the evolution of the Australian welfare state is provided in Appendix One. How the Australian welfare state has responded to the issues identified for discussion at the World Summit for Social Development, to be held in Copenhagen in March 1995, is discussed in Appendix Four.

Applied Economic and Social Research (IAESR) at the University of Melbourne which includes a discussion of urban and regional policy and legal aid as well as the mainstream provisions in income support, education, health and housing and community amenities (Scotton and Ferber, 1978; 1980).

The other main approach to the definition of social policy gives more explicit and focused emphasis to its objectives and, as a consequence, is more direct in highlighting the role played by normative values in social policy. This approach is associated most closely with David Donnison who has emphasised that the key identifying feature of social policy is its concern with questions of distribution. Thus, in the course of a visit to Australia some two decades ago, Donnison argued that:

... the social policies of Governments are those of their actions which deliberately or accidentally affect the distribution of resources, status, opportunities and life chances among social groups and categories within the country and thus help to shape the general character and equity of its social relations. Social policies are therefore concerned with fairness. (Donnison, 1976: 13)

This definition is extremely broad, but its strength is that it draws attention to the central significance of questions of distribution, to the multi-dimensional nature of those distributional issues, to the role of normative value judgements, and to the fact that social policy is (as the previous definitions also acknowledged) concerned primarily with government intervention into the market and social relations and processes which characterise democratic capitalist nations like Australia.

It is not fruitful to attempt to choose between these alternative definitions. Nor is it necessary to try and develop an alternative definition which encompasses elements of each. Instead, it is useful to highlight the following features of social policy that emerge from this discussion and which will structure the themes to be developed later:

- social policy is concerned with questions associated with the distribution and redistribution of resources, opportunities, power, status and access;
 - issues of distribution apply not only across the entire population (vertical and life cycle equity) but also across different sub-groups of the population (horizontal equity) defined according to family type, gender, age, ethnicity, disability, and so on; and
 - in general, there is a presumption that equitable outcomes will not be the automatic result of market processes. Social policy thus involves government intervention in those processes and the study of social policy includes analysis of the alternative means by which distributive goals can be achieved, and what these cost in financial, economic and social terms.
-

3.2 Social Policy and Social Justice

Social policy, like all areas of government policy, is a means towards an end. The ultimate end or objective of all social policies is the achievement, or at least the enhancement, of social justice. The concept of social justice is also a difficult one, although its importance cannot be denied. Many would agree with John Rawls who began *A Theory of Justice* with the statement that:

Justice is the first virtue of social institutions, as truth is of systems of thought. A theory however elegant and economical must be rejected or revised if it is untrue; likewise laws and institutions no matter how efficient and well-arranged must be reformed or abolished if they are unjust. (Rawls, 1973: 3)

To accept that social justice is a legitimate aim of policy is not to pre-judge the issue of what constitutes social justice, nor does it imply agreement over the means through which social justice should be attained. These issues have a technical dimension, but they also involve value judgements. As Veit-Wilson has recently put it: 'There can be no justice without judgement, and no judgement without values' (1994: 9).

This does not imply that it is not possible to reach agreement on what social justice means in practice, only that this cannot be based purely on technical argument. In societies like Australia, the practical meaning and content of social justice is decided through the political process.

This means that the forces which shape political argument will also influence the debate over social justice. As MacIntyre (1985) emphasises:

Social justice is therefore an historical category. It enters the vocabulary to shape behaviour only when certain historical conditions obtain. In the first place, it is necessary that the imbalances within the society are sufficiently marked and systematic to constitute social injustice..... Secondly, if the category is to have any analytical vitality, then it needs to be located within the customs and norms of that society. (MacIntyre, 1985: x)

This implies that the state must play a crucial role in the social justice debate. It does not imply, however, that government should be the only participant. As Benn reminds us: '... social justice is not only a government responsibility but a community responsibility' (1991: 39).

Central to this whole debate over social justice are the values which shape its meaning and the actions and processes through which those values emerge and evolve over time. Many reject the values which underlie the economic rationalism of the 1980s in favour of a value system which puts emphasis on the development of human potential, not just on the maximisation of profit or income. (Some of these

alternative value positions are summarised in Appendix Three). In addition to values, the framework of social institutions and organisations is also important for social justice, including the relative roles and responsibilities of the state and the market.

Where it is accepted that the achievement of social justice involves intervention in market processes and outcomes through social policies, there is a good deal of agreement about the main ingredients of socially just outcomes. In its first social justice statement *Towards a Fairer Australia* the Commonwealth Government (1988) identified four dimensions of social justice: **equity** in the distribution of resources; equality of civil, legal and individual **rights**; fair and equal **access** to essential services such as education, health and housing; and the opportunity for full **participation** in personal and communal affairs and decision-making.

These four key aspects of social justice - equity, access, participation and rights - were also emphasised in social justice strategy for Victoria released the previous year (Government of Victoria, 1987). They also feature in the central ideas which are currently shaping the work of the Commission on Social Justice established in the United Kingdom. These emphasise the importance to social justice of valuing equally the worth of all citizens, of meeting all basic needs as a fundamental right of citizenship, of ensuring as wide a spread as possible of opportunities and life chances, and of reducing or, where possible, eliminating all unjustifiable inequalities (Commission on Social Justice, 1993).

These alternative conceptions of social justice share the idea that justice goes beyond just equalising **opportunities** to emphasise the need for a degree of equality in **outcomes** also. These two basic aspects of equality - of opportunities and of outcomes - are necessary to permit individuals to participate effectively in the economic, social, political and cultural processes that affect and shape their lives. As the work of the United Nations Development Programme (UNDP) has emphasised, people's participation requires increased empowerment so that individuals can exert more influence and control, not only in economic terms, but also in social and political terms (UNDP, 1993). Participation in this sense, is both a means to an end and an end in itself. To achieve people's participation requires that all people have a range of opportunities from which they can choose **and** the resources to permit them to translate their preferences into effective choices. Both conditions are essential for the attainment of social justice as full and effective participation.

Some take the narrower view that justice is appropriately conceived of as concerned with equalising opportunity and should not involve interventions designed to equalise outcomes. Those who adopt this view would envisage a far more limited role for social policies, giving emphasis to measures designed to equalise access to education and health services, but less stress on measures which affect the distribution of income over and above those required to provide assistance to the 'genuinely poor'. Such a view does not, however, appear to receive much support currently in the Australian community, nor is it consistent with the historical

development of Australian social policy which has recognised the need for a redistributive state, if only a limited one (Appendix One).

This necessarily requires that social policies play an active role in influencing the interplay of market forces and managing the pace and nature of economic development. This will at times involve a degree of loss of output measured in purely economic terms, but that loss must be set against the gains achieved in terms of social justice. The fact that these latter gains can rarely be translated into a money metric - given a dollar value - does not imply that they are of no value, either individually or collectively. It does, however, raise the need for social policies to work, as far as possible, in harmony with economic policies, or at least for the conflicts between them to be recognised and accepted as an inevitable consequence of achieving a balance between economic development and social development.

3.3 Social Policy and Economic Policy

The foregoing discussion has highlighted the difficulty of establishing precise boundaries around the study of social policy. It is not therefore surprising to find that ambiguity also surrounds defining where economic policy ends and social policy begins. This implies, among other things, that much of what is conventionally discussed and analysed under the heading of economic policy is of equal interest and concern to those interested primarily in the study of social policy. This is not to deny that distinctions have emerged, dictated by practical and administrative convention. But these often do not stand careful conceptual scrutiny and can be overly-constraining or, on occasion, downright misleading.

In general, the policy problem is concerned with the manipulation of a set of policy instruments in order to achieve an optimal outcome in terms of the resulting combination of objectives. In the macroeconomic context, these objectives are economic growth, full employment, price stability and external balance. In the microeconomic context, the main objectives are concerned with efficiency, in both the allocative (resource use) and productive (cost) senses.

Within the economics profession itself, there is fairly broad agreement over the objectives of economic policy, although confusion sometimes arises when intermediate objectives (e.g. the national savings rate, or the size of foreign debt, or the rate of productivity growth) are treated as if they were ultimate objectives - as ends in themselves rather than as means toward more fundamental ends. Yet even where there is agreement over the objectives themselves, disagreement can still arise over the choice of policy instruments, for at least three reasons: first, because of disagreement about the workings of the economy and the nature of the relationships between the instruments and targets (or means and ends) of policy; second, because of different time horizons within which choices are formulated and decisions taken; and third, because not all objectives can be achieved simultaneously, trade-offs must be made which implies that values and hence politics inevitably intervenes in the policy process. This last point highlights the important fact that economic policy implementation can never be a purely technical exercise, but will always involve -

through the political process - a role for values which will influence the choices made.

Furthermore, even if there were complete agreement on the economic issues, controversy would still exist because of the need to balance the mainstream economic objectives against other (non-economic) goals. These encompass the social dimensions of performance (including the distributive dimensions mentioned earlier) as well as broader issues such as environmental sustainability, personal independence, cultural diversity and social cohesion. Each of these has a cause-and-effect relation with the economic objectives. Thus, the level and structure of unemployment has important distributive consequences which means that full employment is a goal of both economic policy and of social policy. Similarly, the medium-term rate of economic growth will have environmental implications which need to be assessed against what is environmentally sustainable. The issues raised by these examples are obscured by insisting that economic growth and full employment are purely economic goals which can be achieved by applying technical economic analysis to economic processes.

The close interrelationship between economic policy and social policy has been widely recognised in the social policy literature. Thus, for example, Scotton in his Introduction to the IAESR analyses of social policy referred to earlier argues that the primary orientation of social policy is distributional but that:

... the other area of public policy which has a direct bearing on distribution is macroeconomic management. The course which governments steer in pursuit of the mixture of goals involving employment, currency stability and growth plays a more important role in income distribution than many avowedly redistributive measures. (Scotton, 1978: 8)

In a somewhat similar vein, the New Zealand Royal Commission on Social Policy defined the overall goal of social policy as the improvement of social well-being, and then went on to note that:

... social wellbeing is a function of the level and distribution of socially valued states and resources. According to this definition, economic policy, oriented to the objective improving material prosperity, could be seen as increasing the level of socially valued resources. (Royal Commission on Social Policy, 1988: 283-4)

Part of the reason for persisting with the distinction between the economic and social dimensions of policy has been the belief that it is possible to resolve 'the economic problem' using the tools of positive economic analysis, independently of (in practice generally before), giving consideration to the subjective, normative questions of distribution which are part of the social policy domain. This view is mistaken on both counts. The idea that positive economics is a discipline which is free of value judgements is now widely rejected (Nevile, 1994). Even if it were not, it is not

possible to claim that economic policy, which is fundamentally about making choices under constraints, is a value-free exercise. Furthermore, the fact that values are accorded a central (and explicit) role in **social policies** does not mean that positivist issues are absent in the study of **social policy**.

The important role which the notion of choice plays in social policy (as in economic policy) was recognised several decades ago by Richard Titmuss, one of the founding fathers of modern social policy. He argued that:

Social policy is basically about **choices** between conflicting political objectives and goals and how they are formulated; what constitutes the good society or that part of a good society which culturally distinguishes between the needs and aspirations of social man in contradiction to the needs and aspirations of economic man. (Titmuss, 1974: 49; emphasis in the original)

Here the distinction between social policy and economic policy revolves not around the feature emphasised by Robbins (1932) that economics is the study of how to satisfy unsatiable needs with limited resources, because that reality must ultimately be confronted in all aspects of policy. Rather, it revolves around the types of need which are being addressed, with social policy paying attention to the satisfaction of **socially determined and recognised needs**, in contrast to economic policy which focuses on the satisfaction of **individualised material needs**. This has prompted Glennerster (1989) to argue that the distinction between economic policy and social policy revolves around the appropriate scope for social (or collective), as distinct from individual, action. Critical in this formulation is the boundary between market (economic) and non-market (social) allocations and allocative mechanisms and processes.

It is not profitable to continue to insist on what is in effect an artificial delineation between economic and social policy which owes more to the disciplinary boundaries between economics and social policy than to a concern with the realities of practical issues. It is more fruitful to emphasise the need for a coherent framework for economic and social policies and to search for actions and policies which serve both economic and social goals. This approach has been most closely associated with the work of the Directorate for Education, Employment, Labour and Social Affairs in the Organisation for Economic Cooperation and Development (OECD). Its main features are described briefly in Appendix Two.

The main lesson to emerge from the OECD debate in the current context is that there is no longer any defensible basis for treating economic and social policies in isolation. This implies that both the goals and the means underlying any vision for the future must embrace an economic and a social dimension. From this perspective, it makes as little sense to establish a specific growth target for national income towards which we should single-mindedly strive as it does to specify that a certain proportion of national income be devoted to spending on age pensions, or health, or housing, or whatever. Instead, attention needs to be given to the ultimate goals

which are desired for the country in the future, to investigate how both intermediate economic and social targets will assist in achieving those goals, and to give consideration to what kinds of economic and social policies will, in combination, provide the most coherent policy framework for achieving those intermediate targets.

The OECD debate has highlighted the need to give more attention to the role of investment in economic and social development. Investment is conceived here to include not only measures which increase the size and quality of the private capital stock, but also to recognise the crucial role of public infrastructure investment in creating the environment within which private sector activity can flourish. Investment in human capital is also important, not only because of the economic returns it brings, but also because this is one of the means by which personal development and fulfilment can be achieved.

Investment thus assumes a broad role which includes, in addition to plant and equipment, education and training, improved telecommunications, urban renewal, public health measures, equal opportunity legislation, crime prevention and so on, all of which are investments in the sense that they involve devoting resources now to activities which are expected to attract a stream of positive benefits in the future. This framework allows many items recorded as consumption or personal benefit payments in the National Accounts (e.g. social security and other income support payments) to be re-conceptualised as social investment because, by providing a social safety net, they effectively increase the willingness of labour to accept the short-run adverse consequences of structural economic changes which will yield longer-term economic benefits from which all can gain.

The general line of argument about the need for a consistent and comprehensive approach to policy formulation has been developed by the British economist Tony Atkinson (Atkinson, 1993). He begins by noting the tendency for much of the analysis and discussion of economic policy to focus exclusively on the relationship between conventional economic targets and instruments. Yet Atkinson goes on to cite one of the founding fathers of the theory of economic policy, Jan Tinbergen, as emphasising the need to view the process of policy-making as an integrated whole and to take account of the interdependence between all of the targets and instruments in selecting the appropriate policy strategy.

Atkinson, following the OECD approach, notes that social and economic policy are interdependent but goes on to observe that:²

... it remains the case that social policy is often placed in a separate compartment. Economic policy tends to have first claim on our attention, with social policy accommodating to

2 A similar point has recently been given emphasis in Australia by Quiggin (1993) who is critical of the policies proposed by the Industry Commission (IC) because they give emphasis to the goal of efficiency (defined in the narrow technical sense) but take little or no account of the distributional effects of their policy recommendations.

the results. This is alarming not just because of the interdependence, but also because it appears that undue faith is placed in the efficacy of social policy to solve the distributional problems generated by macro-economic policy. (Atkinson, 1993: 11)

Atkinson illustrates his argument by contrasting the performance of a range of member countries of the European Community, firstly just in relation to their economic performance (as measured by the rate of inflation and the level of unemployment) and secondly in relation to these plus their social performance, as captured by their (relative) poverty rate.

Table 3.1 adopts a similar approach using data for a somewhat broader range of countries for which the relevant data were available. The first two columns use data published by the OECD (1992) to compare macro-economic performance over the 1980s in two dimensions - inflation and unemployment. The third column presents estimates of the degree of relative poverty in each country around the middle of the decade, derived from the recent comparative study undertaken by Förster (1993) using the Luxembourg Income Study database. (The details of each indicator are spelt out in the notes to Table 3.1). Also shown in the final two columns of Table 3.1 are two alternative indicators of overall performance: the conventional 'misery index' (M_1) which is equal to the sum of the inflation rate and the unemployment rate; and an 'amended misery index' (M_2) which is equal to M_1 plus the poverty rate. Note that while M_1 reflects only economic performance, M_2 reflects both economic and social performance, albeit in only a crude way.

What do these comparisons reveal? If attention focuses solely on economic performance, the misery index M_1 indicates that Germany performed best overall, followed by Sweden, the Netherlands, the United States, Belgium, Canada, Australia, France and the United Kingdom, with Italy performing worst of all. Germany's top ranking reflects its low inflation rate, while Sweden's high ranking reflects its low unemployment rate - a comparison which reveals the different policy choices and combinations made in different countries over the period.

The inclusion of the poverty rate into the amended misery index M_2 changes the country rankings, but not by much. The main changes occur in the case of the United States and Sweden both of whose ranking declines (from fourth to ninth, and from second to fourth, respectively), while Belgium, France and the United Kingdom all improve their rankings by three places. Canada's and Australia's rankings each decline slightly when M_2 replaces M_1 .

It thus appears from these comparisons that the United States has sacrificed the poverty alleviation objective in order to improve its economic performance, while some of the European countries have been prepared to forego some of the benefits from improved economic performance in order to lower their poverty rates. However, the over-riding impression to emerge from Table 3.1 is that it provides no support for the view that macro-economic and poverty alleviation objectives are in

Table 3.1: Indicators of Economic and Social Performance (percentages)

Country	Average annual inflation rate ^(a) (1979-90)	Average annual unemployment rate ^(b) (1980-90)	Relative poverty rate ^(c) (circa 1985)	Misery Index M ₁	Misery Index M ₂
Australia	8.3	7.5	12.9	15.8	28.7
Belgium	4.7	10.4	4.4	15.1	19.5
Canada	6.3	9.2	12.1	15.5	27.6
France	6.9	9.0	7.1	15.9	23.0
Germany (West)	2.9	5.8	6.4	8.7	15.1
Italy	10.6	9.5	11.0	20.1	31.1
Netherlands	2.8	9.5	3.9	12.3	16.2
Sweden	8.1	2.4	6.8	10.5	17.3
United Kingdom	7.5	9.7	8.7	17.2	25.9
United States	5.5	7.0	18.4	12.5	30.9
Average	6.3 ^(d)	8.0	9.2	14.4	23.5

- Notes:
- a) Annual average percentage change in consumer prices.
 - b) Annual average standardised unemployment rate.
 - c) Percentage of persons in families with equivalent disposable income below half median equivalent disposable income, using an equivalence scale with an elasticity of 0.55.
 - d) Geometric mean.

Sources: OECD, 1992a, Table 8.11 for (a) and Table 2.20 for (b).
Förster, 1993, Table 1 for (c).

direct contradiction with each other. If they were, one would expect to observe a negative relationship between the misery index M₁ and the poverty rate, whereas Table 3.1 shows this relationship to be either non-existent or, if the United States is excluded, a positive one.

3.4 Current and Emerging Policy Concerns

Improved integration of economic and social policies will not, of itself have an immediate impact on the current problems and pressures confronting countries like Australia, even though it may affect the responses to them. These pressures are an integral part of the current policy context and some of them are likely to have an enduring impact. Such concerns cannot be ignored in any attempt to develop and articulate a vision for the future, for to do so would put at risk the credibility of the vision and raise questions relating to the transition from the reality of today to the vision for tomorrow.

Some, but by no means all, of the current policy concerns are of a purely economic nature. Despite the long boom of 1983-90, it seems unlikely that the trend rate of economic growth will return to that experienced in the 1950s and 1960s and even if it did, problems of unemployment in general, and long-term unemployment in particular, would remain. This, combined with the growing internationalisation of the world economy and the resulting increased intensity of international competition are combining to raise the level of economic insecurity, particularly in small open economies like Australia. With economic growth likely to remain modest and uncertain, the lack of jobs will continue to raise serious social problems associated with unemployment, particularly amongst the 'lost generation' of younger people and those who lose their jobs in late middle-age, whose labour market prospects are extremely bleak.

Active involvement in the labour market has become a source, not only of financial security and economic status, but also of social identity for most people. Access to employment has thus become a critical element in people's lives. Unemployment - which denies that access to some - undermines economic status and, where it persists, destroys self-esteem and, ultimately, undermines social status also. Access to paid employment for all who want it is thus critical to the development of a prosperous, fair and cohesive society.

Even for those fortunate enough to be in paid work, the nature of economic growth and technical progress over the 1980s has led to a widening of earnings disparities, both among OECD countries (OECD, 1993a) and in countries of the former Eastern European block (Atkinson and Micklewright, 1992). In combination with the increase in part-time work and the casualisation of employment generally, these developments are presenting new challenges to the nature and design of social security systems and labour market programs. The need for increased intervention in these areas, combined with additional demands arising from problems of urban decay and the deterioration of public infrastructure generally, are raising questions about the ability of public budgets to meet these demands without resorting to increased revenues in one form or another.

Changes in the role of family members and in the nature of the family itself are placing additional pressures on public budgets, yet there are few obvious areas where offsetting expenditure savings seem likely. The formation of well-organised constituencies and interest groups have made the political task of restructuring public budgets more difficult, particularly when absolute declines may be warranted in some areas. However, most countries have experienced almost two decades of fiscal restraint and the scope for additional expenditure savings from existing programs is severely limited. Indeed, it is more likely to be the case that 'echo effects' arising from the cumulative effects of past cutbacks are likely to put upward pressure on public expenditures in some areas over the next decade (Oxley and Martin, 1991).

Finally, there are problems associated with demographic change, of which the ageing of the population continues to be of particular significance. The switch from

institutional to community-based care has been encouraged by governments, partly for financial reasons, yet it is now clear that groups like the frail elderly, people with a disability and the mentally ill are not having their needs met in the community. Part of the reason for this concerns the lack of community-based services and the absence of effective service networks, despite the increased resources devoted to the Home and Community Care (HACC) and related programs. The services funded under these programs face limits to the rate at which they can expand, but also confront an enormous increase in need and hence demand.

In addition, increased marital breakdown and the postponement of child-rearing are both likely to challenge assumptions about the availability of family carers on which the switch from institutional to community care has been based. In addition to population ageing, further pressures are likely to be associated with the increased cross-border population shifts and with the social and political consequences of the growing number of refugees.

All of these developments are giving rise to an increasing disenfranchisement of community groups which threatens the broad social consensus of the post-war period that formed the platform for the economic development of the period. Now, there is a sense that consensus and the social solidarity, shared values and sense of common purpose associated with it, are beginning to disintegrate. The need for a reaffirmation of those principles - in actions as well as words - has never been stronger.

Yet one endearing lesson to emerge from the experiences of the last two decades is that the ability of social and economic policies to achieve their goals without giving rise to undesirable unintended consequences which circumscribe these goals is limited. The current demands for interventionist policies has thus arisen in a context where the tasks confronting policies are becoming more complex and difficult, where the optimism that effective policies can be designed and implemented is disappearing, and where there is a widespread loss of confidence in the political process and bureaucratic and administrative mechanisms.

Part of this problem is self-inflicted. Not enough effort has been put in the past into monitoring and evaluating policies in order to identify their strengths and weaknesses. Nor has the whole question of how individuals adjust their behaviour to the changed incentives they face when new policies are introduced and old policies are changed been given sufficient consideration. Nor, more generally, has enough attention been devoted to understanding how policies actually operate in practice 'on the ground', as opposed to in the pages of the legislation and administrative manuals. More effort in each of these areas is a necessary element in any attempt to improve policy efficiency and effectiveness.

It is against this background that attention now focuses on the recent 'vision debate' in Australia.

4 Visions of Australia's Economic Future

It has already been noted that the development of a vision for the future serves two important objectives. First, it provides a vehicle for the consideration of long-run goals which is not unduly constrained by, nor obsessed with, more immediate concerns. Second, by taking a broader perspective on long-run objectives, the important interrelationships between goals and constraints in different areas of policy can be confronted and explored, thus providing a forum for giving consideration to the implicit and explicit trade-offs between them.

To date, most attempts to articulate a future vision for Australia have emanated from business and economic organisations. Not surprisingly, their main focus has been on economic goals and how these can best be achieved. One undoubted benefit of these exercises is that they have prompted a response from environmental and community organisations, keen to explore how their more specific environmental and social concerns are treated and how that treatment can be varied and improved. The different players and stakeholders have thus begun to engage in a debate about alternative future visions, which is precisely one of the desired consequences of articulating a vision in the first place.

In this section of the report, some of the main features of the two of the economic vision statements recently produced will be highlighted and their underlying social dimensions, values and choices explored. These are *Australia 2010: Creating the Future Australia* released by the Business Council of Australia (BCA, 1993) and *An Australia that Works: A Vision for the Future* a study prepared by Fred Argy (1993) for the Committee for Economic Development of Australia (CEDA). Together, these two reports encapsulate much of the material contained in other similar reports, although they lie somewhat towards different ends of the spectrum in relation to the role they accord to the social dimensions of performance and to the degree of detail accorded to discussion of the issues this raises.

In discussing these two reports, no attempt will be made to assess the technical merits of the economic analyses which underlie them. Nor will any comment be offered on the specific policy reforms proposed in each report. These tasks can be left to others. Rather, the aim of the following discussion is to highlight the economic objectives seen as most crucial in each report and to assess the social dimensions of the visions they propose. This will be done within the framework of economic and social policy integration and coherence developed in Section 3.

4.1 The BCA Vision: Australia 2010

The BCA document *Australia 2010: Creating the Future Australia* defines a vision in the following terms:

By a 'vision' is meant a coordinated and considered account of the future of Australia based on an analysis of the nation's current performance and direction ... The term 'vision' is not meant to convey any suggestion of a 'grand plan', sectoral policy or social prescription, nor is it meant to connote anything other than a perspective of the future grounded in vigorous analysis and practical relations. (BCA, 1993: xi)

The BCA report clearly reflects the view that such an exercise is long overdue and is important because it 'can help to lift economic performance by maximising concentration on core strengths' (BCA, 1993: 8).

The central feature of the current and future Australian economy identified in the BCA report is the trend towards internationalisation. The report argues that increased integration of Australia into the world economy serves to blur any meaningful distinction between internal and external policy. This is one of the central points made in Robert Reich's recent book *The Work of Nations*, although Reich makes the important distinction between the decline of **national economies** and the continuation of **national societies** (Reich, 1991).

The internationalisation of the Australian economy provides a benchmark against which all activities are to be judged, which is in relation to their effects on either sharpening or blunting international competitiveness. The BCA report argues that there is an urgent need to agree on the 'economic fundamentals', which are identified as:

... the attitudes and practices that are a prerequisite to establishing a competitive economic climate in which enterprises and individuals operate in an open environment with an incentive to compete, to innovate and to manage the risks they face. (BCA, 1993: 7)

The open environment referred to here extends beyond national boundaries to encompass the world trading system as a whole, which means that in order to assist in identifying what is required to be competitive:

... many activities or policy areas which could previously be regarded as 'domestic'... must be 'benchmarked' against the performance standards of others. World class performance is now necessary in all aspects of our economic and political life. (BCA, 1993: 13)

The central objective proposed for the period to 2010 is to return Australia to the top ten nations in terms of GDP per capita - a position which Australia last enjoyed in 1970 according to the report. This objective makes it clear that the main focus for performance should be economic growth, although by formulating the target in terms of the level of national income relative to other countries, emphasis is given not only to the role of economic growth in generating rising material living standards, but

also to the fact that this has to be achieved in an international economic environment. No longer, it is argued, can Australia set its own economic targets in a vacuum, insulated from the rest of the world.

The report also argues that the achievement of this main objective will permit the attainment of a range of other objectives. Three other economic objectives are specified in the report:

- achieving the lowest possible rate of unemployment (no greater than 5 per cent);
- containing net foreign debt to at most 50 per cent of GDP; and
- achieving a strong and sustainable level of private investment.

The final two specified targets are broader in scope. They are:

- maintaining an independent, democratic and cohesive society; and
- maintaining maximum capability to defend our national territory.

Underlying the BCA vision is an economy spurred by individual enterprise and competition. There is, however, recognition of the need to maintain and enhance traditional Australian values of 'fairness, tolerance and compassion' (BCA, 1993: xi).

What the report fails to address adequately is how this is to be made possible in an environment in which the role of government is clearly seen as being reduced, to the point where: 'The Australian community will be much less dependent upon government for the provision of a wide range of services. Government will have "divested" its non-core activities' (BCA, 1993: 12). This remark raises fundamental issues about the scope of these 'non-core activities' which need to be brought to the fore and debated.

The BCA report is, surprisingly, somewhat imprecise in distinguishing between the 'core' and 'non-core' activities of government. Chart 14 (page 63) of the report identifies the core business of government very narrowly to include only the traditional 'public goods' areas of public administration and defence. Together, these accounted for only 4 per cent of GDP in 1991-92, less than one sixth of total government expenditure (excluding social security and other transfer payments). Reducing government spending to this level would thus represent the introduction of a minimalist state which would be far smaller than the proposals from even the most extreme proponents of small government. However, on page 62 the report also defines the core functions of government more broadly to include, in addition to defence, providing national leadership, managing the nation's external affairs, setting standards of behaviour and performance, providing institutions that would not be adequately provided by the private sector, and providing for the disadvantaged.

This position clearly corresponds to a more expansive view of the role of government than the former 'minimalist state' proposal, but it is not clear how far the BCA vision allows for the role of government to expand beyond the minimalist state. The presumption appears to be that the private sector should always be the 'provider of first resort' and that a role for government should only be considered where market failure exists or where there is clear evidence that government can operate more efficiently and effectively than the private sector.

Aside from the acknowledged need to 'provide for the disadvantaged' there is virtually no reference whatever to the questions of distribution in the BCA report - questions which lie at the heart of social policy. Reference is made (on page 18) to the need for fair treatment for all citizens which is identified as having five dimensions: equality of opportunity; access to education; secure employment; and reward for achievement, in addition to providing support for the disadvantaged. It is also acknowledged (on page 32) that; 'Australian governments play a major role in controlling access to resources and opportunities and in distributing income', but these activities are essentially seen as impeding competition through regulation and subordinating efficiency to other goals. The implication appears to be that government should play no role in redistributing resources aside from providing support for 'the disadvantaged' - who are nowhere defined in the report.

The narrowness of this perspective was identified by one of the speakers at the 1994 National Business Summit, Ivan Deveson, who argued:

If we are to achieve our vision of a democratic and cohesive society, then we must of course find the right balance between things economic, and things social - be sure that all Australians continue to have access to a 'fair go'.

If it is true that 5% of Australians earn more than 50% of our private wealth, and the bottom 30% of our wealth triangle actually owe more than they own, then our egalitarian dream may have passed us by. (Deveson, 1994: 30)

Such comment did not go unheeded at the Business Summit. The Communique released by BCA President John Ralph at the conclusion of the Summit detailed a national strategy to promote 'robust and sustainable economic growth' which identified five priorities. The fifth of these was;

... to manage the process of change in an equitable manner and to maintain adequate social safety nets. We must respond positively to the needs of the disadvantaged and the long-term unemployed. *Australia 2010* is about the creation of a fair, caring and free society that is dependent upon achieving the goals of faster economic growth. (Business Council of Australia, 1994: 109)

This suggests a role for government which extends well beyond its involvement in 'core activities' as defined earlier. To this extent, it is a welcome revision of the position expressed earlier in *Australian 2010. Creating the Future Australia*, although just how different is a matter requiring a good deal more clarification.

Despite these amendments, the BCA vision remains, in essence, premised on the view that economic growth must proceed before policies designed to achieve a more equitable distribution can be introduced. The cake must be allowed to grow before consideration is given to how it should be divided up. Underlying this approach is the view that the poor will ultimately end up with more cake, not less, because the absolute growth in the size of the cake will more than offset any reduction in the size of their slice. In practice, this approach is based on the maxim that in order to make the poor richer, one has to begin by making the rich richer - the 'trickle down' theory of economic growth and redistribution which formed part of the now discredited 'supply-side' economics of the late-1970s and early-1980s.

Unfortunately, analysis of past experience in other countries clearly points to the tendency for the 'rising tide' of average income growth not to 'raise all boats', particularly where government divests itself of some of its social and other responsibilities (Danziger and Gottschalk, 1986; 1993). To be convincing, the trickle down theory of redistribution needs to give far more consideration to the processes set in place to distribute and redistribute the proceeds of higher material standards of living. Redistribution does not occur automatically as economic growth proceeds, even accepting that growth creates jobs and more jobs often means less inequality. It requires intervention.

The need to give explicit consideration to redistributive policies is all the more important in an environment where the role of government is being wound back. Unless this is done, the fifth BCA goal (social cohesion) will not be achieved and if this is the case achievement of the sixth goal (national security) will also be put at risk. It is easily forgotten that in the new, post-cold-war, world order, the risks for national security are to be found more in internal social dynamics than in external aggression.

In summary, the main strength of the BCA report lies in its focus on the internationalisation of the Australian economy and the need to consider economic objectives from that perspective. Its weakness lies in the relative underdevelopment of the social dimensions of the economic vision it presents, particularly on identifying how the conflicts which arise between these and the economic goals it specifies will be resolved. This, however is not a reason to reject the BCA report. It was, as its authors emphasise, presented in order to 'encourage community focus on longer range national objectives' and it has clearly succeeded in opening up a vigorous debate on these issues. That in itself is a positive and worthwhile achievement.

4.2 The CEDA Vision: An Australia that Works

In contrast to the BCA report, the CEDA report *An Australia that Works: A Vision for the Future*, prepared by Fred Argy (1993), gives a more detailed consideration of the role of social policies and how these can be better integrated with policies directed to improve economic performance. The difference in emphasis between the CEDA approach and that underlying the BCA vision is encapsulated in the following extract from the CEDA Policy Statement released after the report itself was published:

The CEDA vision is essentially an **economic** vision in that it is seeking to improve the workings and performance of the economy; but it recognises that the economy is only a means to a higher goal - improving the well-being and quality of life of Australians - and that an improvement in real GDP per head is not the same thing as an improvement in national well-being. (CEDA, 1994: 6; emphasis in the original)

The Argy CEDA report emphasises that while furthering material well-being is its main focus, this is not its exclusive concern. The role of a vision is accorded specific significance in the report in that it can help to question and eventually ease existing political constraints on performance. Thus, the report notes that 'one purpose of a vision is precisely to educate public opinion and **change** community attitudes and cultures (on work habits, saving, exports, quality and service, best practice, etc.)' (Argy, 1993: 30; emphasis in the original).

The report recognises that any vision must be not only internally consistent and economically realistic, but also politically realistic. This latter feature implies that, in addition to its economic dimensions, any practical vision must also articulate a set of social goals and give consideration to their attainment. This is not only because of the inherent importance of these goals in their own terms, but also because the failure to provide adequate social protection is likely to undermine and impede the process of economic change.

Because economic reform generally involves both winners and losers, redistributive social programs can help spread the transitional pain more widely and/or more fairly. It can thus contribute to the reconciliation of both strong economic growth and social acceptability, an issue explored more generally by Argy (1994) in a subsequent contribution. The transitional aim envisaged in the CEDA report is to assist through compensation the innocent casualties of economic change in ways which do not obstruct or unduly delay the processes of change themselves. This important role for social policy in facilitating economic progress by creating an environment which enables economic change to proceed is often ignored by those who view the budgetary costs of social policies as a financial burden which impedes economic growth.

In adopting this transitional compensation approach, the report acknowledges that its aim is not to correct past inequities, but to ensure that these are not worsened by

future economic reforms. Two specific proposals are made to give substance to the approach:

- that no large group should be made worse off by economic reform and progress; and
- that those in the lowest quartile (bottom quarter) of the income distribution should, at least in part, share in the general increase in incomes associated with productivity gains.

Both proposals require the implementation of specific redistributive programs operating through a combination of increased social benefits and tax rebates and/or credits and enhanced non-monetary (social wage) provisions.

In addition to these transitions objectives, a number of other social goals are specified in the CEDA report. These are:

- a reduction in long-term unemployment;
- the provision of part of domestic economic gains to countries of the third world; and
- measures to ensure that no further increases in the concentration of economic power and privilege occur, thus protecting the existing degree of equality of opportunity.

Further proposals are designed to encapsulate a broader quality of life vision through protection of existing amounts of leisure, of occupational health and safety, of pollution protection levels, of individual freedom and national sovereignty, and of the quality of the natural environment.

In articulating these goals and giving detailed consideration to their consistency with its broader economic proposals, the CEDA report has fulfilled its claim to have produced a vision which has; 'an important non-monetary or equity dimension' (Argy, 1993: 14). This is a valuable and welcome contribution to the debate.

However, the main criticism which can be levelled at the CEDA report is that while it represents a more balanced approach than that incorporated in the BCA vision, the CEDA approach still does not place the social dimensions of its vision on an **equal standing** with the underlying economic objectives. Instead, the social objectives are seen as acting as a **constraint** on the impact of policies directed to achievement of these economic objectives. Because of this, the CEDA approach will be seen as overly cautious by those, like the OECD (see Appendix Two), who regard **social and economic objectives as of an equal standing**, their attainment being jointly subject to an overall strategy which optimises the choice between them, subject to a set of common constraints.

The danger in the CEDA approach is that by ranking social objectives below economic objectives, the social goals will always in practice take second place,

being achieved only when economic performance permits. This may be, in some circumstances, a realistic principle to guide short-run policy development, but it seems much less defensible in the context of a longer-run vision - particularly one focused on the quality of life overall, not just material well-being.

4.3 Reactions from the Welfare Sector

Amongst those who have tried to articulate a policy position which gives greater emphasis to the social dimensions of performance are two of Australia's main community welfare organisations, the Australian Council of Social Service (ACOSS) and the Brotherhood of St. Laurence (BSL). (The views of a range of religious organisations are summarised in Appendix Three). These two organisations have traditionally expressed their views on policy through their submissions to the annual budget process. More recently, however, prompted in part by the reports described earlier, but also actively encouraged by the Office of EPAC, they have turned their attention more specifically to issues associated with the longer-run.

ACOSS, for example, in *A Call to the Parties* released during the 1993 federal election campaign, stressed the need for a major re-examination of social and economic policy directed to the achievement of better policy integration and, thereby, the simultaneous attainment of both economic growth and social justice (ACOSS, 1993a). In responding to the Office of EPAC's call for submissions relating to development of a medium-term social and economic agenda for Australia, ACOSS again developed this line of argument, claiming that the goals of economic growth and social justice are complementary in that:

Economic development is essential to produce the financial resources and jobs necessary to enhance social justice. **Equally**, social justice is essential to provide the human resources, infrastructure and community cohesion necessary for genuine and sustainable economic development. (ACOSS, 1993b: 1; emphasis in the original)

In its submission to the Committee on Employment Opportunities and in a recent issue of *Brotherhood Comment* (BSL, 1993a), the BSL spelt out the three elements of its longer-term vision. These were:

- a cohesive and inclusive society relatively free from disadvantage, poverty and inequality;
 - an adequate income and standard of living for all Australians; and
 - genuine and equitable opportunities for meaningful social and economic participation.
-

The key requirement in attaining this vision was a return to full employment and reductions in unemployment and longer-term unemployment, accompanied by the existence of reasonable levels of pay and working conditions, a sufficient range of possibilities to enable people to balance work and caring responsibilities, and the provision of adequate incomes for all through either work, benefits or work/benefit combinations (BSL, 1993b: 11-13).

Several of the earlier criticisms of the BCA vision have already been made by Bishop Michael B. Challen, BSL Executive Director, in an Address to the Melbourne University Business School (Challen, 1993). There, he argues that while the concern for social justice which is paramount for organisations like BSL is not incompatible with the creation of wealth, the achievement of social justice will not be automatic. It requires government intervention. Furthermore, Bishop Challen argues that economic growth is best seen as a means to an end rather than an end in itself.

This raises fundamental issues associated with the need to distinguish between ultimate objectives, intermediate objectives and constraints. The ultimate objective of economic and other socially organised and pursued activities is the advancement of individual and social well-being. Material well-being is clearly an important element in this, but only in so far as it contributes to well-being in the broader sense. Of relevance here are the BCA scenarios which, are used to develop and detail the strategy to be followed to achieve the BCA vision. As Challen notes, these scenarios contain proposals for a considerable cut in public consumption, presumably focused in areas such as health because education spending is maintained. Yet no attempt is made to consider the longer-run consequences of these reductions which, as argued earlier, reflect a cut in social investment spending even though the statistics may record this as a decline in economic consumption.

Questions of distribution - who gets what - also assume an increased importance in this context alongside questions of total resources - how much there is to distribute - because of the redistributive effects of many items of government consumption (Australian Bureau of Statistics, ABS, 1987; 1992). Just as the concept of ecologically sustainable development recognises the need to integrate economic and environmental considerations, so the corresponding concept of what might be termed socially sustainable development recognises the need (discussed in Section 3.3) for economic and social policies to be developed in an integrated, consistent and supportive way.

In drawing on these and other submissions, the Office of EPAC in its *Medium-Term Review: Opportunities for Growth* stressed the need for broad objectives to be defined. In this context, it was noted that:

The basic concern must clearly be the enhancement of well-being for Australia. This in turn can be seen as being determined by the level and distribution of material income and wealth, the quality of our natural and human environment and

by the possession of certain freedoms, rights and responsibilities. (Office of EPAC, 1993: 6)

Furthermore, in order to facilitate progress toward the attainment of these goals:

The broad goals must ultimately lead to agreed benchmarks or targets and to a program of policy for government and for complementary community action that enables those targets to be met in a consistent way ... Various intermediate goals will also need to be specified, ranging from foreign debt levels to research and development expenditure. (Office of EPAC, 1993: 6-7)

The role and development of benchmarks will be considered in more detail in Section 6 below. For the moment, the key point to emphasise is that the debate which has been prompted by the vision exercises undertaken by the BCA and CEDA has begun to be balanced by the more specific articulation of social objectives alongside the economic goals of sustainable economic growth and improved international competitiveness.

It would, however, be inaccurate to claim that any consensus has yet emerged regarding the weight to be attached to the competing objectives, or to the underlying relationships which link them. Nevertheless, there are signs in the broad consistency between the objectives and strategies outlined in the work of CEDA and ACOSS, as well as in the priorities identified in the 1994 Business Summit Communique, that further examination of these and other relevant issues is likely to prove fruitful.

Amongst the issues that need to be given further consideration as part of this process are: the distinction between primary and intermediate objectives (or targets); the need for a clearer delineation between objectives and constraints; related to this, the need to give more thought to the transition process - how to move from the current short-term situation towards a trajectory which leads towards the long-run vision; and, finally, the need to give more specific content to an overarching policy strategy and a set of specific policy initiatives designed to make a reality of the vision.

5 The Role of Government: Alternative Scenarios

5.1 Background

One theme to emerge from the earlier discussion is the important and pivotal role played by government in social policy. It follows from this that any attempt to provide a social vision for Australia must give consideration to the overall role of government and to the scope, nature, intent and consequences (intended and unintended) of government intervention. It is also important to emphasise, however, that what is of ultimate concern for the well-being of people is the **combined** effect of government intervention and how it influences private actions and interactions which also contribute to personal well-being.

To the extent that welfare is ultimately about the fulfilment of need, it is clear that government is only one element in the overall welfare network. Equally important are the roles of the family which acts to mutually support and advance the welfare of its members and of charitable organisations and voluntary agencies which provide welfare to individuals, sometimes (though not always) supported by the public purse. Many needs are also satisfied by market transactions and to this extent the market also serves an important welfare function.

The welfare state is thus only part of the broader canvas that constitutes a welfare society. Other institutions of civil society like the family, the market and the non-government sector also serve important welfare functions. In order to be most effective in this multi-layered welfare society, social policies must be designed so as to complement and be compatible with the activities of family, market and the voluntary sector. Achieving the right balance between these various elements is an extremely difficult task, made all the more so because changes in behaviour or in values (whether attributable to social policies or not) mean that the optimal balance is itself constantly shifting.

Piachaud (1993) has recently noted that social policy is in one fundamental sense a parasite on the economy in the sense that the resources required to finance social programs are ultimately dependent upon the available amount of resources, which in turn depends upon how well the economy performs. However laudable their basic aims, social policies which do not take account of this fundamental resource constraint, or which have the effect of seriously undermining economic performance, will not only fail to achieve their own objectives, but are also at risk of reducing overall well-being. One of the lessons to be learnt from the past is that social policies which fail to take adequate account of their unintended behavioural and other consequences are also likely to fail on their own terms.

Given the central role of government in social policy, the remainder of this section attempts to spell out in rather general terms three alternative scenarios which differ

in the role they attribute to government intervention. The focus is primarily on the means, rather than the ends, associated with achieving any vision. The exercise is nonetheless useful, in that it attempts to highlight some of the underlying tensions, conflicts and constraints which will inevitably arise in the course of attempting to achieve any pre-defined set of social outcomes.

5.2 A Minimalist State: Private Welfare and a Market -Oriented Social Policy

There is nothing inevitable about the existence of a welfare state. The prime role which the welfare state accords to government could, in principle at least, be achieved through other means. The market has many acknowledged advantages in bringing together demand - or the wants of consumers - and supply - the technical capabilities of producers - and co-ordinating their actions so as to influence how resources are allocated in society as a whole. How well would the market perform in meeting social needs in addition to individual needs? Recent developments in Australia and many other OECD countries have seen the role of market processes in social policy expanded considerably.

The Australian model of welfare has traditionally accorded an important role to the non-government sector, and many would regard the term a market-oriented social policy as a reasonably accurate description of the current Australian situation, with some justification, at least in comparative terms amongst OECD countries. The justification for the market approach to welfare provision normally rests on two propositions. The first is the view that markets are best at allocating resources while protecting individual freedom from state coercion; the second is the view that interventionist social policies are undermined by their unintended and undesirable consequences for individual (and collective) behaviour, or because the costs incurred in order to make them work are too high.

Given Australia's past tradition of state intervention, it is difficult to envisage exactly what a much more market-focused social policy world would look like. It would, by definition, be one in which government removed itself from as many spheres of intervention as possible, to be replaced by market processes and other private actions and interactions. Underlying this approach would be the presumption - espoused, for example, by Cox (1992) - that the market can replace most (in the limit, virtually all) government activities and that the question to be asked of all existing interventions should be; can the market perform this task better, and if so how? The welfare state would be replaced almost entirely by a return to a 'nightwatchman state', concerned only with performing the 'core activities' of defence, law and order and public administration referred to in the earlier discussion of the BCA vision.

Given the development of the Australian welfare state (see Appendix One), the obvious place to begin such a process of marketisation would be in the labour market. There are two reasons for this. The first relates to the pivotal role played by

labour market institutions in the development of current Australian welfare state. The second is the fact that if the government is to withdraw from its role in providing and redistributing income, then the void that this creates would have to be filled, and the only major way that this can happen is through an expansion in the welfare role for the labour market.

By and large, under this model (which can be regarded as an extreme form of enterprise bargaining with no minimum or other legislated standards) all forms of intervention in the labour market would be removed. This would include the award system, controls on hiring and firing policies, mandated provisions for annual leave, sick leave and maternity leave, and so on. Of course, many of these provisions would not disappear entirely. Some would continue in their current form, some might even be expanded in some instances. This, however, would be the outcome of **voluntary** agreements between individual employers and their employees rather than more broadly-based **mandatory** arrangements.

Such a labour market would be characterised by considerably increased flexibility in all aspects of its operation. Wages would be more flexible (upwards and downwards), as would hours of work, with the likelihood that more jobs offering fewer hours of work would be available, as would the existence of multiple shift-working to increase the utilisation of available capital equipment. Labour mobility would have to increase greatly, in location and skill terms, in order to fill the existing pattern of vacancies. This, in turn, would require supportive measures to increase labour training, retraining and flexibility, designed to lower the re-location costs of employees. There would also need to be increased portability of superannuation and other employment-related benefits and either a reduction in the fixed costs associated with buying and selling real estate, or a substantial increase in the availability and use of private rental accommodation.

One factor which might work against such trends would be the increased number of two-earner couples. This is because the labour market needs of both partners would have to be satisfied simultaneously if they are to be induced to re-locate. Where one partner in a dual-earner couple loses their job, the other partner is likely to become more reluctant to give up their job, not less. There would also have to be a massive increase in employer-provided child care to fill the void left by the removal of government subsidies for child care, which are currently very extensive.

One inevitable consequence of such a system would be an increase - possibly a large increase - in wage inequality. The distribution of income from work has already become more unequal over the last decade, for two reasons: first, because of increased inequality among the earnings of full-time workers (ABS, 1994); and second, because the growth in part-time and casual employment has expanded the ranks of those with low earnings. The (admittedly rudimentary) evidence currently available points to a positive relationship between the degree of labour market deregulation and the extent of wage inequality (Saunders, 1993a). Such a trend towards a more deregulated labour market would represent a particularly marked

change for Australia, where the current distribution of wages is relatively equal in international terms (Bradbury, 1993; OECD, 1993a).

These comments apply to the distribution of wages between individuals and leave open the question of how wage incomes are distributed among families, the majority of which now contain two earners. Much depends here on the correlations between the earnings, hours of work and participation rates of both partners and it is difficult to be definitive about these. There is, however, a clear tendency for the earnings of partners in couples to be positively correlated (Saunders, 1993b) which suggests, if all married women were participating in the labour force and if hours worked were equal or distributed randomly, that the inequality of the combined earnings of both partners would be greater than the inequality among individual earners in the labour market.

The main factor which has the potential to offset this tendency would be a decline in unemployment. In a deregulated labour market, market forces would serve to match people to jobs (at market-clearing wage levels) better than currently, with the consequence that, in theory at least, there would be no unemployment whatever. However, even if the predictions from theoretical labour economics were to be translated into reality, there could be no guarantee that full employment at market-clearing wage levels would result in a more equal distribution of earnings, or even of family incomes, than exists currently.

What of those prevented from participating in the labour market because of old age, ill-health disability, lack of education or skills, or unwillingness to relocate to where jobs are available? Membership of insurance schemes would provide an income for some - the aged, the sick and the (temporarily) unemployed, for example - but if these schemes were privately operated they would be subject to the well-known market failures such as adverse selection and moral hazard problems which provide the justification for public (or social) insurance arrangements to protect against such contingences. Those who could not insure themselves and who were unable to find work would receive income in the form of charity. No longer would they enjoy any legislated entitlement to a minimum level of income protection. For these people, dependency on the state would be replaced by dependency on the altruism of others.

Other social services like health, education and community care services would be provided by profit-making welfare agencies and corporations who would charge a fee for their services. Levels of taxation would be extremely low, being required to finance only the very basic public sector activities which characterise the nightwatchman state, so disposable incomes would be high, at least for those in work and in good health. Private savings would need to be available to finance periods out of the labour market (including in retirement or as a result of illness) and these would absorb a portion of disposable incomes. So too would the premiums paid to insurance companies offering protection against accidents, ill-health, loss of work, and so on.

Enterprise, incentive and thrift would thus be the main features of such a world, accompanied by pockets of severe disadvantage (the underclass) and by greater

inequality generally. Would such a situation be sustainable, or would it contain the seeds of its own destruction? There are currently many examples around the world of societies in chaos and disintegrating because groups denied basic rights and resources have rebelled. Social cohesion and stability ultimately requires a minimum level of social participation for all groups.

What is most difficult to imagine is whether a society like Australia which has experienced relative equality of opportunity, of treatment and of outcome, could ever contemplate such greatly increased levels of inequality. The experience of most countries over the last few hundred years has been for economic development to bring with it increased equality and it is difficult to envisage how this pattern could be broken or reversed to any substantial degree or over any considerable period of time. The 'ideology of equality' is very deeply ingrained, particularly in a 'fair go' society like Australia, and it would be difficult to remove.

Inequality generally, and the existence of a permanent underclass in particular, pose real threats to the social solidarity on which the prosperity of the last fifty years has been built. The welfare state and other social policies have not only provided benefits directly to many disadvantaged people, they have contributed to a social milieu from which all have found protection. The issue for the minimalist state would be whether society could continue to hold together in the face of such large inequalities. A real danger would be associated with the formation of interest coalitions and other forms of political mobilisation which would pressure governments to provide protection and assistance in various areas. If the state were unable to resist such pressures, the minimalist state would quickly evolve back to the social democratic state as we know it today, with an array of social policies developed in response to how various political forces and processes play out over time.

5.3 Managed Intervention in an Expanded Welfare State

In Australia, the level of government expenditure relative to gross domestic product (GDP) is low compared to other OECD countries (Office of EPAC, 1990). This low level of government spending is associated with a level of taxation which, in relation to GDP, was lower in 1992 than that existing in any other OECD country (OECD, 1993b). The main reason why government spending in Australia is so low in relative terms is because spending on social security transfers is low, a reflection of its tightly targeted social security system (Office of EPAC, 1990; Saunders, 1993c).

According to the latest OECD figures, in 1990 Australia devoted just under 13 per cent of GDP to social protection programs, a figure lower than in every other OECD country except Japan (where the corresponding figure was 12 per cent (OECD, 1994: Tables 1b and 1c). At this time, no fewer than thirteen of the twenty one OECD countries for which data were available spent in excess of 20 per cent of GDP on social protection - or more than half as much again as Australia. Yet Australia's spending on both health and education are not markedly different from the levels in other OECD countries.

The second scenario is one in which Australia's spending on social protection grew to around the levels existing currently in the most mature welfare states. This would imply, for example, an increase in the spending ratio from around 13 per cent of GDP to around 33 per cent of GDP, the Swedish level in 1990.³ This would be a world in which the proportion of the population receiving support under social programs would be much greater than currently, one in which the level of support they received was also higher. The expansion in mainstream public health and education programs would see the roles of private health insurance and private schools reduced to the margins of insignificance.

The asset-testing of pensions and benefits would most probably no longer exist and while some form of income test would need to remain to prevent the unemployed and other benefit recipients from supplementing their benefits to achieve income levels above those derived from full-time work, the levels of social security benefits themselves would be much higher than they are currently. The scope of the social security system would also be expanded to provide benefits for new contingencies, including maternity leave, study leave (possibly) and for an expanded range of caregiving activities. Other social programs currently of only limited scope, or where levels of provision are not enough to meet existing needs, would all be expanded. The Australian welfare state would resemble the Swedish welfare state, in aggregate size and, because the number and nature of social needs are ultimately limited, also in overall structure.

Two questions arise about such a world: first, how would it be paid for? and, second, what would be its economic consequences? In relation to the latter, some would point to Sweden's relative economic success (at least up to 1990) to argue that a large welfare state is not necessarily an obstacle to successful economic performance (an issue explored in more detail in Section 6.3). However, the question would be whether a similar performance is **currently** achievable, in a world of liberalised trade and increased international competition. Put simply, does any government have the technical capability of pursuing large-scale intervention in a successful way in such an environment? Picking winners now is far harder than in the past, and it was not that easy even then.

On the revenue side, the first thing to note is that the large welfare states in some OECD countries have been financed largely from social security contributions. Without these, it is virtually impossible to see how other direct and indirect taxes could raise sufficient revenue without seriously undermining incentives to work and save. (Recall that we are talking here about raising **additional** revenue equivalent to about one fifth of GDP). But if social security contributions are the only viable source of extra revenue, this implies a major structural change in the Australian welfare state in the direction of the Medicare levy model for financing health care.

This option has, as noted earlier, already been rejected several times this century in Australia and it is difficult to see today's climate as any more receptive to the idea of

3 Further comparisons between Australia and Sweden are provided in Section 6.3.

social insurance. The rejection of a jobs levy by the Federal Government earlier this year is another example that revenue quarantining does not seem viable as a broad revenue-raiser in this country. In any case, there are serious transition problems to be confronted in moving from our current pay-as-you-go (tax-financed) social welfare system to a funded contributory (insurance-based) system. These relate to the fact that the present generation of taxpayers would be doubly affected, in that they would not only have to continue to pay the welfare bill for those currently retired or unable to work; they would also have to begin to pay social insurance contributions to finance their own future benefits.

In short, whatever its advantages in terms of increased equality, a quantum leap towards a welfare state of world-leading size does not seem a feasible option for Australia. The combination of two factors seems set to operate against this option: the increased intensity of international competition and the reduced confidence in the ability of governments to conceive, design, manage and deliver large scale social programs.

5.4 A Revitalised, Targeted Wage-earners' Welfare State

This final scenario builds upon those features of the current Australian system which have formed the basis of its development over the last ninety years. They were outlined briefly in Appendix One, where it was noted that they have in many ways been re-affirmed and strengthened in the last decade under the Accord. There is a sense in which the Australian welfare state now encompasses elements of all three of Titmuss' models of the welfare state described earlier.

Income support provisions continue to be highly selective and eligibility is contingent and conditioned by the operation of means-tests. Considerable emphasis is placed on the market and the role of paid work in allowing people to provide for themselves with an adequate income, with 'active' income support policies designed to encourage participation in the labour market. Alongside this, the Accord has introduced an element of the corporatist approach, providing scope for government and the trade unions (and, to a limited extent, business) to meet and negotiate social and economic priorities, processes and plans. Finally, in relation to Medicare, there is an important component of institutionalised universality in the system designed to allocate health resources primarily according to need, with a quarantined element of financing achieved through the operation of the Medicare levy.

A further extension of the existing model would serve to build on its current strengths, while at the same time exposing its existing weaknesses. The main strength of the current system is that it provides a relatively secure social safety net, albeit one set at a modest (some would argue, inadequate) level. This is achieved, through the targeting of cash transfers and other social benefits, at relatively low budgetary cost and, because the system is financed by taxes rather than contributions, embodies no pre-purchased obligations on government, thus providing maximum flexibility for future reform in response to changing circumstances. The other strength of the current system is that, in broad terms, it appears to receive

widespread support in the community at large. The principle of targeting social programs generally, which directs resources to where they are most needed receives strong endorsement and the main exception to this (Medicare) also receives wide community support.

To some extent, the main weaknesses of the current system mirror its strengths, though from a different perspective. There are, it is clear, strict limits to how far targeting can proceed without running into serious problems associated with poverty-traps which involve substantial disincentives on the one hand, while avoiding the development of a stigmatised and second-class system of benefits, on the other. The situation in which taxpayer funds are increasingly restricted to fund benefits for a smaller proportion of the population may not be sustainable because, ultimately, taxpayers may refuse to fund programs from which they themselves receive no direct benefit.

Furthermore, the counterpart to flexibility from the point of view of government is insecurity from the point of view of the recipient. One of the goals of social policy is to offer certainty through providing a basic and guaranteed level of support to those not able to fend for themselves. It is this certainty of provision which allows the welfare state to provide the enabling environment within which people are prepared to accept and adjust to economic change. Without a guaranteed level of support, the role of social policies in alleviating and thus facilitating the process of economic change can be compromised.

There is clearly a delicate balance to be struck here which maximises and builds on the strengths of the system without exposing its weaknesses too much. Can this balance be achieved? One critical element in the overall calculus will be the ability of government bureaucracies to handle and administer what is likely to become an ever more complex array of policies and programs. There are already some indicators of bureaucratic overload and a good deal of (mainly anecdotal) evidence to suggest that the increasing complexity of policies is becoming an obstacle to their practical implementation. One set of questions thus revolves around whether or not it will continue to be possible to introduce pragmatic reforms to the system which can simultaneously be implemented bureaucratically and remain accountable, while at the same time not be so complex and cumbersome as to present insuperable obstacles to those for whom the system is ultimately intended.

A second set of challenges relates to the changing nature of work and what this implies for a wage-earners' welfare state. The shift from the traditional male breadwinner model to the prevalence of the two-earner couple is already posing problems for the social security system. Somewhat paradoxically, the further this trend continues, the closer the wage-earner model will approximate the universal citizenship model which was rejected when the wage-earners' welfare state was first introduced. However, what becomes critical in this context is the total availability of work and the mechanisms which exist to share the available work among the population as a whole. If both market incomes and entitlement to social benefits are

contingent upon participation in paid work, then access to paid work opportunities becomes absolutely critical.

Unemployment - which imposes the costs of insufficient work opportunities overall on a small fraction of the population - is likely to create serious social divisions which may ultimately undermine the sustainability of the system as a whole. To some extent, these risks will be present under any system and they simply emphasise the importance of returning to conditions of full employment, at least in the sense that everyone is employed, if not fully employed. However, the pressures to which they give rise are likely to be particularly acute under a heavily targeted welfare system which provides low benefits to, and stringent eligibility requirements on, those unfortunate enough to be unemployed.

A final labour market change relates to the growing disparity in earnings. As noted earlier, this change is partly a consequence of a less-regulated labour market, but the fact that many other countries have experienced a similar trend (OECD, 1993a) suggests that other, international economic forces are also at work. Accompanying the trend to inequality has been an increase in the variety of labour force participation and earnings combinations, both between and within families. These trends are also presenting challenges to a social security system which was designed to provide support on a family basis on the assumption that each family contains a single full-time (male) worker. Here, the flexibility provided by a flat-rate, means-tested, tax-financed system has permitted the introduction of imaginative responses designed to bring the system more into line with current labour market realities and to re-structure the incentives it provides to conform with, and influence, that situation. The package of social security reforms announced in the White Paper *Working Nation* (Commonwealth of Australia, 1994) testifies to this.

The final set of challenges confronting the system are fiscal. They relate to the continuing reluctance of politicians to raise taxes, which effectively translates into an on-going restraint on expenditures, combined with a continued search for alternative funding mechanisms and arrangements. These pressures have led to the 'privatisation of welfare' through a range of mechanisms and with a variety of objectives.

In the context of retirement incomes, introduction of the superannuation guarantee charge (SGC) has been motivated by the need to ease the pressure on the public pension bill in an environment in which the population is ageing. In community care, the move from institutional to community-based care has been motivated partly by a desire to reduce costs, this being achieved by increased reliance on volunteerism and the un-paid caregiving work of family members and friends. At the same time, the value of caring work is being acknowledged and supported through the introduction and expansion of the carer's pension and the parenting allowance, as well as in the current debate over maternity leave provisions.

A more comprehensive and endemic form of welfare privatisation which is occurring in most OECD countries involves the introduction of quasi-markets into the provision and delivery of social programs (Le Grand, 1991; Saunders, 1994). Quasi-

market reforms involve the introduction of market processes and market-type mechanisms into the provision of services which remain funded by government. The mechanisms include contracting-out of services, the introduction of competitive tendering to provide services according to pre-specified standards and the introduction of voucher schemes designed to expand the choice of consumers and, hopefully, their influence on services. The introduction of these measures has gone furthest in the United Kingdom where they now form the basis of much of the National Health Service and large parts of the education and the personal social service sectors (Glennerster and Le Grand, 1994).

The purchaser-provider split is being introduced into many community services in Australia although so far on a relatively small-scale, often experimental, basis. It is unclear whether the expansion of quasi-market mechanisms will have much of an input in either reducing overall costs (through encouraging competition) or in empowering consumers (through expanding choice and tying the level of funding to the number of clients that services can attract). It is already clear, however, that the reforms can change current arrangements considerably in ways which, if sufficient resources are available, have the potential to enhance the responsiveness of services to the needs of clients.

Quasi-market reforms represent a less radical change in Australia, where there has been a long tradition of private welfare provision existing alongside the public welfare system. They do, however, represent a means of further enhancing the flexibility of the provision (and finance) of the welfare state which has been a past strength of the Australian system. Serious questions remain unresolved, however, over how far these forms of welfare privatisation can go without making issues of service quality and client responsiveness secondary to questions of budgetary cost and ideology.

6 Towards the Development of Social Goals

6.1 The Broad Framework

Any strategic vision for the future social performance of Australia should contain three crucial elements. First, it requires the articulation of a set of **goals** spelling out what is to be achieved and over what time period. Such goals will normally be broad in nature and capable of being specified in only general terms. In establishing a strategic framework for action towards those goals, a set of specific intermediate **targets** is also required. These targets should preferably be measurable and form the basis for monitoring progress towards the goals which shape the overall vision. Lack of available information will sometimes prevent the articulation and qualification of specific targets. However, this in itself will serve to identify the gaps in existing data and information sources, and thus provide the motivation to collect such data. One of the themes to emerge from the following discussion is the need to improve the amount and quality of social data in Australia.

The need to provide more data should not, however, serve to divert attention away from utilising the range of possibilities which are currently available. An indication of these is illustrated in Jan Carter's recent call to develop standards by which progress towards social equality can be judged. She notes:

It is essential that we continue to develop referents and standards by which our own messy version of social equality can be assessed. OECD comparisons, the development of social indicators, the promulgation of legal standards of human rights, such as those contained in the various International Conventions to which Australia is a signatory are all important, as the Australian notion of social equality is so reactive and processual. We need goal statements against which progress towards social equality can be measured. For example, the statements of United Nations Conventions; social democratic principles; social indicators; statements of social justice; are all goal statements and standards against which action towards social equality can be measured. (Carter, 1993: 83)

In summary, while there may be statistical deficiencies in some areas, there is an abundance of material which can be used to begin to establish targets and monitor progress in other areas.

Where targets can be specified in qualitative terms, they may need to be revised over time, both in the light of the progress (or lack of it) towards them, and as more data become available. Such a process of review and revision should not, however, be allowed to undermine the targets simply because of the difficulties experienced in

trying to achieve them once they have been established. Wherever possible, when achievement falls short of established performance targets, attempts should be made to raise what is achieved, not lower what is aimed for. This highlights the third element of the strategy, a process of **monitoring and reviewing progress** designed to ensure that the elements of the vision continue to dictate the pace and process of change.

The establishment of goals and targets has long been part of good management practice. Without them, it is virtually impossible to monitor overall performance or to assess whether or not resources are being deployed in an efficient, effective and (in the case of public sector bodies) equitable manner. One area of public policy where goals and targets have already been articulated and implemented in Australia (and other countries) is in the health sector. By 1988, a set of health goals and targets had been set by Commonwealth and State/Territory Health Ministers. These have since been reviewed and refined in the Report *Goals and Targets for Australia's Health in the Year 2000 and Beyond*, prepared for the Commonwealth Department of Health, Housing and Community Services and published in 1993 (Nutbeam et al., 1993).

In giving consideration to their task, the authors of that report describe the role of goals and targets in the following terms:

Goals indicate the direction and desired pace of change..... They are intended to inspire, to motivate, and to encourage cooperation among all those individuals and sectors whose actions affect the health of the community. National goals and targets provide a mechanism to monitor and review progress as a means of assessing the effectiveness of the combined actions taken to improve the health of all Australians..... **goals** are used to represent a vision for the future - the outcomes which, in light of current knowledge and resources, this country might reasonably hope to achieve within a reasonable period. Goals are general statements of intent and aspiration, intended to reflect the values of the community..... **Targets** are specific and measurable. They state, for a given population, the amount of change (using an indicator) which could reasonably be expected within a given time. Targets enable assessment of progress and improved accountability in the use of resources. (Nutbeam et al., 1993: 5; emphasis in the original)

The report also made reference to two important features of the process of establishing goals and targets. First, that the process of establishment itself represents a strategic approach to planned change in a particular area. Second, that targets offer a benchmark against which the efficiency and effectiveness of existing policies and resource allocations can be judged and, where necessary, changed.

In reviewing experience with health goals and targets since they were first introduced in 1988, the report also points to a third feature which has general

relevance. This relates to the need to assign clear responsibility for both the implementation of strategies to achieve targets and for the monitoring of progress in their achievement if the whole strategy itself is to be kept on track. These three features - setting the **strategy**, establishing **benchmarks** and **assigning responsibilities** for implementation and monitoring, are important and worth re-emphasising.

One further aspect of experience with establishing goals and targets in the health field also has more general social policy relevance. This concerns the range of expertise and other inputs into the development of goals and targets and the particular processes established to encourage and incorporate these into the process. The setting of targets and benchmarks necessarily involves a good deal of technical expertise, in relation to both knowledge about the issues themselves and about the availability (and non-availability) of existing data. Such input also needs to encompass the views and experience of those working in the relevant sectors who are likely to be directly affected by the targets and to be important in influencing whether or not they are achieved.

But there also needs to be a broader process of community consultation, designed to ensure that the community as a whole understands and supports the underlying vision, its goals and strategies, and the speed with which these are to be achieved. Furthermore, input at all of these levels should be seen as an on-going process rather than a one-off exercise. Constant monitoring and review is integral to the whole venture and this must be seen more broadly than in just a technical sense.

The above remarks make it apparent why this report makes no authoritative claim to establish specific goals, targets or benchmarks for social performance. That task is left to others - deliberately. This having been said, what follows represents an attempt to provide an overview of some of the issues involved in the process, a review of alternative conceptual approaches to the development of benchmarks in relation to social targets, some examples of what kinds of benchmarks could be developed in specific areas and a brief discussion of the benchmarks which already exist.

6.2 Establishing Social Performance Benchmarks

The establishment of benchmarks to guide and monitor social performance suffers from the perennial problem of lack of data. This reflects not just the insufficient effort devoted to collecting the relevant statistics, but also the inherent problems associated with exactly what it is one should be measuring in the first place. Although it has long been acknowledged that most social indicators either measure inputs (e.g. spending levels; doctors or hospital beds or teachers per head of population) or intermediate outputs (e.g. GP consultations per capita; average school class size; or hospital bed occupation rates), progress towards the development of output and outcome measures has generally been slow.

For example, the 'social indicators movement', pioneered by the OECD in the 1970s has failed to fulfil its early promise, although the Australian Bureau of Statistics has recently released the excellent (in terms of both coverage and presentation) report *Australian Social Trends, 1994*, the first of what is now envisaged to be 'an annual series which aims to monitor changes in Australian conditions over time' (ABS, 1994, p.iii). Furthermore, the Human Development Index (HDI) developed by the United Nations Development Programme - discussed in more detail below - has also aroused a good deal of interest, and provides a basis for broadening the measurement of social well-being beyond its material (GDP) dimensions and for making cross-country comparisons which can inform the policy process.

It seems clear that if Australia is to develop its own set of social performance benchmarks, this will require a good deal of extra effort, and considerable additional resources, to be devoted to the task of collecting, processing, publishing and analysing a range of data relevant to the task. The ABS social indicators report referred to above is an important step in this process, as is the expanded role of the Australian Institute of Health and Welfare (1993). But there still remains a long way to go on this particular road.

Assuming that the requisite data were available, what general approach could be used to establish a set of social performance benchmarks? One approach which has gained considerable currency in relation to economic performance benchmarks is that of 'international best practice' and some consideration of how this might be applied in the social arena is worthy of exploration. If business is to compete on international markets, then achieving the benchmark of 'international best practice' is crucial to commercial success, particularly in the high technology, traded-goods sectors. In technical terms, unless domestic firms can reach, and remain on or close to an internationally determined and rapidly shifting production possibility curve, international competitiveness will be gradually but inexorably eroded.

In thinking about how the principle of 'international best practice' might apply in the development of benchmarks for social performance, there is one important difference with its application to the economic and commercial dimensions of performance. This is that while overall economic performance is the result of the efforts and choices of **individual** firms, social performance is the outcome of a **collective** decision-making process in which social goals are traded-off against each other and against economic goals (as explained in Section 3). In this process, each nation faces its own specific constraints and selects an outcome which best accords with the preferences of its citizens, as expressed through the political process.

Consider, for example, the trade-off between equity (income distribution) and efficiency (economic growth). Assuming that there exists a negative relationship between these two variables which is common to all nations, some will choose a high equality/low growth strategy and others a low equality/high growth strategy. 'International best practice' would then involve striving for a high equality/high growth combination which, on the basis of past international experience, is simply not feasible given the underlying equality/growth trade-off.

To try and achieve 'international best practice' in a number of different social dimensions simultaneously within a single country would thus, almost by definition, be an impossible exercise. Why should we judge our own performance by a set of standards which we know that no-one else has been able to achieve? Targets must be achievable if they are to inspire and motivate. If they cannot possibly be achieved, their purpose might actually be counterproductive.

However, even though it might not be sensible to select a set of 'international best practice' social benchmarks which take the best of what has been achieved in each of a range of countries, it might make more practical sense to set as a benchmark the **combination** of achievements of a **single** country which is recognised for the quality of its **overall** social performance. Such a benchmark would be feasible in the sense that it recognised the trade-off between competing objectives. This possibility is now explored with an illustration.

6.3 International Best Practice Social Benchmarks: An Illustration

As noted above, the performance of another country can be used to provide a benchmark against which to assess Australian social performance. The country selected is, of course, critical to the determination of the results of such an exercise. But if the country is an acknowledged world leader in the relevant field of comparison, the method gives an approximate but practical example of an 'international best practice' performance benchmark. Ideally, the approach should be multi-dimensional and relatively broad in scope, so that the performance benchmark reflects the various policy trade-offs within the chosen country and how these are worked through in the policy choices actually made. As noted earlier, visions must be realistic and achievable if they are to motivate rather than discourage improved performance.

This approach to performance benchmarking has actually been applied by the Office of EPAC in its recent report *Medium-Term Review: Opportunities for Growth* (Office of EPAC, 1993), though not in the social area. The EPAC report contains a diagnostic analysis of Australia's recent economic performance which takes the form of a comparison with the economic performance of (pre-unification) Germany in the period up to the onset of recession in 1990. In considering Australia's relative economic decline over the last century, the report provides the following justification for its approach:

An alternative way of seeing how these same elements come together is to compare more recent Australian economic performance with another advanced industrial economy whose economic performance has been widely respected. One instructive comparison is with West Germany. This is not to say that Germany represents a 'World Best Practice'

comparison in all areas. But its economic achievements have been impressive. (Office of EPAC, 1993: 9)

As the subsequent analysis in the report illustrates, the approach has the potential to be both insightful and valuable. In light of this, it is worth exploring its value in providing, if not an actual benchmark, at least a useful starting point for the development of a benchmark for assessing social performance.

Table 6.1 illustrates the approach by comparing Australian social performance in several dimensions against that achieved in three other countries, Canada, (pre-unification) Germany and Sweden. These countries have each been chosen for inclusion for somewhat different reasons: Canada because of its basic geographical, institutional, cultural and demographic similarities to Australia; Germany because of its acknowledged economic achievement and to gauge the extent to which that superior economic achievement has been bought at a cost of reduced social performance; and Sweden because amongst industrial countries (at least in 1990) it was the acknowledged world leader in terms of social performance.

The indicators shown in Table 6.1 have been assembled from a range of international statistics collected regularly by the OECD, the World Health Organisation (WHO) and the United Nations Development Programme in the course of preparing the UNDP Human Development Reports which began in 1990. The comparisons have been based on 1990 in order to avoid the impact of the 1990-93 recession. The indicators themselves have been classified into three broad groups: Conditions, Responses and Outcomes, with the latter further disaggregated according to whether they are Intermediate or Final, and whether they relate to Living Standards or to Inequality.

What light do the comparisons in Table 6.1 shed on Australia's social performance in 1990? The data on Conditions reveal that Australia's demographic structure is characterised by a relatively young population (compared to European countries like Germany and Sweden) and its population is highly urbanised. Overall, there is a good deal of similarity in the demographic profiles of Australia and Canada. The main feature to emerge from a comparison of the Responses in Table 6.1 is (as noted earlier) that in Australia, government spending is lower than in most other OECD countries and, as a consequence, so too is the level of taxation. The main reason for this is the lower level of spending on income transfer programs in Australia, reflecting the means-tested nature of most social security benefits. Despite its similar demographic profile, Canada devotes a far larger share of GDP to government programs than Australia (and imposes higher taxes), much of the difference being attributable to the larger Canadian welfare state⁴.

4 OECD figures for 1985 reveal that social expenditure in Canada was equivalent to 22.6 per cent of GDP, well above the corresponding figure for Australia of 18.4 per cent (OECD, 1988, Table 1).

Table 6.1: Comparative Social Data for Australia, Canada, Germany and Sweden, 1990

	Australia	Canada	Germany	Sweden
Conditions				
1 Total population (millions)	17.1	26.6	63.2	8.6
2 Population aged 0-14 (%)	21.9	20.9	14.9	18.0
3 Population aged 15-64 (%)	67.0	67.6	69.7	64.2
4 Population aged 65-79 (%)	9.0	9.1	15.4	13.5
5 Population aged 80+ (%)	2.2	2.4	na	4.3
6 Urban population (%; 1991)	85	77	85	84
7 Population living in cities of more than 1 million (%)	59	39	15	23
Responses (% of GDP)				
8 General government outlays	34.7	45.8	45.1	59.1
9 Outlays on education	5.3	na	4.2(a)	5.6
10 Outlays on health	5.2	6.9	6.0(a)	6.9
11 Outlays on housing and other merit goods	0.4	na	0.7(a)	0.8
12 Outlays on income transfers	9.0	na	18.5(a)	26.8
13 Total welfare state outlays	20.2	na	29.4(a)	40.2
14 Tax revenue	30.3	37.0	36.8	56.9
15 General government asset receipts	35.4	41.7	43.1	63.3
Outcomes				
a Intermediate				
16 Population per doctor ^(b)	436	455	na	387
17 Acute hospital beds (per 1,000 population)	4.5(k)	5.0(a)	na	3.9
18 Gross enrolment rate: upper secondary ^(c)	92	98	na	84
19 Gross enrolment rate: tertiary (full-time equivalent) ^(c)	49	76	26	38
20 Mean years of schooling	11.5	12.1	11.1	11.1
b Final: Living Standards				
21 Life expectancy at birth (years)	76.5	77.0	75.2	77.4
22 Educational attainment index ^(d)	2.94	2.98	2.90	2.90
23 Real GDP per capita (PPP\$) ^(e)	16051(15)	19232(4)	18213(5)	17014(8)
24 Adjusted real GDP per capita ^{(f)(g)}	5044	5052	5050	5047
25 Human Development Index (HDI) ^{(e)(g)}	0.972(7)	0.982(2)	0.957(12)	0.977(5)
26 Suicide rate (per 100,000 population)	11.5(l)	10.9	na	14.2(a)
c Final: Inequality				
27 Employment ratio (%) ^(h)	68.6	69.9	63.4	81.9
28 Standardised unemployment rate (%)	6.9	8.1	4.8	1.5
29 Gender-disparity adjusted HDI ^{(e)(g)}	0.852(6)	0.816(11)	0.768(15)	0.921(1)
30 Income distribution adjusted HDI ^{(e)(g)}	0.934(11)	0.947(6)	na	0.958(3)
31 Income share of lowest quintile (%)	9.3	10.6	13.8	12.8
32 Income share of highest quintile (%)	38.9	33.6	34.7	31.8
33 Relative poverty rate (%) ^(j)	12.9	12.1	6.4	6.8

Table 6.1 (cont.)

Notes:	a)	1989
	b)	Average 1984-89
	c)	Defined as the ratio of the total number of students enrolled in each level of education to the total population in the age group relevant to that level.
	d)	Equal to a weighted average of the adult literacy rate index (weight = 2/3) and the mean years of schooling index (weight = 1/3)
	e)	Figures in brackets show the ranking of each country according to each measure.
	f)	The adjustment is designed to reflect the diminishing marginal utility of income and is explained on pages 100-101 of UNDP (1993).
	g)	The methods used to estimate HDI and adjusted HDI are explained briefly in UNDP (1993).
	h)	Defined as civilian employment as a percentage of the population aged 15 to 64 years.
	j)	Defined as the percentage of persons living in families with an equivalent disposable income below 50 per cent of median equivalent disposable family income. Equivalent income (EY) is derived from the formula $EY = DY/N^{0.55}$, where DY = disposable income and N = family size.
	k)	1992
	l)	1988
	na	not available.

Sources:	Rows 1-5:	OECD (1994), Tables 14 and 15, supplemented (for Germany) by OECD (1992b): 6.
	Rows 6-7:	UNDP (1993), Table 44.
	Row 8:	OECD (1993c), Table A.23.
	Rows 9-13:	OECD (1993c), Table 21, supplemented (for Canada) by data from OECD (1994), Table 16.
	Row 14:	OECD (1993b), Table 3.
	Row 15:	OECD (1993c), Table A.24.
	Row 16:	UNDP (1993), Table 35.
	Row 17:	ABS (1994b), Table 6: 205.
	Rows 18-19:	UNDP (1993), Table 36.
	Row 20:	UNDP (1993), Table 1.
	Rows 21-25:	UNDP (1993), Table 1.
	Row 26:	ABS (1994b), Table 5: 204.
	Row 27:	OECD (1992c), Tables 2.0 and 6.0.
	Row 28:	OECD (1993c), Table A.19.
	Row 29:	UNDP (1993), Technical Note Table 1.1.
	Row 30:	UNDP (1993), Technical Note Table 1.2.
	Rows 31-32:	OECD (1993d), Table 4.3.
	Row 33:	Förster (1993), Table 1.

The Outcome comparisons in Table 6.1 are the most interesting element of these results for current purposes. These show Australia to be middle-ranking on the intermediate health and education outcomes. The indicators derived from the UNDP work on the Human Development Index (HDI) show that Australia's relatively good health and education outcome indicators are such that its international ranking (amongst 173 industrial and developing countries) increases from twentieth on the basis of GDP per capita to seventh on the basis of the HDI⁵. There is currently a considerable debate about the usefulness and interpretation of the concept of the HDI concerning the scope of the components which enter into the Index and the weights attached to each of them. Not surprisingly, these weights can have a considerable influence on the resulting HDI for a particular country as well as for the HDI ranking of different countries.

These limitations serve to qualify any analysis using the HDI, but do not detract completely from its usefulness. For current purposes, the main point to emphasise is that Australia's ranking improves considerably when the health (life expectancy) and education (literacy rate) indicators are combined with the indicator of material living standards (GDP per capita). On the HDI basis, Australia's ranking moves above that of Germany and closer to that of Sweden, but still well below that of Canada.

As an aside, the 1990 UNDP figures show that Australia ranks fifteenth in terms of GDP per capita. To move into tenth position in the rankings in that year - the BCA goal for the year 2010 - would have required an increase in GDP per capita of 4.4 per cent. This is a significant increase in a single year, but is far more manageable over a longer period. Over a ten-year horizon, for example, increasing the average annual growth rate from 3.0 per cent to 3.44 per cent would lead to a level of GDP per capita in the final year which would be 4.4 per cent higher than otherwise. In relation to Australia's ranking on the basis of its HDI level rather than GDP per capita, Table 6.1 indicates that Australia had already achieved a ranking in the top ten countries by 1990.

The final panel of Table 6.1 brings into the picture several aspects of inequality - the distribution of Outcomes - in addition to living standards or the level of well-being. The first two indicators consider labour market indicators of relevance to access to employment, the working age employment ratio and the (standardised) unemployment rate. Australia's relative performance on both measures is not good compared to that of Sweden, but more satisfactory in comparison to Canada and Germany.

The final five indicators address more directly the degree of inequality in material living standards. The first measure adjusts the HDI for the degree of gender disparity in the main components that enter into the calculation of the HDI,

5 The development of the UNDP Human Development Index is explained in detail in pages 100-114 of UNDP (1993) and on pages 49-54 of Travers and Richardson (1993).

inequality in the income distribution in each country.⁶ The gender-disparity adjustment improves Australia's HDI ranking slightly, but worsens its position relative to Sweden which now ranks first. However, Canada now slips from second to eleventh rank, while Germany also slips from twelfth to fifteenth. Overall, Australia's record on reducing gender disparities in human development is thus relatively good. The income distribution adjustment leads to a decline in the adjusted HDI for Australia of almost four per cent and a fall in its ranking from seventh to eleventh. Canada's ranking also declines by four, whilst Sweden's ranking now improves from fifth to third.

An implication of the results in row 30 of Table 6.1 is that the degree of income inequality in Australia and Canada is greater than in Sweden, a finding which is confirmed by the last three indicators in Table 6.1. All three have been derived from data assembled as part of the Luxembourg Income Study (LIS), a collaborative and cross-national research project designed to produce comparable data on various dimensions of economic well-being and inequality for a range of countries (including Australia) in order to facilitate more accurate and reliable measures and analyses of household living standards and inequality.⁷

The estimates of income inequality shown in rows 31 and 32 of Table 6.1 are taken from a draft report on *Income Distribution in OECD Countries* being prepared for the OECD and should be regarded as preliminary. They do, however, confirm the results from other analyses based on the LIS data that the distribution of income in Australia is less equal than in many other industrial countries (Saunders, Stott and Hobbes, 1991). Of the four countries shown in Table 6.1, Australia ranks lowest in terms of equality of income distribution, both at the bottom and the top of the distribution, particularly at the top. In terms of poverty, analysis using the LIS data (reproduced in row 33 of Table 6.1) shows that Australia also ranks last among these four countries using the half median income poverty standard which is often used in international comparisons of poverty (Mitchell, 1991). On this measure, Australia's performance draws a little closer to that of Canada, but both countries are now way behind Germany and Sweden, where the national poverty rate is almost 50 per cent lower.

A case can be made for selecting any one of the other three countries included in Table 6.1 as an 'international best practice' benchmark for Australia: Canada, on the grounds of its many demographic, geographic and cultural similarities with Australia; Germany on the grounds of its respected economic performance; or

6 The gender-disparity adjusted HDI is derived by calculating a separate HDI for females and males, expressing these in ratio form, and multiplying the overall HDI by this ratio. The adjusted HDI is equal to the product of the HDI and one minus the Gini coefficient, a measure of the degree of inequality in the distribution of income (UNDP, 1993: 101-2).

7 Australia's membership (since 1987) of the LIS project has been sponsored by the Australian Bureau of Statistics and the Social Policy Research Centre at the University of New South Wales.

Sweden on the grounds of the acknowledged strength of its social performance and its position as a 'world leader' in the field of social policy. The important point, however, is that whichever country is chosen as a benchmark, Australian performance would fall well short of that standard.

In relation to income distribution, for example, the income share of the lowest quintile, would need to be raised by more than one percentage point to reach the Canadian standard, by 3.5 percentage points to reach the German standard, and by 4.5 percentage points to reach the Swedish standard. This task would be made the more difficult if, at the same time, Australia was striving to improve its relative standard of living by raising the level of GDP per capita which, as Table 6.1 shows, also falls well short of these 'international best practice' benchmarks. Put differently, attempting to improve Australia's international GDP ranking to the neglect of its income distribution ranking could run the risk of worsening, not improving, its overall performance when judged against a range of social benchmarks set in relation to the achievements of other industrial countries.

The above analysis is intended to illustrate how the idea of 'international best practice' might be employed to establish benchmarks against which to evaluate Australia's social and economic performance. It is not the intention to argue that such international benchmarks **should** be developed and applied in this country.

The analysis does, however, highlight several crucial features which are worth emphasising: first, the method illustrates the importance of adopting a framework which encompasses a broad range of social and economic indicators; second, that Australia's social performance is well below that achieved in other countries, even below that achieved in countries whose economic performance exceeds Australia's - international experience thus again confirms that economic and social performance are not contradictory goals; and third, the analysis highlights the central role which data availability and data quality play in any benchmarking exercise.

As noted earlier, it must be possible to constantly monitor and evaluate performance against benchmarks if these are to fulfil their functions. This is difficult if data is of questionable quality, or is only available intermittently, or only after a considerable time lag. Such concerns apply with less force to economic indicators derived from the National Accounts, but have considerable relevance in the social field. Currently, for example, Australia has no detailed data on household incomes beyond 1990 to allow any comprehensive measurement or analysis or distributional trends since then to be undertaken. Such problems assume even greater significance when what is required is comparable data for a range of countries, where problems arising from the delay in deriving comparable statistics remain despite the efforts of ventures like the LIS project.

7 Setting National Social Performance Benchmarks: Some Tentative Proposals

If social benchmarks and social performance targets are to be developed as part of a broader exercise to establish a social vision, they should be conceived and developed nationally rather than internationally. Such an approach does not imply that the performance of other countries is of no consequence for what Australia should strive to achieve. Australians will no doubt continue to take a great interest in how they compare with other countries on many dimensions, and such comparisons will, over time, inform and influence the targets Australians set for themselves. Ultimately, however, benchmarks must be based on, and derived from, Australian circumstances, experiences and expectations. Social benchmarks are an input into the attainment of social justice, and as noted earlier, Macintyre (1985) emphasises that social justice must be located within the customs and norms of the society if it is to have practical relevance.

This reinforces the general point made earlier that any set of benchmarks must be constantly reviewed and, where necessary, amended in the light of experience. The specific proposals outlined below are provided with this understanding firmly in mind. They are intended to be illustrative of the kinds of approach that could be developed in particular areas, and as a starting point for broader community discussion. They should not be seen as a set of definitive proposals, to be varied only at the margins, if at all. What is attempted here, in a limited way, is the initial **establishment** of a range of selected social benchmarks. This needs to be seen as the first step in a process which comprises four additional stages: review; consultation; re-definition; and implementation.

Finally, it should be emphasised that the following discussion proposes a series of possible social performance benchmarks in a small number of selected areas. There is no implication that these are the only areas where the implementation of benchmarks is appropriate, nor that the benchmarks presented are the only ones appropriate in those areas. The refinement of benchmarks in the areas covered and the development of benchmarks in other areas is an important task for the future. Hopefully, that task can benefit from the initial proposals considered below.

7.1 Income Distribution

The distribution of income is an obvious place to begin the consideration of benchmarks, partly because income is a crucial component of total resources and determinant of life chances in an economy like Australia's, but also because income distribution already features heavily in public debate and policy analysis. Quantification of the extent of inequality is also somewhat easier and less

controversial in this area than in others, reflecting both data availability and the development of sophisticated measures of inequality and investigation of the statistical and other properties of the various measures.

Conventional economic analysis tends to steer clear of questions of income distribution, partly because economists are uncomfortable dealing with the normative (value) dimensions which attach to distributional analysis, and partly because of the (explicitly normative) view that attention should focus on policies designed to increase the size of the pie before attention is turned to how the pie should be divided up (Nevile, 1990). Yet it is clear from recent debates (e.g. in the run-up to the 1993 federal election) that the Australian public is greatly concerned about distributional issues and fearful of attempts to increase the overall size of the pie in the long-run if this involves altering how it is divided up in the short-run. Despite this, there has been a reluctance to acknowledge the importance of distributional considerations in most economic vision statements and little or no attempt to build a distributional dimension into the underlying scenario exercises.⁸

An important, exception to this general rule is contained in the CEDA report *An Australia That Works: A Vision for the Future*, which develops an explicit distributional dimension to its vision. Although, as noted earlier, the CEDA report can be criticised for regarding social (and environmental) dimensions as **constraints** on economic performance rather than as **objectives** in their own right, it nonetheless makes an innovative attempt to specify a specific distributional benchmark, which is used to define an 'equitable economic strategy' (Argy, 1993: 14).

The rationale for, and main elements of, the CEDA approach have been emphasised by the report's principal author, Fred Argy, in his recent Presidential Address to the Economic Society of Australia (Argy, 1994). There, Argy refers to the reluctance of economists to allow systematically for distributional effects when evaluating economic policy, a reluctance which is all the more worrying because; 'most of the reforms economic policy advisers have to deal with are of the win/lose variety' (Argy, 1994: 99). The clear implication is that the distributional dimension must be addressed if the analysis of economic policy is to inform and improve public policy.

In addressing the distributional issue, the CEDA report emphasises that it '... is concerned only with how the **incremental gains** in income and wealth are distributed; it does not seek to redress past social wrongs' (Argy, 1993: 33; emphasis in the original).

8 For example, the detailed economic scenario research commissioned by the BCA to independent consultants Access Economics, a summary of which is presented in the Appendix to *Australia 2010. Creating the Future Australia* refers only once to distributional matters, where it is noted that: 'Australia's progressive income tax is needed to support the social security system in redistributing incomes' (BCA, 1993: AE14). The Appendix goes on to claim that: 'the existing distribution of real after-tax incomes could be achieved with a lower, but more progressive, income tax, and more reliance on indirect tax' (BCA, 1993: AE14). Aside from this, the scenarios focus entirely on economic aggregates and questions of efficiency, productivity and resource allocation.

However, the report proceeds to define an equitable economic strategy as one in which the existing distribution of income does not become more unequal. This, in turn, is translated into the following specific distributional benchmark:

*People in the lowest income quintile share in the gains in GDP,
both in the short and medium term.*

There is some ambiguity in the CEDA report about whether the reference group is the lowest quintile (20 per cent) or the lowest quartile (25 per cent) of the distribution, and whether they should share in the growth in GDP or in productivity growth.

The report does, however, emphasise that income should be defined more broadly than just cash income to include 'changes in relative access to government services such as health' (CEDA, 1993: 34). This complicates the proposal considerably, both conceptually and in practical terms, and rather than explore these issues further, attention will focus here on cash income only⁹. In any case, in relation to the establishment of social benchmarks, the treatment of noncash (social wage) income and access to services are best dealt with separately.

On this interpretation, the CEDA income distribution benchmark states that those in the bottom quintile (20 per cent) of the distribution should experience real increases in their incomes, at least when GDP itself is itself increasing in real terms. The first point to emphasise about this benchmark is that it is not inconsistent with increasing inequality in the distribution of income as a whole. Maintenance of the average real income of the lowest quintile in relation to the overall increase in average income will hold the income share of the lowest quintile constant, but inequality could still be increasing elsewhere in the distribution.

As Argy (1994) himself makes clear, specifying a benchmark for the distribution as a whole would be difficult and could stultify economic reforms, virtually all of which have some distributional impact. The focus on the bottom of the distribution is thus a compromise, but one which places priority on those who, in income terms, are most disadvantaged.

The CEDA benchmark has the advantage that it focuses on the **absolute** living standards of those who are **relatively** distributionally disadvantaged. It is also a relatively straightforward and simple target for people to understand and form an opinion on. It also has the advantage (along with all other measures of income distribution) that it is not overly prescriptive about the specific policies and processes required to achieve the target. As the CEDA report makes clear, achievement of equitable distributional outcomes will involve a combination of

9 The inclusion of non-cash (social wages) income in the form of free or subsidised government services is important in a distributional context as studies undertaken by ABS make clear (ABS, 1987; 1992). The Access Economics scenarios which underlie the BCA report, for example, embody a cut in government consumption equivalent to about three per cent of GDP. Such a cut would have major distributional consequences.

'protective industrial regulation, labour market programs and tax/transfer policies' (Argy, 1993: 17).

Figure 7.1 uses data from the ABS income surveys conducted in 1982 and 1990 to examine how the pattern of real income changes experienced in the intervening period varied across the income distribution. The story is similar whether or not an adjustment for differences in need is made using the 'detailed Henderson equivalence scale'¹⁰. Australian experience between 1982 and 1990 was thus not sufficient to achieve the CEDA distributional benchmark. The real incomes of the bottom quintile (and the next two quintiles also) actually declined over the period, despite the fact that total real income rose (though only marginally when measured using the income survey data). Clearly, if the CEDA benchmark had been in place and taken seriously, there would have needed to have been a good deal more downwards redistribution of income in the 1980s than actually took place.¹¹

One issue not addressed in the CEDA report relates to the method used to identify who is in the lowest quintile of the income distribution. Even accepting that the appropriate income measure is after-tax (disposable) family income, there remains the question (addressed in Figure 7.1) of whether or not an adjustment should be made to reflect the different size and composition (and hence different needs) of different families¹². If concern is with those who are most disadvantaged, then income should be measured relative to needs. This adjustment reflects the fact that an income which may provide a modest standard of living for a single person may be woefully inadequate for a couple with four children.

In order to illustrate the practical importance of this point, Table 7.1 uses data from the household income survey conducted by the Australian Bureau of Statistics (ABS) in the latter part of 1990 to indicate the degree of overlap between the quintiles of the income distribution when these are based on actual disposable income (vertical scale) and disposable income adjusted for needs using the detailed Henderson equivalence scale (horizontal scale). These estimates indicate that only two thirds (67 per cent) of those income units who are in the lowest quintile of the distribution when measured by their actual disposable incomes remain in the lowest quintile when account is taken of the different needs of different income units. The

10 The equivalence scale developed by the Poverty Commission (the 'detailed Henderson scale') is used to derive the estimates in Figure 7.1 and Table 7.1 (Commission of Inquiry into Poverty, 1975).

11 The distributional patterns shown in Figure 7.1 are not inconsistent with a tax-transfer system which caused income to be redistributed downwards. Saunders (1993d) shows that this did indeed occur, but that these effects were outweighed by the increasing inequality of market incomes.

12 The term 'family' is used somewhat loosely here to refer to the concept of an income unit which is used as the basis for much of the analysis of income distribution.

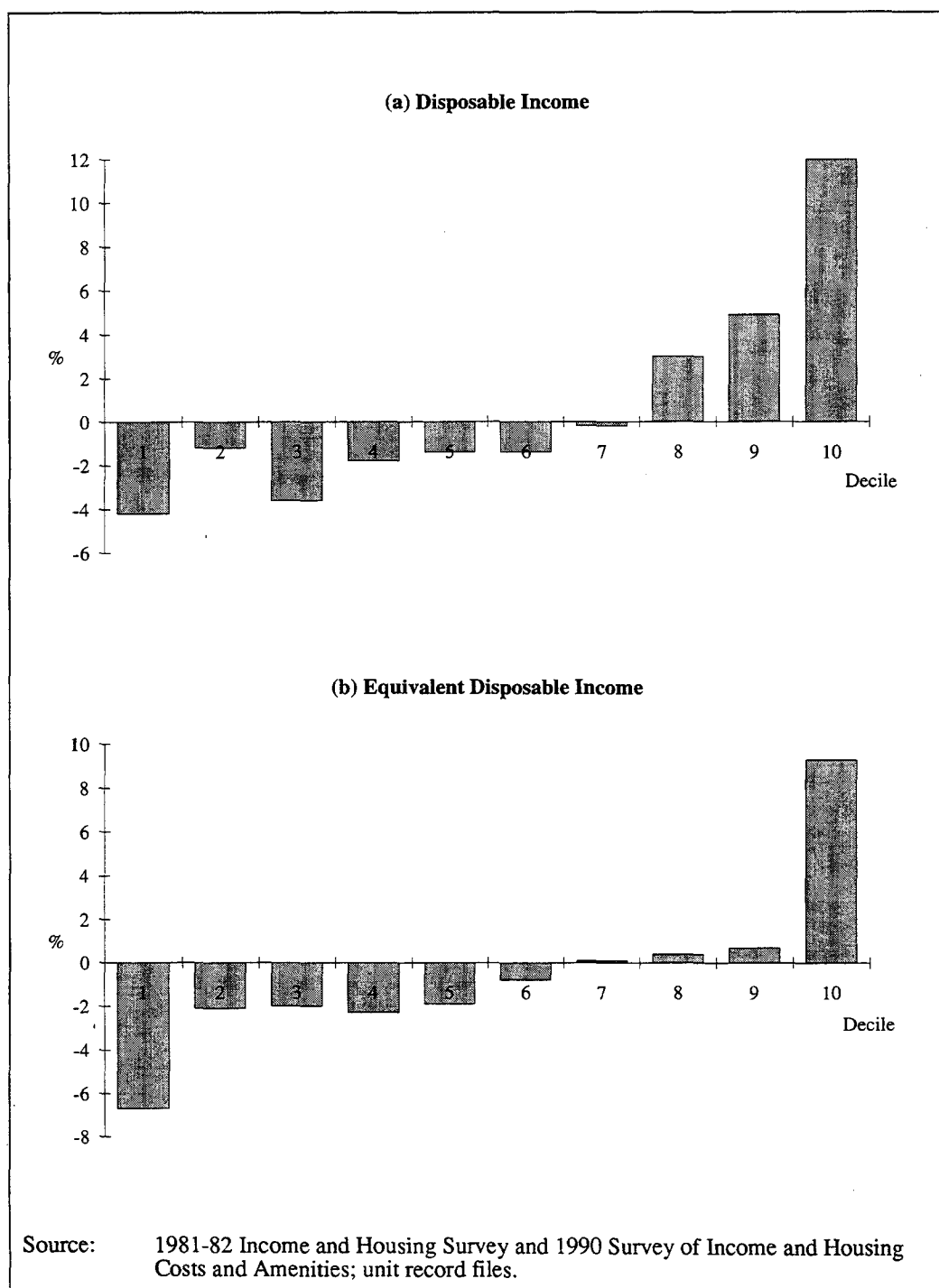
Figure 7.1: Changes in Real Average Incomes by Income Distribution Deciles, 1981-82 to 1989-90

Table 7.1: Movements Between the Quintiles of Actual and Equivalent Disposable Incomes, 1989-90 (percentages)

		Quintiles of equivalent disposable income				
		First	Second	Third	Fourth	Fifth
Quintiles of actual disposable income	First	67.0	26.0	6.7	0.3	-
	Second	21.7	35.9	28.8	13.0	0.6
	Third	9.1	17.1	22.5	31.1	20.2
	Fourth	2.2	20.0	29.4	24.7	23.7
	Fifth	0.0	1.0	12.6	30.9	55.5

Source: 1990 Survey of Income and Housing Costs and Amenities; unit record file.

remaining 33 per cent of income units have low actual incomes, but are not necessarily disadvantaged when their incomes are assessed relative to their needs.

If the CEDA distributional benchmark is to be applied, it would seem to be preferable to apply it to the distributional quintiles defined after account has been taken of differences in need. Otherwise, use of the benchmark may induce a systematic bias in favour of those whose actual incomes are lowest (e.g. single people) and against families who have higher incomes but may be worse off relative to their needs. This would involve agreement on the use of an appropriate equivalence scale, but that is an issue which has to be confronted in the context of establishing income-based benchmarks which are relevant for poverty and other measures of economic welfare (see below).

Overall, the CEDA distributional benchmark, adjusted as proposed above, provides a useful starting point for a more general discussion of benchmarks for income distribution in Australia. The measure is conservative relative to what would be implied if the 'international best practice' benchmark based on Table 6.1 were adopted, but it might also be more acceptable to Australians, and more relevant and achievable under Australian conditions. Above all, the CEDA proposal represents a useful starting point from which a more sophisticated series of income distribution benchmarks can be developed.

A severe limitation on monitoring performance against any such benchmark would, however, be the availability of data. Large scale, national household income surveys are very expensive to run and are currently conducted in Australia by ABS only every four or five years. The last such income survey was conducted in 1990 and the next one is planned for 1995. If the benchmarking of social performance is to be

taken seriously, considerable attention and resources will need to be devoted to the collection and analysis of quantitative social data of various kinds.

A possible alternative approach to the development of a benchmark for income distribution is based on an idea first proposed by Lester Thurow in *The Zero-Sum Society*. There, Thurow suggested the following 'general equity goal' for the United States:

... our general equity goal should be to establish a distribution of earnings for everyone that is no more unequal than that which **now** exists for fully employed white males. Since this distribution of earnings is the current incentive structure for white males, there are no problems with work incentives. With more than half of the labour force (measured in hours of work) now participating in this natural lottery, it is hardly a distribution of economic resources that anyone would consider un-American. (Thurow, 1981: 201)

It should be noted that Thurow's general equity goal does not necessarily imply either that the distribution of income should become more equal, or that the real incomes of those at the bottom of the distribution should necessarily increase. Instead, it takes as the distributive goal for the earnings of all American workers the actual distributive outcome achieved for white full-time male workers. Since this outcome is (in the US at least) the result of largely unregulated (labour) market forces, it requires no more than that other workers' earnings should follow a similar market-determined profile.

One possible reformulation of Thurow's general equity goal for Australia (where labour market regulation is far more prevalent) could be expressed in the following terms:

The distribution of after-tax income among families (after adjusting for differences in family need) should exhibit no more inequality than the distribution of wage incomes among full-time workers.

This formulation in effect proposes a distributional benchmark in which the degree of inequality of incomes after taking account of the redistributive effects of the personal tax and social security systems and after adjusting for needs, mirrors the degree of inequality which exists in the labour market as the outcome of market forces, tempered by the actions of the Industrial Relations Commission.

Table 7.2 utilises data from the 1990 Survey of Income and Housing Costs and Amenities to illustrate the impact of this distributional benchmark had it applied in

1990. Using again the ABS income unit concept as the unit of analysis, Table 7.2 presents estimates of the decile shares of the following four separate distributions:¹³

- D1 = the distribution of wage and salary income among full-year, full-time workers;
- D2 = the distribution of total private income (i.e. income before receipt of government cash benefits and the payment of personal income tax) among all income units;
- D3 = the distribution of disposable income (i.e. income after receipt of benefits and payment of taxes) among income units; and
- D4 = the distribution of equivalent disposable income among income units (adjusted using the detailed Henderson equivalence scale).

The final column of the table shows the extent of distributional change (expressed in terms of changes in the income shares of each decile) that would have been required in 1989-90 in order to achieve the general equity goal benchmark, by equalising the degree of inequality in distributions D1 and D4.

In 1989-90, Table 7.2 implies that it would have required a total redistribution of income from the top half to the bottom half of the distribution of 4.4 per cent of equivalent disposable family income in order to achieve the general equity goal. Given that total household disposable income in that year was around \$235 billion,¹⁴ this implies a redistribution of around \$10.3 billion - a very substantial task. Nonetheless, these calculations provide an indication of the order of magnitude of what would be required to ensure that the degree of inequality of individual wage and salary incomes for full-time workers was replicated in the distribution of need-adjusted disposable family incomes; that inequalities in the workplace were mirrored by inequalities in living standards. Some would see this as a rather modest equity goal, although it goes far beyond the marginal redistributive goals encapsulated in the CEDA economic and social vision.

7.2 Income Discrimination

The two distributional benchmarks discussed above both relate to the distribution of income as a whole. Achieving such a benchmark may assist in attaining social

13 The distribution D1 has been derived after excluding all those full-year, full-time workers who classified themselves as self-employed at the time of the survey. Those workers with zero reported wage and salary income have also been excluded. These groups are included in the calculation of distributions D2, D3 and D4.

14 Australian Bureau of Statistics (1994a), *Australian National Accounts. National Income, Expenditure and Product. March Quarter 1994*, Catalogue No. 5206.0, Table 33.

Table 7.2: Alternative Measures of Income Distribution, 1989-90
(Percentage shares of total income)

Income Decile	Distribution of:				
	Wage and salary income; full-time workers (D1)	Private income; all income units (D2)	Disposable income; all income units (D3)	Equivalent disposable income; all income units (D4)	D1 minus D4
First	4.1	0.0	2.0	2.7	+1.4
Second	6.1	0.3	3.4	5.1	+1.0
Third	7.0	1.8	4.7	6.1	+0.9
Fourth	7.8	4.6	6.0	7.1	+0.7
Fifth	8.6	7.0	7.5	8.2	+0.4
Sixth	9.5	9.2	9.1	9.5	0.0
Seventh	10.6	11.5	11.0	11.0	-0.4
Eighth	11.8	14.6	13.5	12.7	-0.9
Ninth	13.8	18.9	16.9	15.0	-1.2
Tenth	20.6	32.3	25.8	22.7	-1.9
Gini coefficient	0.240	0.518	0.376	0.302	-

Source: 1990 Survey of Income and Housing Costs and Amenities; unit record file.

justice overall, but it may not be sufficient to ensure justice for those groups who face systematic discrimination. These people may still remain clustered at the bottom of a more equal overall distribution. To alleviate these aspects of inequality requires a more disaggregated approach. It is impossible to establish that discrimination is present in the case of a particular individual because of the large number of factors, including the role of good or bad luck, which determine income at the individual level. As Thurow notes:

Discrimination affects individuals, but can only be identified at the level of the group. As a result, it is not possible for society to determine whether it is or is not an equal opportunity society without collecting and analysing economic data on groups. (Thurow, 1981: 180)

Where there is no discrimination, at least as far as that affects income, one would expect to find from such analysis of group data that there is no systematic relationship between socioeconomic characteristics and the distribution of income. Where, for example, a particular group represents X per cent of the total population, one would expect to find the members of that group representing X per cent of each income class in the income distribution as a whole.

Where the reality differs from this, there is an *a priori* presumption of systematic discrimination which warrants further investigation. Such investigation may well

reveal that the differences which exist in the data do not necessarily imply discrimination. Low incomes for a particular group may, for example, reflect low levels of education, or low labour force participation, or age, or combinations of all three. In such circumstances, the observed income differences may reflect discrimination in other dimensions (e.g. access to education opportunities) rather than direct income discrimination as such. In others, there may be no discrimination whatever.

In order to help identify and address instances of group discrimination, the following income discrimination benchmark could be established:

Where differences exist in the distributional positions of different socioeconomic groups - defined on the basis of gender, race, ethnicity, religion, language, culture, geographic location, or whatever - then the initial presumption is that these differences reflect discrimination and are inequitable. Such discovery would thus need to be followed by further investigation designed to identify reasons why this presumption of injustice may be incorrect and, where no such reasons can be identified, action be taken to address the situation .

7.3 Poverty

In turning from benchmarks relating to the distribution of income as a whole to more specific benchmarks for poverty, the difference between poverty and income inequality needs to be recognised. Although it is now widely accepted that measures of poverty based on monetary incomes in countries like Australia can only be conceptualised in relative terms, this does not imply that poverty and inequality are the same (Saunders and Whiteford, 1989). Poverty exists when some people have incomes below a poverty line expressed relative to average incomes, but while the existence of relative poverty implies that some degree of income inequality exists, the abolition of poverty can be achieved even where considerable income inequality remains.

Ringen (1987) has emphasised that one of the most basic tasks to be asked of any welfare state is that it eliminates the most fundamental of all social problems - the problem of poverty. However, before it is possible to develop a specific poverty benchmark there must be some agreement on where the poverty line is to be set. This requires judgements to be made and some agreement about their nature and content. Furthermore, such agreement needs to attract a degree of broad endorsement within the community at large not just amongst 'the poverty experts'.

In Australia, it can be argued that the poverty line developed in the mid-1970s by the Poverty Commission under the chairmanship of Professor Ronald Henderson attracted such broad community acceptance and endorsement at the time. Whether or not it still does so is, however, more problematic (King, 1991). There have been substantial changes in economic conditions as well as in community attitudes over

the last two decades and both may well have affected views on where the poverty line should now be set.

In a country like Australia where the alleviation of poverty is a main objective of the social security system, the establishment of a poverty line also involves political judgements and decisions. This inevitably places poverty research 'in the firing line of politics' and ensures that where the poverty line is set will be hotly contested - both practically and politically. Dispute and disagreement over the poverty line are thus inevitable and are not in themselves evidence that any particular poverty line is deficient.

One way around these difficulties is to choose an explicitly arbitrary benchmark, such as the half median equivalent income poverty line which was the measure used to derive the poverty comparisons shown in Table 6.1. Such an approach still requires some degree of community appraisal and endorsement and is, in any case, itself dependent upon the equivalence scale used to measure differences in relative need. Whether it can appropriately be described as a poverty line, as opposed to a low relative income standard is, however, doubtful. This approach resolves the difficult judgements involved in establishing a poverty line based on actual investigation of minimum standards of living by in effect ignoring them.

This discussion suggests that an inevitable precursor to the establishment of a specific poverty benchmark involves investigation of the various elements which go into the establishment of a poverty line. Such an exercise would need to be embarked upon in light of the fact that it might not result in any generally endorsed position. More importantly, these attempts to focus on issues associated with the **measurement** of poverty, while important, must not be allowed to divert attention away from 'the main game' - the need to introduce policies designed to **alleviate** poverty. Measurement issues should be seen as one input into the policy process, not a way of circumventing the policy responses.

Considerable research has already been undertaken in Australia comparing the level of social security payments with poverty lines like that developed by the Poverty Commission (Harding and Landt, 1992; Whitlock, 1994). This work is important in highlighting areas where further improvement in payment levels is required, but it is important to distinguish this type of research from that focusing directly on the estimation of poverty. Establishing standards of adequacy for social security payments is important (and is currently the subject of a review being undertaken at the request of the Minister for Social Security by the Department of Social Security) but raising all legislated payments above the poverty line will not automatically guarantee the abolition of poverty. The social safety net does not protect everyone, and some of those with lowest income (e.g. the self-employed) are generally not eligible to receive income support. Payment benchmarks are thus important, but so too are the establishment of independent benchmarks for poverty.

An alternative strategy might involve using one of the existing poverty benchmarks (the Henderson poverty line or the half median equivalent income approach) but being prepared to accept that any specific poverty line will always be somewhat

imprecise. Once such a poverty line has been accepted, the poverty benchmark is straightforward. It requires that:

Any individual or family whose income falls below the poverty line should be assisted through measures which raise their income above the poverty line and keep it there.

As noted earlier, the abolition of poverty is, in rich countries like Australia, the most fundamental and important objective against which the performance of the welfare state should be judged.

Achieving this poverty benchmark will not always be easy. Some people will be in poverty because they refuse to accept and act on the responsibilities (e.g. to search for and accept suitable work) that correspond to the rights enshrined in welfare state legislation. Others, like the self-employed or students for example, may experience low incomes now in anticipation of higher incomes in the future. Special considerations may need to apply in these cases. These should, however, be designed to strengthen, not subvert, the basic poverty benchmark.

The establishment of adequate income support payments is clearly important in ensuring that the social safety net raises all Australians out of poverty. This is necessary, but not sufficient. It needs to be accompanied by measures which ensure that, as far as possible, all citizens have access to the benefits, as well as to other measures designed to increase their financial independence and enhance their self-respect.

A second strategy could involve developing benchmarks based on what Ringen (1988) refers to as direct as opposed to indirect indicators of poverty. Direct indicators focus on measures of the living conditions **actually experienced** by people rather than on income, which indicates the **capacity** to attain a particular standard of living. Until recently, direct measures of living standards were relatively rare in Australia, but research by the Australian Institute of Family Studies (AIFS, 1993), Travers and Richardson (1993) and Saunders (1994) has begun to redress this situation. We are still a long way short of developing a framework for assessing direct indicators of poverty and of systematically collecting a set of corresponding data, but a good deal of progress has been made in this direction.

Further development along the lines of research conducted by Mack and Lansley (1985) for Britain is also warranted. Their method defines poverty as 'an enforced lack of socially perceived necessities', and involves conducting a social survey to ascertain community views on which items are necessities, as well as on actual consumption patterns and preferences. The former allows a list of socially perceived necessities to be specified, while the latter identifies those who are forced through lack of resources to go without each of these items.

As an interim step in this direction, it would be possible to define a list of consumption items, household goods and activities which are enjoyed by the vast majority (say 90 per cent) of Australian households (using data from the ABS

Household Expenditure Surveys for example) and then define households which do not consume, own or undertake more than (say) three of these items as experiencing material deprivation. A deprivation benchmark would then be to remove all such material deprivation, either through income transfers or direct provision of the relevant goods or services.

7.4 Wealth

Despite the limitations which apply to the availability of timely, regular and reliable data on household incomes, what does exist in this area is infinitely better than the available data on the distribution of wealth. This is well-known and does not need to be discussed further here, except to note that the absence of such data on the distribution of wealth effectively precludes the development of any benchmarks in this area which can have any practical usefulness or impact. As noted several times already, unless performance can be monitored relative to pre-established benchmarks, the development of benchmarks itself makes little sense.

According to the most recent estimates, the richest one per cent of households owned almost 20 per cent of personal wealth in 1986, the top 10 per cent owned 55 per cent of all wealth and the richest half of all households owned virtually all (98.5 per cent) of total wealth (Dilnot, 1990). The bottom 30 per cent had negative wealth holdings, mainly because of housing debts which exceeded the reported value of the house. These estimates were derived from data which 'suffers from problems of under-reporting at the very top of the wealth distribution' (Dilnot, 1990: 40). Thus, however one looks at it, the available data reveal a very unequal concentration of personal wealth holding in Australia.

It is interesting to observe that there is apparently strong endorsement in the Australian community of the view that equality of opportunity is an important and worthwhile goal, even though the degree of support for policies which redistributive outcomes (as opposed to seeking equality of opportunities) is weaker (Svallfors, 1993). Furthermore, few can deny that the inheritance of large amounts of wealth bestows on the recipients advantages which stand in direct contradiction to the attainment of equality of opportunity.

Without regular and reliable information on the distribution of wealth, establishing benchmarks could become a largely futile exercise. It would, however, reveal community opinion on this important aspect of social justice - even though that opinion is likely to be very diverse. The failure to make any progress with the collection of wealth data reflects the way that the political debate has linked the collection of statistics on wealth with the issue of the introduction of some form of taxation of wealth. This is an unfortunate development, which casts doubt on the reliability of any wealth data which might be collected. Paradoxically, if some form of wealth tax were to be introduced, this would in itself provide tax statistics which could be used to estimate the distribution of wealth, as well as creating a better environment within which reliable sample survey information could also be collected.

Proposals to introduce some form of taxation on transfer of wealth have a long official history in Australia - dating back at least to the Asprey Committee Report in the mid-1970s - and the idea has recently been endorsed in both the CEDA report and the FitzGerald report on National Savings (FitzGerald, 1993). As the CEDA report notes:

... an inheritance (tax) applying only to intergenerational transfers might actually have a positive effect on the savings propensities of younger generations ... (and) the social equity effects may well be favourable, as wealth yields benefits over and above the income derived from it, including power, independence, opportunities and security. (Argy, 1993: 101)

The preparation of an Options Paper which discusses the role and formulation of such a tax so as to increase community understanding and thus encourage reasoned debate on the issue would be a useful first step in this process. This could be accompanied by an attempt to elicit community views on what a distributional benchmark in this area might look like. Concerns about wealth taxation might also be allayed if this debate were put in the broader context of tax reform and alternative forms of tax revenue, rather than being seen as a debate about imposing a new tax in isolation - a perspective hardly conducive to the mobilisation of public support.

More generally, it would be preferable if the issue of the **distribution** of wealth could be discussed independently of the question of the **taxation** of wealth. The former has social justice connotations which are for more pervasive than the taxation issue.

7.5 Housing

For many Australians, home ownership represents the major form of asset-holding, as well as providing a source of security (a private safety net) which underpins living standards throughout the life course, particularly in retirement. Estimates suggest that in 1986 gross housing wealth accounts for about 70 per cent of total personal sector wealth and net housing wealth around 60 per cent (Dilnot, 1990). The low housing costs associated with home ownership, particularly in the older age ranges, is important in reducing the risk of poverty (Australian Institute of Health and Welfare, 1993; King, 1994). Against this, not everyone is able to participate in the benefits of home ownership (including the tax concessions associated with the non-taxation of imputed rental income) and not all homeowners are free from housing stress.

It perhaps worth noting here that while reliable statistics on the distribution of total private sector wealth are not available, the same is not true for information on the distribution of gross (and net) housing wealth. Such information is collected, for example, in the ABS household income and expenditure surveys referred to earlier and can be used to derive estimates of the distribution of housing wealth (Yates, 1991). While it is thus currently impossible to monitor progress towards the

achievement of benchmarks for the distribution of **overall wealth**, it is possible to do so in relation to the distribution of **housing wealth**. Furthermore, the available evidence indicates that, over much of the wealth distribution, there is a close relationship between the value of (net) housing wealth and total net wealth (Dilnot, 1990, Table 4). This suggests that, as a first step, and in the absence of more comprehensive wealth data, benchmarks could be established for the distribution of net housing wealth and that the already available data could be used to monitor progress towards the achievement of those benchmarks over time.

Some important work on the development of other housing benchmarks, specifically those relating to housing affordability, has been undertaken recently by the National Housing Strategy (NHS). After careful research of the circumstances in Australia and existing practices in overseas countries, the NHS proposed the following housing affordability benchmark:

The National Housing Strategy proposes for consideration by governments the adoption of a specific housing affordability benchmark based on the proportion of income paid for housing by low-income Australians..... (It) considers that an overall benchmark of 30 per cent of income should be adopted as a maximum for low-income households and that the circumstances of long-term, low-income private renters should be given careful examination to determine whether a lower, for example 25 per cent benchmark would be more appropriate for this group. (National Housing Strategy, 1991: 41)

The NHS proposed that this benchmark be applied only to those income units in the bottom 40 per cent of the distribution of disposable income so as to avoid providing subsidies to high income earners who choose to spend large proportions of their income on housing. It would, however, have been preferable to define low-income households relative to the distribution of need-adjusted **equivalent** household income, for the reasons explained earlier. Table 7.1 illustrates that this would make a considerable difference to who is classified as having a low income.

Despite this, King (1994) has noted that the NHS housing affordability benchmark was taken up in the 1992-93 Commonwealth Budget, where it was announced in the accompanying report *Towards a Fairer Australia. Social Justice Strategy 1992-93* that the Commonwealth, in conjunction with the States and Territories, would examine the feasibility of using an affordability benchmark to calculate assistance for social security recipients renting privately and other groups of renters (Commonwealth of Australia, 1992a: 39). The specific affordability benchmark adopted was 20 per cent of income spent on rent, and substantial increases in rent assistance were announced as a step towards the achievement of this benchmark.

The specific housing affordability benchmark proposed by the NHS can be criticised on many levels, including the fact that its simplicity could lead to inequities given the complexities of existing household structures and housing types. Furthermore, any benchmark for housing **affordability** needs to be accompanied by benchmarks

for housing **quality** if they are to be most useful. This latter aspect is, as King (1994) emphasises, multi-dimensional, encompassing issues associated with the physical quality of housing (e.g. the range and quality of existing amenities), the quality of housing occupancy (e.g. the extent of overcrowding), security of tenure and the quality of location, both in terms of neighbourhood characteristics and broader issues associated with access to employment opportunities and services generally.

It would, however, be inappropriate to dismiss the work of the NHS on the development of housing benchmarks. The specific benchmarks proposed should be seen, not as a definitive set of specific targets, but rather as a way of opening up a dialogue about the strategies required to achieve a broad set of national housing benchmarks. Such a dialogue is essential in order to achieve the 'vision for Australia cities and towns beyond 2010' which is articulated by the NHS (NHS, 1992: 15-17).

As part of that broader vision, the NHS argues that:

National standards should be developed by the year 2000 for minimum acceptable housing accommodation in terms of such consideration as overcrowding, maintenance, location and design. A broad-based national data base of housing indicators, which can be used to assess how effectively housing policy is responding to social and economic changes, should accompany the issue of these standards. (National Housing Strategy, 1992: 37)

Here, it is clear that the NHS sees it as necessary for benchmarks to be both dynamic and flexible if they are to respond appropriately to the changing demographic, economic and social environment. They also need to be sufficiently comprehensive to ensure that all housing tenures are covered if they are to contribute to the attainment of social justice for all Australians.

Finally, the point again needs to be made that while the development aggregate benchmarks is important, these should be accompanied by more disaggregate study in order to identify areas where there exist specific forms of disadvantage. One obvious area where urgent action is required relates to the housing circumstances of Aboriginal and Torres Strait Islander people. The housing problems they face are particularly acute, although aggregate benchmarks may not reveal this because of the relatively small numbers involved. Once again, there is a need to look beyond the aggregate indicators in order to uncover specific areas where existing inequities need to be addressed.

7.6 Overview

The above discussion has focused on a small range of areas where the development of social performance benchmarks is most advanced. One area not discussed is

health, where a good deal of expert work has been undertaken, as noted earlier. The development of benchmarks has also featured heavily in discussions of aged care reform, specifically in relation to the need to change the balance of care away from institutional towards community-based provision. These benchmarks are essentially intermediate and input-related rather than final and output- (or outcome-) related, being concerned with the number of available nursing home and hostel beds per member of the aged population, and the need to set similar targets for community care (Department of Health, Housing and Community Services, 1991). Recent experience indicates that the bed-availability benchmarks have allowed the number of institutional places to be curtailed; what is required now are benchmarks which can allow the corresponding growth in community care provisions to be planned and monitored.

Another area where benchmarking has the potential to contribute to policy development is in relation to issues of access and equity. Some work has been undertaken here as part of the Commonwealth Government's Access and Equity Strategy (AES). The basic aim of AES is:

... about providing equal access to government services for all residents of Australia who may face barriers of race, culture, religion or language, including Aboriginal and Torres Strait Islander peoples and children of parents with non-English speaking backgrounds. It is about the rights and entitlements all should expect to enjoy. (Commonwealth of Australia, 1992b: 1)

The recent evaluation of the first seven years of the AES concluded that it had made a significant contribution to its underlying access and equity goals. However, it was also noted in the evaluation report that 'the requirements to collect ethnicity data and, if collected, to use it appropriately, was that which was least well met' (Commonwealth of Australia, 1992b: 12).

This suggests that this is an area where more effort is required to collect and utilise appropriate data, and that the current lack of such data is an obstacle to the development and monitoring of specific access and equity benchmarks.

That, indeed, is one of the main messages to emerge from the discussion in this section. Where comprehensive and reliable data are available, a process of research, analysis and debate evolves within which it is not difficult to encourage a dialogue concerning the specification of benchmarks and the monitoring of progress towards them. Where such data do not exist, the establishment of benchmarks can become of only academic interest. This suggests that the availability of more, and better quality, information is an essential input into the process of developing social benchmarks in order to assess strategies for improving social performance.

Addressing the existing data limitations will be seen by some as a way of effectively delaying social progress. Others will see it as involving additional funds which are simply not available. There are elements of truth in both propositions. Collecting and analysing data is both expensive and time consuming. However, the alternative

involves engaging in a debate over benchmarks and targets which, while useful in helping to identify objectives, is ultimately sterile because of the inability to monitor progress against those objectives. A strong commitment to the collection of more data is required, although the processes of data collection can proceed in parallel with a debate over what the social objectives themselves should be, how progress towards them can be monitored, and what strategies can be put in place to maximise the likelihood that positive progress can be achieved.

8 Conclusions

The main aim of this report has been to review some of the work developing an economic vision for Australia, focusing on the social dimensions and the role of social policies. This task involved a rather lengthy discussion of the relationships between economic goals and social goals, and between economic policy and social policy. It was argued that economic policies need to be conceived and designed from a broad perspective which recognises that economic policies have social consequences and must operate in a social context.

There is more to this than a debate between 'hard economics' and 'soft social policy', between the cold realities of an increasingly competitive world economy and the warm inner glow often associated with social reforms. These caricatures are best left where they belong - in the past. The report argues instead for the need to develop a coherent policy framework which encompasses both economic and social dimensions and combines a 'hard head' with a 'soft heart' (Blinder, 1988).

Paradoxically, the current unemployment crisis has probably done much to advance this cause by exposing both the economic and social consequences of a single problem which, above all, requires a concerted and co-ordinated policy response. It has also emphasised the fundamental role which governments must play in managing the processes of economic and social change and exposed the inadequacies of the simple-minded anti-government, pro-market rhetoric which dominated policy debate in the 1980s. The issues now involve identifying the appropriate roles for government and market processes and building a consensus around a balanced approach to the equitable management of market forces.

The two most well-formulated and articulated economic visions for Australia were then reviewed from this perspective. The first vision, produced by the Business Council of Australia, contains almost no reference to social goals or policies, focusing instead on the need to promote economic growth so as to lead Australia back into the top ten nations in terms of national income. Economic strength, it is argued, must come first and form the platform on which social policies can build and develop later. This approach is, however, too narrow and is doomed to fail because the implementation of economic policies inevitably form part of the political process and that process will bring social issues to the fore, however much some might wish it were otherwise. There are welcome signs that the Business Council has begun to recognise the need to pay more attention to social considerations and to recognise that social objectives cannot be pushed to the background and put on hold while economic issues are addressed.

The second economic vision, produced by Fred Argy for the Committee for Economic Development of Australia, builds an explicit social dimension into its basic objectives. It proposes an explicit distributional benchmark which specifies that economic change should not be allowed to worsen the incomes of those at the bottom of the income distribution and that those who are worse off in distributional terms should share in the benefits of economic growth.

This is a valuable contribution to the debate, but it does not go far enough. Its basic premise is that the situation of those with lowest incomes should not be allowed to worsen (an income compensation approach) and that this should act as a constraint on the kinds of economic reforms which are introduced. Rather than seeing social objectives as constraining the achievement of economic goals in this way, it is argued here that economic and social goals must be addressed together within a broad policy framework. This, after all, was the approach that the founding fathers of the theory of economic policy had in mind when they were developing that approach, although this seems to have been lost sight of since then.

Overall, the report views the debates which are beginning to develop in response to these articulated visions as valuable and indicative of the positive contribution made by the BCA and CEDA exercises. They illustrate one of the great strengths of economic analyses of this type, which is that by providing a consistent set of projections within an overall framework, the limitations of that framework are highlighted in a way which encourages a systematic debate of the underlying issues.

One of the most important of those issues relates to the kinds of values that should be allowed to shape our future development. This point has been taken up by the welfare agencies and religious organisations whose views are canvassed in the main report and in Appendix Three. **It is extremely important that this debate over values proceeds alongside the more technical debates over the means, ends and consequences of policy.** It is a debate which must not be left solely to either the experts, or to the politicians. Everyone should be encouraged to contribute, because everyone has a contribution to make. Without such a debate over the nature of values, whose values they are, where they come from and how they influence our choices, the 'vision debate' will remain sterile and of limited practical impact.

The final sections of the report are designed to assist that process by giving consideration to the need to develop benchmarks for monitoring social development. The discussion is somewhat general and the examples discussed are intended to be illustrative only. There needs to be an opening-up of this whole debate and an extensive process of community debate and participation as part of the overall process of developing social performance benchmarks. Such a debate will come up against the problems of lack of data and this is an issue which has to be addressed. The quality of Australian social data is improving but still lags far behind the scope and quality of the available economic data, and this reinforces the unevenness in the debate.

The World Summit for Social Development which will take place in Copenhagen in 1995 provides an opportunity to redress the current imbalance between economic development and social development at the highest level. It represents an opportunity to emphasise that economic development is important, as a means to an end rather than as an end in itself. Development of human potential is more fundamental and important and this needs to be the guiding principle which underlies our vision for the future.

Appendix One: A Brief Overview of the Australian Welfare State

Whatever position is taken on the relation between economic policy and social policy, there is universal recognition of the key role of the welfare state as an instrument of social policy. The term 'welfare state' captures two key features of social policy: that its ultimate end is a concern with the welfare of citizens; and that a means towards that end requires intervention by the state. To accept that some state intervention in market processes is inevitable and desirable is not to prejudge how much intervention there should be, nor what form it should take.

A broad spectrum of possibilities exist, although two decades ago Titmuss (1974) grouped these into the following three basic models:

- i) the **residual welfare model** in which the state intervenes only when the two 'natural' means for meeting needs - the private market and the family - break down. In this model, 'the true object of the welfare state is to teach people how to do without it' (Titmuss, 1974: 31);
- ii) the **industrial achievement - performance model** in which the welfare state serves as the 'handmaiden' to economic development and in which social needs are met on the basis of merit, work performance and productivity; and
- iii) the **institutional redistributive model** in which the welfare state is a major integrated institution in society, purchasing universal services outside of the market on the basis of need and incorporating systems of redistribution in 'command-over-resources-through-time'.

These three models, or variants on them, have dominated much of subsequent social policy thinking and analysis and have re-emerged in slightly revised form in recent academic research on 'welfare state regimes' (Esping-Andersen, 1990).

Within this broad range of possible welfare state models and trajectories, the Australian welfare state has traditionally been regarded as unique, at least amongst OECD countries. Having established a reputation as a pioneer of welfare state legislation early this century, development of Australian social policy since then has been most closely associated with the residualist principles of the first of Titmuss's models. The two central elements of the Australian welfare state as it developed up to the mid-1970s were the provision of benefits on a selective, income-tested basis and the important role accorded to private (market) provisions in health care, education and housing. These features, according to Jones (1980), largely reflected two aspects of Australian society - its underlying conservatism and its general mistrust of the capacity of government bureaucracy - which acted in combination with a third, strategic, factor - the dominant role played by economists in the social policy debate (Jones, 1980: 208).

These factors prevented Australia from embracing the principles of universal coverage and social insurance which featured heavily in the welfare states of most other industrial nations. However, as Watts (1987) has documented, a National Insurance Bill proposing a range of contributory benefits was passed by the Federal Parliament in 1938, only to be abandoned the following year as its political legitimacy collapsed in the face of increasing opposition (Watts, 1987: 18-24). The Whitlam government began the process of universalising the age pension in stages in 1973-74 but these moves were reversed by the Fraser government, which also shelved the proposals for contributory systems of national superannuation and compensation contained in the Hancock and Woodhouse Reports. Since then, social security benefits have become increasingly means-tested in response to the general budgetary pressures facing governments, and in order to provide room for cuts in the taxes used to finance them.

Alongside these developments which saw a minimalist role for the public provision of social security benefits, was the unique and important role played by wages policy in Australia. In the celebrated 'Harvester Judgement' of 1907, the Court of Conciliation and Arbitration announced the establishment of a minimum wage (of seven shillings a day) sufficient to meet; '... the normal needs of the average employee, regarded as a human being living in a civilised community' (Higgins, 1922: 3). This was an extremely important decision, which put wages at the centre of incomes policy generally and led to the establishment of what Castles refers to as 'a wage-earners' welfare state' (Castles, 1985: 103).

The wage-earners' welfare state reflects the particular institutionalised form in which economic and social policy have been integrated in Australia. According to Castles, this feature of the Australian welfare state took it beyond the purely residualist conception of Titmuss towards an institutional conception in which; '... the criterion of inclusion was status as a wage-earner, rather than status as a citizen' (Castles, 1985: 103). Ever since the time of the Harvester Judgement, the role of wages policy has underpinned the means-tested, tax-financed system of public welfare provision in Australia operating on residual or liberal principles in a market-dominated environment.

The social policy role of wages policy in Australia could only be sustained behind a tariff wall which offered protection from the forces of international competition. Without the system of tariff protection, the high wage policy would have resulted in large scale unemployment which would in turn have undermined the wage-earners' welfare state by both increasing demands on the welfare budget while simultaneously reducing the coverage of the award wage system. Here then, is a second example of how a traditional economic policy instrument (tariff protection) was used to serve a supportive social policy role, as much as a means of pursuing industry and employment policy objectives.

One of the criticisms levelled at the concept of a wage-earners' welfare state was that it was based on a view of the family in which earnings were provided predominantly by a male breadwinner, on whom other family members were

(Harris, 1989). This assumption has been brought into question over the last two decades by the increased labour force participation of married women, although the role of the Accord over the last decade has served to reinforce the interrelationship between economic policy and social policy more generally.

In a recent analysis, Castles (1994) has re-examined the relevance of the notion of a wage earners' welfare state to Australia under the Accord during the 1980s and 1990s. As already noted, the most distinctive feature of the Australian welfare state up to the early 1970s was the role played by institutional arrangements in the labour market and by wages policy in particular. However, the emergence of new labour market trends in the 1980s has posed a series of fundamental challenges to the wage earners' welfare state. Particular amongst these has been the increase in part-time and casual employment, the growing number of two-earner couples, and the relative decline in full-time (male) employment.

This increased variety of labour market participation and earnings combinations, both between and within families, has meant that family assistance could no longer be determined by, and paid through, the wages of husbands. Furthermore, the increased liberalisation of world trade effectively undermined the ability of tariffs to offer high domestic wages protection from international competition.

Despite these changes Castles argues that successive ALP governments since 1983 have:

... responded to the many challenges that confronted it not by transforming the wage earners' welfare state, but by refurbishing it ... what these years clearly demonstrate is that the wage earners' welfare state, at least under Labor tutelage, remained extremely resilient and no less capable of flexible adjustment to changed economic and political conditions than the social policy arrangements of other nations. (Castles, 1994: 132-3)

Given the nature and extent of the economic and other changes over the last decade, such a conclusion suggests that the Australian welfare state is resilient and can adapt to changed conditions, as long as these changes do not undermine its basic philosophy and achievement - adequate provision for those in need - and as long as there is confidence in the community that the government of the day will continue to preserve the system as a whole.

Appendix Two: The OECD Debate on Economic Policy and Social Policy

The need to adopt a consistent and integrated approach to the development of economic and social policies has been the focus of a series of reports on social policy released by the OECD since the early 1980s. These began with the publication of the proceedings of a Conference held in 1980 and published under the (somewhat misleading) title *The Welfare State in Crisis* (OECD, 1981). The issues addressed at that Conference concerned the need to reconsider the role, scope and impact of social policies in OECD countries in light of past policy experience and, more importantly, against a background of declining economic prospects following the oil shocks of the 1970s. Broadly speaking, the Conference concluded that the less optimistic economic outlook did not represent a crisis for the welfare state, but did require the objectives and consequences of social policies to be explored and, where necessary, revised.

The Conference also served to draw attention to the fact that the objectives of social policies could not be regarded as secondary to conventional economic goals. As one of the main Conference Discussants observed: '... social policy is a necessary supplement to economic policy because **economic development is difficult - if not impossible - to obtain by economic policy alone**' (Halberstadt, 1982: 28; emphasis added).

This observation is important in underlining the positive contribution of social policies, which are not a drain or burden on 'the economy'. It also implies that social policies need to be reconsidered, not only in terms of their own effects and effectiveness, but also in terms of their consequences for public budgets, their potential contribution to weakened economic performance, and their ability to respond to what is an increasingly changing economic environment.

The extent to which prospective economic developments over the 1980s were likely to impact on the growth in social expenditure - government spending in the main welfare state areas of education, health, pensions and unemployment benefits - was explored in quantitative terms in a subsequent OECD report (OECD, 1985). There, it was demonstrated that it would be possible to effect a slight improvement in average real social benefits in these programs without increasing the ratio of social expenditure to gross domestic product (GDP) given realistic assessments of the rate at which OECD economies were likely to grow through to 1990. The report also noted that whether or not this outcome would represent a conflict between social and economic objectives was partly a matter of public and government attitudes to the size and growth of the public sector. Governments keen to deliver (and electorates keen to receive) tax cuts could take little comfort from a scenario in which the share of social spending in national income remained constant.

The report concluded with the following words:

Clearly, appropriate reform of the Welfare State should neither be decided upon nor introduced in haste. Successful reform demands that social programmes be tailored to both social needs and limited resources. At the same time, an attempt must be made to maintain the economic means to support a broad, flexible but still humanitarian set of social programmes. The carefully planned strategy necessary to achieve what is likely to be a more pluralist system of welfare should involve integrated social and economic policies not necessarily of the same magnitude, but certainly born of the sort of vision, which led to the creation of the modern Welfare State. (OECD, 1985: 63)

In the background paper prepared for the first meeting of Ministers responsible for social policy which took place at the OECD in 1988, the theme of policy integration was taken further (OECD, 1988). There, it was emphasised that both economic and social policies should be seen as means for achieving wider targets related to the advancement of overall social well-being. The two sets of policies should be mutually consistent and supportive, a view which suggests that:

... the improvement of economic performance should be one of the functions of social policy: (and) that social policies should, in a sense, be concerned with the effective functioning of the supply side of the economy as one way to achieve important social aims. (OECD, 1988: 24)

This line of argument led the OECD to develop the idea of 'the active society' (Gass, 1988; Kalisch, 1991). The active society approach emphasises the need for social policies to be designed so as to maximise each individual's participation in society. The aim of active society policies is to design interventions which facilitate and maximise the number of people who have opportunities for active social roles (which includes, but is not only, participation in the labour market) and the duration over which such opportunities can be enjoyed. This broad policy position has had considerable influence in Australia, particularly in relation to social security and labour market policies. The main thrust of the social security reforms of the late 1980s and of those initiatives announced in *Working Nation* has been to give prominence to the need to facilitate labour market involvement rather than acting as a passive means of support whilst outside of the labour market (Commonwealth of Australia, 1994).

The general theme of the active society and its implications for social policies has been reinforced in the most recent OECD social policy report, released earlier this year (OECD, 1994). Again, emphasis is given to the complementary and supportive roles which economic and social policies must play in contributing to improving well-being. The two sets of policies thus share a reciprocal responsibility not to aggravate conditions in either economic or social domains, but to move in partnership towards improving the quality of people's lives. From this perspective,

it is acknowledged that social policies may in the past have contributed towards making people less flexible and more defensive and, as a consequence, less responsive to change, thus making the task of structural economic reform more difficult. In such instances, the failure to establish a coherent policy framework in the past has served to heighten current tensions between economic and social goals.

To resolve the resulting conflicts requires a formulation of policy which recognises and builds on the links between the activities of Ministries of Finance and of Social Affairs. As the OECD itself put it:

The development and implementation of effective and efficient social policies are essential for the security which facilitates economic growth and enables the whole of society to benefit from that growth. **Economic constraints can no longer be seen as a reason to underestimate the importance of, or to disregard, social objectives. Nor can social policies be developed outside the reality of budgetary constraints** - social policy, too, has an obligation to ensure that objectives are achieved by the most efficient means possible. (OECD, 1994: 18; emphasis added)

It needs to be emphasised, of course, that consistency with the spirit of this approach requires an interpretation of the term 'efficiency' which extends beyond its rather narrow usage in economics in relation to either resource allocations or productive technologies, to embrace wider concepts of social efficiency and equity. This is but one example of how the rather broad principles espoused by the OECD have to be given more specific focus and meaning if they are to assist in resolving the underlying conflicts which emerge in practice.

Appendix Three: Elements of the Social Visions of Religious Organisations¹⁵

Introduction

The major churches have, at various times and for a variety of purposes, put forward suggestions which to varying degrees reflect their visions for the future of Australia and Australian society. The documents used in preparing this analysis of their visions come mainly from church bodies or individuals affiliated with the churches. These documents were provided in response to a letter requesting such information, a copy of which is included (along with a list of the organisations to which it was sent) at the end of this Appendix. They have been produced for a variety of purposes: as policy documents; submissions to government for Budget purposes; for government or quasi-government enquiries; as reports of program activities; or as discussion papers. They do not all address the same issues. Nevertheless, it has been possible to draw out a number of recurring themes and strands of argument. Rather than review each paper separately, we have taken the central themes, most relevant to the subject matter of this report and examined the way in which each organisation has seen them, placed them in context and given them some priority.

A number of the documents are very broad, with emphasis on concepts such as 'human dignity', 'basic rights', 'social rights', 'human rights', 'justice', especially 'social justice' and 'distributive justice'. The Catholic Church, for example, through the Australian Catholic Social Welfare Commission (ACSWC) argues that:

The primary purpose of government is to ensure the realisation and protection of the dignity of all citizens. Therefore the most important measure of good government is the extent to which each person's dignity is enhanced or denied through public policy and programs. (ACSWC, 1993: 20)

A strong argument for the recognition of 'rights' is put by other speakers for the Catholic Church. Thus Cappel and Carlile (1993) argue that:

While legislation can raise a privilege of charity to a legal entitlement, it remains problematic that the rights of citizens to social welfare entitlements are not based on guaranteed rights but are dependent on legislation which can vary with each new

15 This Appendix was prepared jointly with Diana Encel. Both authors wish to thank the organisations who responded to our request for information in such a timely and supportive manner.

government. Legal entitlements are no substitute for formal constitutional rights just as charity is not a substitute for social justice. (Cappo and Carlile, 1993a: 2)

This paper also points out that the 1946 Constitutional amendment relating to social security provisions, concerned not the rights of people to benefits, but the power of the Commonwealth to legislate for them. Cappo and Carlile (1993a: 60) also argue that social rights must be 'enshrined' in the Constitution to provide 'a clear foundation for the redistributive mechanisms of the welfare state' and to ensure the rights of citizens to fully participate in the community.

Robinson (1993) echoes this call for a change in the Constitution, to give welfare a philosophical basis that respects the inalienable dignity of persons affected. Thus, he argues that:

There are many laws of both Commonwealth and States that provide for various forms of welfare, but none of these laws can supersede the Constitution and none of them provide a right to a minimum standard of living. None of these laws, or even all of them together, move social welfare out of the charity model into a model of guaranteed rights. (Robinson, 1993: 1)

The abstract concepts which underlie these various statements are translated into quite specific objectives and, for some organisations, into strategies to achieve these aims. Most writers are aware of the problems posed by a shortage of funds to finance the ideal futures they envisage, and many confront the problem of reconciling social policy and economic policy. For example, Cappo (1993b) argues that:

To regard social welfare as solely an economic issue fails to address fundamental questions about the meaning of citizenship in Australia and the responsibility of government. This is not to deny the importance of sound economic policy in the provision of welfare but to argue that social harmony and order have a higher priority than profit and economic theory... In essence Australia needs a change of attitude so that the way forward in social policy is not subordinate to economic policy. This is not to deny the value of economic theories but to express a desire to see them contextualised within comprehensive social policy. (Cappo, 1993b: 7-8)

The major issues taken up in the documents we are reviewing here are: unemployment; income support; distribution/redistribution of income; work and the rights of workers; access to resources; and other issues. Each issue will be briefly dealt with in turn.

Unemployment

Most of the documents drawn upon here place the highest priority on the need to deal with the problem of unemployment. The ACSWC points out that:

All Australians must be enabled to participate and to contribute to the development and advancement of Australian life... This participation must be guaranteed, especially in terms of each individuals' right to work. (ACSWC, 1992b: 6)

The Australian Episcopal Conference of the Roman Catholic Church (AEC, 1992) recommends that governments and employers pursue policies of job creation, especially for long-term unemployed people. The National Council of the Society of St Vincent de Paul (SSVP) argues that all Australians have a right to access to work, whether this be paid employment or some other form of rewarding participation in society; that access to paid employment is a fundamental aspect of Australian society; and that all Australians should have access to meaningful and secure paid employment if they seek it (O'Reilly, 1993). There should be diverse and integrated initiatives for employment generation, monitoring and regulation of the labour market and improved training, education and labour market programs.

In their *Submission to the Australian Senate Standing Committee on Employment, Education and Training*, the SSVP (1993) also argues that unemployed young people should bear neither the cost nor the blame for their own current predicament; it bases its submission on a series of 'values', of which one is 'work as a source of human dignity', emphasising the need to maximise the availability of work. The Salvation Army (1993) also points to the right of all Australians to work and calls for initiatives to create employment opportunities and training programs.

The Uniting Church in Australia (UCA) argues that:

theologically, the issue raised by unemployment is not simply a matter of jobs. It is a complex issue which includes questions about the priorities and values by which society organises its work and honours the economic and political rights of people.... the goal is paid employment for all who seek it, providing adequate income and working conditions, in the context of a socially just and ecologically sustainable economy. (Wansborough, 1994: 71)

The UCA sees the public sector playing an important role in the strategies suggested for achieving this goal: it should be responsible for funding, education, training and retraining, work creation, services to facilitate employment (the CES and adequate child care facilities, for example) and special programs to help long-term unemployed people. The policy implications they see, in addition to those which are clear from the foregoing, include: maintenance of the public sector as an effective provider of services and infrastructure; moves towards more flexible employment

(through work-sharing; part-time work etc.); regional as well as national programs; and union responsibility for all workers.

The Anglican Diocese of Sydney, describes the multiple disadvantages of unemployment as:

... an injustice compounded by further injustices. These include the unequal distribution of wealth, dislocation from the introduction of new technology and the powerlessness of people to influence decisions that change their lives. In addition to this the unemployed often suffer poverty, family tensions and media attacks. (Social Issues Committee, Anglican Diocese of Sydney, 1993)

They call upon church members to make a constructive contribution towards solving the problem, by creating jobs in local faith communities, but importantly they point out that: 'The misery caused by unemployment calls for government willing to take firm leadership in legislation and to marshall the wealth and abilities of everyone' (Social Issues Committee, Anglican Diocese of Sydney, 1993).

Income Support

The second element in the documents we are reviewing, equal in importance to the right to work, is the right to an adequate income to ensure that basic needs are met. The ACSWC (1992a) argues strongly that success is best seen when those who can do so are supporting themselves and their dependants, whether through gainful employment or savings and the welfare budget can then be concentrated on those who need it. In another document the ACSWC (1992b: 6) argues that 'all social and economic procedures in Australia regarding access to the common use of goods must reflect a preferential option for those who are disadvantaged, devalued and distressed'. The Society of St Vincent de Paul says 'The economy is for all people; resources should be shared. Everyone has the right to an adequate income even the unemployed' (SSVP, 1993: 5).

The Uniting Church in Australia cite the prophets who 'repeatedly criticised governments for their failure to curb the injustice and greed of the rich and powerful, and to defend the livelihood and rights of the poor' (UCA, 1992: 2). The same church is concerned with the relationship of 'gracious care', defined as:

the relationship which we are called to show to one another, accepting responsibility towards one another and being especially concerned about the rights and the needs of the poor, the dispossessed and the marginalised. (Wansborough, 1994: 70)

Distribution and Redistribution of Income

The role of government in the provision of welfare, specifically in the form of income support, is inextricably linked to the role of government in income distribution and redistribution. The UCA, in 1992, at the time of the federal election campaign which revolved around the *Fightback!* and *One Nation* policy statements, rejected them both, calling instead upon:

... the Government and the Coalition to revise or abandon policies which widen the gap between the rich and the poor, including the flattening of tax rates. We seek a greater not lesser redistribution of resources through the tax system. (UCA, 1992: 10)

In another place they state that:

All people who have income or wealth should contribute to tax revenues through a progressive tax system, as a means of income sharing to ensure the public sector is able to mitigate the effects of unemployment. (Wansborough, 1994: 73)

Elsewhere again, the same church argues that the distribution of income and financial assets in Australia is inequitable (UCA, 1988). A small proportion of the population have control over most of the income and assets, while the majority of the population has limited access to them. Redistribution, they continue, should be vertical and horizontal and should be largely carried out by taxation which is necessary if the public sector is to fulfil its responsibilities in various ways, including:

... correcting the inequitable distribution of income and access to goods, services and resources which result when distribution is left to the private sector and market mechanisms. Taxation in Australia is moderate compared to other OECD countries; our taxation is biased away from business taxes, at the expense of individuals. (UCA, 1988: 6)

The Catholic Church is also in favour of taxation, 'as a redistributive power of government to increase equity and to support the vulnerable through the social security system' (AEC, 1992: 19). It calls upon all levels of government to develop coherent and coordinated family policies, particularly in regard to taxation, family allowance supplements and family support systems. The bishops call for an inquiry into the distribution of wealth in order to bring about a more equitable distribution.

The ACSWC (1992) in their budget submission included a section on Principles for Government Redistribution to the Poor which argued that: 'Public redistribution should do no harm: it should recognise and not undermine self-provision or voluntary redistribution, either within families or through charitable works' (ACSWC, 1992: 1). Along with this, they submitted that all welfare payments

should be means-tested to ensure that scarce funds go to the poor and that those who are not poor should not receive welfare. Also, they argued, the poor should not pay tax, either directly or indirectly and taxes should be levied according to ability to pay so that taxation itself does not cause poverty. The social security and taxation systems should be dovetailed to reduce means test and tax overlaps. They also called for:

... an examination of the interaction between taxation and government and other sources of income support so that the overall effectiveness of redistribution within society can be assessed. (ACSWC, 1992: 3)

Arguing along similar lines in their *Policy on Justice* the SSVP states that: 'Distributive justice requires that the allocation of income, wealth, and power in society be evaluated in the light of its effects on persons whose basic needs are not met' (SSVP, National Council, 1993: 5).

Government intervention in social policy is seen as necessary and justified. The Uniting Church (1988) believes that:

Government spending has a positive role to play; its main functions are: redistribution of wealth and access to Australia's resources; capital formation to provide the necessary infrastructure for the economy to function effectively; and the fulfilling of social goals. (UCA, 1988: 5)

The social policy goals identified by UCA are: alleviating poverty; providing equal access to key services; promoting equal opportunity; compensation for war service; and redistribution of income to particular stages of the family life cycle. Other government spending should be considered as an investment, and includes spending on education (essential for a productive workforce), health services (which result in a healthier, more productive workforce), and affordable housing (which means there is less pressure on wages). Overall, the UCA argues that: 'Public sector expenditure is important to all aspects of the Australian economy, including the efficient operation of the private sector' (UCA, 1988: 8).

The ACSWC (1992a) Budget Submission (already cited) includes a section on the objectives of 'good government'. It refers to the protection of the family through political, economic, social and juridical measures and continues: 'The material objectives of good government are the facilitation of rising living standards and the prevention, and relief, of poverty' (ACSWC, 1992a: 1).

The specific ways in which the Church sees government intervention having an effect are in the fields of wage fixation, taxation (where it should shift the burden of taxation away from labour and capital to other sources of revenue such as public appropriation of land and other resource rents, and which should operate having regard to the ability to pay), social security, and housing. The Catholic Bishops (AEC, 1992) also list areas where they see a role for government intervention. They

include: monitoring the effects of deregulation especially in banking, investment etc.; public housing and the encouragement of home ownership 'by policies which give people on low incomes realistic choices'; health systems; and other areas, some already mentioned and others which will be taken up below. Spokespersons for the Catholic Church (Cappo and Carlile, 1993b) ask:

Does the need for redistribution justify the forcible transfer of wealth or assets from one section of the community to another? The answer must be a qualified yes ... Ideally one of the best ways to transfer wealth is through a progressive taxation system that makes allowance for the special needs of certain groups... An equality of dignity for citizens demands an inequality in taxation that enables an equitable redistribution of resources. (Cappo and Carlile, 1993b: 7)

Work and the Rights of Workers

In the view of the Society of St Vincent de Paul, economic justice means that workers should have priority over both capital and technology in the production process (SSVP, 1993). The implied conflict between the rights of workers and the rights of the business community is also addressed by the Salvation Army when they argue that: 'While economic restructuring might offer stimulating challenges to governments and the business community, it has been a crippling experience for displaced workers, their families and communities' (Salvation Army, 1993: 15).

The response to this situation lies in 'diverse and integrated initiatives for employment generation' (O'Reilly, 1993, p.4) combined with training, education and labour market programs, and government monitoring and regulation of the labour market, better economic planning, expanded public investment as well as active government economic intervention. Furthermore, 'Significant reforms to the Governments' revenue generation mechanisms and its utilisation of savings are part of financing these policies' (O'Reilly, 1993: 11).

Workers have the right to just wages, and their right to organise must be respected (SSVP, 1993a: 5). The Catholic bishops agree, stating that:

... although irresponsible actions in some trade-union circles have damaged the economy, any assault on the principle of trade unionism itself must be resisted. They encourage more worker participation in business and industrial enterprises. (AEC, 1992: 19)

Unions and the role of unions are the subject of concern by the UCA also. They argue that:

Unions have a responsibility towards the unemployed, as well as towards their own members. They have a responsibility to

ensure that changes in the economy are widely shared, and do not only benefit a small elite of workers. They also have a responsibility to work with government and business in planning for the future in a way which promotes full employment, at adequate wages and conditions, in an ecologically, sustainable economy. (Wansborough, 1994: 76)

Finally, the Anglican Diocese of Sydney has produced a collection of papers on the subject of work in a Christian perspective where they take up the role of unions and industrial decision as a serious issue, stressing the importance of employee participation in decisions in the workplace (Anglican Diocese of Sydney, 1991).

Access to Resources

The basic argument here is that all Australians should have adequate access to food, clothing, shelter, health care, education, employment and transport. The churches see themselves, as well as government, as having a role in the provision of services, especially for those in special need. The ACSWC expresses concern about the way in which services are delivered:

Those who work within the public service share responsibility with the elected government in serving the genuine interests of all Australians. Any public bureaucracy that administers blindly, becomes insensitive to the real needs of those it serves... This is especially the case in the delivery of support services to the community. (ACSWC, 1993: 20)

The Anglican Church has released a number of publications (often as leaflets) which suggest ways in which the church or their 'local faith communities' can help in many service areas (Anglican Diocese of Sydney, 1992). In particular, they address the area of housing which is 'basic to the health and well-being of both individuals and society in general'. They make specific recommendations about housing affordability (not exceeding more than 25-30 per cent of gross income) and the requirement that the quality of housing be 'decent' (not a risk to physical and emotional health), secure, with tenure secured by suitable legislation, and accessible, not isolated from personal networks and community services.

A publication by the Salvation Army (1993) is sub-titled 'The challenge of the future is to use methods appropriate to the times and to adapt to current trends'. They see a need for services in a number of changing areas where they can contribute to Australia's 'social infrastructure', in community support education programs, for instance, and in family support initiatives to meet the needs of a more stressful society. A key service area for the Salvation Army is homelessness and the need for inner city night shelter and community housing.

The UCA (1988) argues that:

Genuine material wealth is neither money, nor luxurious goods and services. Humankind will be genuinely materially wealthy when everyone has access to the following goods and services at the level required to satisfy basic human needs enough food; adequate housing; sanitation and clean water; education; basic health care including access to medication and hospital care, preventative health programs, adequate work, leisure and recreation, and dental care; help when sick; care and protection when a child is sick; transport and communication; and work which contributes to the genuine wealth of society. (UCA, 1988: 11)

Cappo and Carlile who speak for the Catholic Church, affirm the value of community services including 'the obligation to work with one another in social solidarity to achieve the common good of the community (Cappo and Carlile, 1993a: 53). The Catholic bishops also argue that the church must 'stand alongside poor people and ... ensure that they are treated justly' (AEC, 1992). They list a number of service areas which they see as needing special attention, including health, education and housing.

Centacare Australia and ACSWC (1993) have addressed the specific issues surrounding the provision of services in rural areas of Australia and make a number of recommendations to government and service providers. Another area of concern is the situation of people with intellectual disabilities. This is addressed by the Australian Catholic Social Welfare Commission, who argue for 'positive discrimination', claiming that:

Without a recognition of people's basic social rights, the provision of social welfare services to people with intellectual disability will only ever be addressed as a component of our contemporary economic problems. To regard social welfare as solely an economic issue fails to address fundamental social questions about the meaning of citizenship in Australia and the responsibility of government. (Cappo, 1993b: 7)

Other Issues

The churches have been active in many other social issues which have increased in importance for all Australians. Reconciliation with Aboriginal people is one of the issues discussed by the Australian Catholic Bishops' Conference (AEC, 1992). They recommended that:

... the authorities pursue as a top priority a bi-partisan process of reconciliation that maximises the gains so far made by the Aboriginal people and enhances their continuing aspirations, so

that a just and proper settlement may be reached as soon as possible. (AEC, 1992: 20)

The Uniting Church recommends that there should be legislation to protect the rights of Indigenous people which 'should provide administrative processes which are as efficient as possible without compromising those rights' (Wansborough, 1994: 75).

Another issue which has become of increasing importance in Australia is that of the environment. There is recognition that the economy should be ecologically sustainable and that care for the environment can itself create jobs (Wansborough, 1994). The UCA has adopted a set of resolutions on the 'Rights of Nature and Rights of Future Generations' from the World Alliance of Reformed Churches, which recognise the importance of healthy air and an intact ozone layer, clean and sufficient waters, healthy and fertile soil and healthy woodland, substantial reserves of raw materials and energy sources, the problems of dealing with waste products, a rich plant and animal world and, moving into a more ethical area, 'an unmanipulated human genetic inheritance' (UCA, 1991: 105).

Australia is geographically (and, increasingly, economically) part of the world where there is dire poverty in many countries. The Catholic bishops recommend that Australians offer more generous aid to the third world both through personal giving and government agency (AEC, 1992: 18). The UCA shares this concern, arguing that Australia has a moral responsibility to:

... ensure that its economic well being is not at the expense of the needs of less developed nations. Australia cannot simply pursue its own interests in the global economy but must ensure that it acts both justly and compassionately in its trade and economic policies. (Wansborough, 1994: 76)

Conclusion

This summary description of the positions taken by the churches on social issues is not a comprehensive review. It is drawn from a small number of publications supplied by a sample of churches only. The documents themselves have been prepared for specific purposes and address specific areas, not the whole gamut of a true social vision. Our summary has also only described major arguments and statements and has not taken up passing references to issues such as education, wage fixation and fair wages, or the role of the trade unions in society.

However, it does provide a picture of churches facing social problems with some understanding of the need to develop policies which relate to current social values as well as being compatible with an economic situation which is not favourable to increased levels of public spending. They also recognise the role of governments in shaping responses to those current social problems and seek to involve themselves in a participatory mode in the shaping of policy. Their own roles in providing services take notice of changing needs and they also recognise the need for government intervention in the operation of the Australian economy and the society which both shapes, and is shaped by, that economy.

Attachment A. Copy of Letter Sent to Religious and Community Organisations

Dear Colleague,

I have been asked by the Office of the Economic Planning Advisory Council (EPAC) to produce a report on Alternative Social Visions for Australia.

The report will review the various economic vision statements produced recently by a number of bodies, such as CEDA and the Business Council of Australia, with a view to highlighting the role they assign to social goals and social policies. It will also endeavour to propose a range of qualitative equity objectives for Australia and, where possible, suggest benchmarks against which social progress in several dimensions could be assessed.

I would very much like my report to include reference to any material your organisation has produced which is relevant to this task. I should stress that I am not asking you to undertake any additional work, only to provide me with a copy of existing documents. I am writing in a similar vein to a range of other community-based welfare organisations like your own.

My final report to the Office of EPAC is due for completion by the end of June 1994. I intend to begin working on it in the near future and, with this in mind, would appreciate receiving any material from you no later than the end of February.

Finally, can I thank you in advance for providing me with this material and for your input into what could prove to be a significant exercise. If you have any queries, please feel free to contact me at the Social Policy Research Centre on (02) 697 3844.

Yours sincerely,

Peter Saunders
Director

List of Organisations Contacted

Executive Director
St. Vincent de Paul Society
P.O. Box 740
Darlinghurst NSW 2010

Executive Director
The Evatt Foundation
3rd Floor
750A George Street
Sydney NSW 2000

Executive Director
Uniting Church Board of Social Responsibility
P.O. Box E266
St. James P.O.

Executive Director
The Smith Family
16 Larkin Street
Camperdown NSW 2050

Executive Director
Anglican Social Issues Committee
St. Andrew's House
Sydney Square NSW 2000

Executive Director
Australian Pensioners & Superannuants Federation
Level 6
8/24 Kippax Street
Surrey Hills NSW 2010

Executive Director
UNIYA
P.O. Box 522
Kings Cross NSW 2011

Fr. David Cappel
National Director
Australian Catholic Social Welfare Commission
P.O. Box 112
Curtin ACT 2605

Executive Director
Australian Council of Social Service
P.O. Box K845
Haymarket

Executive Director
Brotherhood of St. Lawrence
67 Brunswick Street
Fitzroy Vic 3065

Appendix Four: Social Development: Aspects of Australian Experience¹⁶

1 Introduction

Countries like Australia are currently at a turning point. Despite the undeniable economic successes of the post-war period, social problems such as unemployment, poverty, inequality and social isolation remain unsolved. These in turn are reflected in increased rates of violence, crime, drug-abuse and suicide. There is a growing sense of despair and unfulfilment which threatens to undermine the social fabric. Private affluence co-exists alongside private squalor. Economic uncertainty has increased and people feel more vulnerable to the tide of economic force beyond their own control and less confident in the ability of governments to exert control on their behalf.

The increased internationalisation of the world economy has been accompanied by growing nationalism and increased social isolation within national borders. The limitations of strategies for economic development, particularly when pursued at the expense of human development, are becoming widely acknowledged. There is growing acceptance of the need to seek a new realignment of economic, social and political forces, both nationally and internationally. That realignment involves choosing a better balance between the economic and the non-economic: one which combines material prosperity with social well-being; which protects the freedom of the individual but also encourages individuals to participate in the community. The quest for economic development can no longer proceed without paying attention to the need to encourage social development.

The concept of social development has been used by the United Nations with two distinct meanings. The first usage covers the role and impact of the education, health and social welfare systems. The second covers broader issues relating to the functioning of human societies and includes issues of equal opportunity, income distribution and participatory decision-making. The advancement of social development as reflected in the first of these meanings has been addressed in countries like Australia by the establishment of a network of social policies which encompass, but are not restricted to, the welfare state.

The welfare state consists of a set of public institutions, policies and programs designed to enhance the welfare of citizens by establishing entitlements to basic levels of income support and access to education, health, housing and other welfare services. The construction of a social safety net has involved a redistribution of

¹⁶ This Appendix reproduces a paper which was originally presented at the Regional Seminar on Social Development, held in Bandung, Indonesia, on 25-28 July 1994. That Seminar was organised by the Australian and Indonesian Governments as part of the lead-up to the World Summit for Social Development, to be held in Copenhagen in March 1995. Funding for the preparation of the paper was provided for the Commonwealth Department of Housing and Urban Development, but full responsibility for the views expressed rests with the author.

income, resources and power relations within society, designed to promote the influence of the more vulnerable members of society over decisions which directly and indirectly affect their present and future lives. By enshrining welfare entitlements in formal legislation, the welfare state confers on citizens a set of social rights which supplement their legal and political rights. Associated with these rights are a set of duties or responsibilities, including the requirement to fund (through taxation or social insurance) the benefits supplied by government through the welfare state.

The second meaning of social development falls somewhat outside the realms of the conventional welfare state. It falls within the broader scope of social policy which includes, in addition to policies designed to address specific social problems, policies which shape the general development of society, including policies directed at equal opportunity, crime prevention, eliminating child abuse, and so on. Social development is thus concerned with enhancing individual rights and achieving more equitable outcomes in the short term, while simultaneously providing the basis for more equitable opportunities over the longer term.

The goal of social development is common to all nations. The degree of commitment attached to the various aspects of social development varies between countries, reflecting their stage of economic development, the maturity of their institutional and legislative structures, and their differing values and priorities. The maturity of social policies themselves will also reflect the availability of resources and the nature and extent of economic, political and other constraints.

Finally, it is important to emphasise that all social policies involve a balance between the roles and responsibilities of the individual, the family and the state. Some see the welfare states of industrial nations as having gone too far in replacing personal motivations and responsibilities by an extensive apparatus of state provision and regulation. There may be some truth in this, but it is also the case that welfare policies are responding to changing economic and social roles and responsibilities. What ultimately matters is choosing the right balance and having the ability to adjust that choice as external pressures and circumstances change.

The need to achieve an appropriate balance between economic development and social development has been emphasised by international agencies like the United Nations and the Organisation for Economic Cooperation and Development (OECD). In its latest *Human Development Report* the United Nations Development Programme (UNDP, 1994) has argued the need for all nations to pursue a new paradigm of sustainable human development embracing economic, social, political and cultural dimensions. The OECD, although currently restricted in its membership to relatively high-income industrial countries, has also argued that the implementation of effective and efficient social policies is essential to facilitate the economic growth from which all in society can benefit (OECD, 1994).

The emergence of these views at this time is no accident. They reflect the consequences of an increasingly inter-connected international economy for the susceptibility to economic uncertainty of individual nations. That vulnerability has

been passed on to the citizens of each country, who feel that the aspirations generated in earlier periods of economic prosperity are being denied them. The harsher economic climate of the last two decades has highlighted the need for policies promoting economic and social development to be more coherent and mutually supportive. This involves paying greater attention to the social consequences of economic policies, as well as to the economic costs (and benefits) of social programs. It is fundamentally about achieving a better balance between competing economic and social policy objectives within a broad policy framework.

Of course, the choices and constraints facing societies are historically and culturally specific. Options accorded a high priority in one country may be far less important elsewhere. Where, for example, average incomes are low and absolute poverty is still widespread, the demands for economic development will be more pressing. Where poverty is mainly a matter of relative income deprivation within high-income nations, material considerations alone may be accorded less priority than broader quality of life issues. The precise form of the trade-off facing individual nations will differ, but not the substance. Each nation has to choose a balance of objectives best suited to its own history and circumstances, but all nations must ultimately confront the same set of competing economic and social objectives.

This is the broad context which underlies this paper. Its aim is to describe aspects of the Australian experience which have relevance to the three main themes of the forthcoming World Summit for Social Development: expanding productive employment, the alleviation of poverty, and social integration. The paper makes no claims to being comprehensive in its coverage or definitive in its assessment of these three issues. It represents the views of the author, not those of the Australian Government, and canvases some of the thinking and debate on the issues as they currently stand in Australia. By describing some of the Australian policies, concerns and experiences - its successes as well as its failures - the paper aims to inform others in the region who are addressing similar issues, albeit in different contexts and circumstances.

2 The Australian Context

Historical Development

To comprehend and learn from the Australian experience, some understanding of the economic and social policy context is required. Historically, Australia was a pioneer of social welfare legislation, introducing pensions for the aged and individuals in the early years of this century. Since then, development of the Australian welfare state has followed a unique course, at least among the group of high-income industrial nations belonging to the OECD. Social insurance was rejected in favour of a non-contributory system of categorical income support which paid benefits on a means-tested basis, financed primarily through progressive income taxation.

The payment of benefits on a means-tested basis meant that a social safety net could be established without involving large expenditures by government. Among OECD

nations, government expenditure in Australia is relatively low because expenditure on income support, being heavily targeted, is so low. In 1990, the OECD estimates that public expenditure on social protection in Australia was less than 13 per cent of GDP, compared to an OECD average of 22 per cent. The only OECD country with a lower spending ratio was Japan, where it was just below 12 per cent (OECD, 1994). Not only is the Australian system relatively inexpensive, it also offers greater flexibility than social insurance schemes in which current benefits reflect, and are thus constrained by, past contributions. This flexibility has made the Australian system more adaptable to changing circumstances, but only because it offers somewhat less certainty to its clients. Here is a case where other countries in the region might benefit from the Australian experience, particularly given the increased importance now attached to policy flexibility, adaptability and, of course, cost.

The other unique feature of the Australian system is the extent to which wages policy has been used as a vehicle of social policy. Income support objectives have been achieved through a combination of centralised wage-fixing decisions and social security measures which led to the system being described as a 'wage-earners' welfare state' (Castles, 1985). The integral role of wages policy in social policy could only be sustained through a commitment to tariff protection which prevented international competition from undermining the high-wage strategy. In this sense, Australian tariff policy became a vehicle for supporting social policy goals as well as a means of achieving industry policy objectives.

The provision of education, health, housing and welfare services in Australia involves the collaborative participation of the Commonwealth and State/Territory Governments. The role of each of the three tiers of government varies from service to service, with some (e.g. health services) organised on a joint-responsibility basis, and others (e.g. education and housing) jointly-funded but delivered by State/Territory Governments. There has also been an important role for non-government agencies throughout the welfare sector, particularly in education (where around a quarter of all students attend non-government schools) and community care (which is often provided by non-government organisations funded in large part by grants from Commonwealth and State/Territory Governments). Private home ownership is also extensive, with owners or purchasers comprising 72 per cent of the housing market in 1991, while housing accounted for only six per cent (ABS, 1994).

New Challenges

As with all other countries, Australia has had to confront a new series of challenges over the last two decades. Some, like the ageing of the population, have been evolving over the entire post-war period. Others, like growing inequality, have emerged only in the last two decades. Others, still, like changing social attitudes towards the role of women and responsibilities within the family, reflect a fundamental re-assessment of traditional values. But the strongest and most potent changes have been in the economic sphere, even though their implications extend

beyond the conventional economic framework into the realms of social development.

Two of the economic forces underlying these new challenges are the increased intensity of international competition and the nature and pace of technological change. The liberalisation of world trade has placed a premium on the need for individual countries to improve their competitiveness. This is always a difficult and painful process. It is particularly difficult when others are also pursuing it, because the international benchmark against which national performance must be judged is itself increasing. Technological change is an on-going process which feeds through to affect the structure of industry and hence the nature and structure of employment opportunities with great rapidity. Together, these two forces - international competition and technological change - have had a number of important consequences which have posed new challenges to policies promoting economic and social development.

Most of these consequences have been felt in the first instance in the labour market. In the decade to 1993, Australia experienced an increase in total employment of 1.3 million (out of total employment of 7.6 million in 1993). This expansion was, however, accompanied by major changes in the structure of the labour market, which saw part-time employment rise from under a fifth to almost a quarter of all jobs, a rise in female participation (particularly among married women) to the point where 40 per cent of the labour force was female by 1990, and a rise in service sector jobs relative to manufacturing jobs.

These changes, while clearly related to a large degree, led to a series of other developments. In particular, there was a growth in the number of two-earner couples, who, by 1990, out-numbered one-earner couples by more than two to one. Amongst newly created full-time jobs, most paid either high or low wages, and there was a relative decline in the number of middle-paying jobs (Gregory, 1993). This in turn led to an increase in the degree of inequality of earnings for those in full-time work. Those at the bottom of the distribution experienced falling real earnings over the 1980s, after a long period of real wage growth.

There were other indicators of unsatisfactory labour market outcomes. The most important of all was the persistence of high unemployment (currently around ten per cent, and never below five per cent during the 1980s) and a doubling of the rate of long-term unemployment between 1983 and 1993. Finally, the proportion of part-time workers who **wanted** to work more hours increased, at the same time as the number of **actual** hours worked by full-time workers rose.

These labour market changes have been a direct consequence of structural economic change. They highlight the fact that the Australian labour market has not been able to satisfy the demands of the increasing numbers wishing to participate in paid employment. Far from being a mechanism for sharing the fruits of economic growth, the labour market has become a force generating inequalities, for example, between those in work and those out of work, and between those in high-paid and

those in low-paid jobs. With the labour market failing in its integrative role, the search for new modes of social integration has begun.

Finally, it is worth noting that the labour market changes of the last decade have also posed a series of new challenges to the wage-earners' welfare state model because of the increased variety of labour market participation and earnings combinations, both between and within families. The social policy role of wages policy has been sterilised because fewer people receive a full-time wage and because trade liberalisation has made it harder for high wage policies to be isolated from international competition behind a protective tariff wall. Despite this, the basic approach has been refurbished rather than abandoned in the last decade (Castles, 1994). Some of the ways that this has been achieved will be explored below.

3 Meeting the Challenge: Australian Experience

Although the three major themes of the World Summit for Social Development are considered separately below, it is worth emphasising that they overlap to a considerable extent. The single most important objective of economic and social policy remains the maintenance of full employment. This not only maximises the opportunities for those who wish to work in order to improve their material standard of living, it also remains the most effective and sustainable strategy for alleviating poverty. Furthermore, in a society like Australia's, participation in the paid workforce is important in establishing the network of social contacts which facilitates the process of social integration. To be in paid work is thus to be well on the way to being productive, avoiding poverty and being integrated.

This does not mean that finding everyone a job is all that is required. Issues associated with the kinds of work available and the quality of the workplace environment are also important. With more people wanting to work, the processes which facilitate and enable labour force participation assume increasing importance. So too does the need to equip people with the skills required of them in the labour market. With the pace of economic change unlikely to slow, the need for an adaptable and flexible workforce also assumes increasing importance.

Social policies are critical in all of these dimensions. By providing income support and training to those who are unemployed or not yet in the labour force, social policies not only cushion the financial consequence of being without work (the social safety net), they also enable the processes of economic change and transformation to proceed by offering protection to those affected by economic change (the enabling state). Social policies have thus become more, not less, important as the emphasis given to achieving economic goals has increased.

Social Integration

Australia is an open, democratic, participatory society which attaches considerable importance to personal freedom and tolerance towards others. Such conditions are

conducive to widespread social integration, but they do not guarantee it. They need to be accompanied by efforts to identify groups who are not integrated and policies which address these problems. The strategies described in detail in the following two sections encourage social integration by expanding employment opportunities and providing adequate incomes. The workplace acts as an important mechanism for social integration, while social participation more generally is not possible without a minimally adequate income. To be poor is often to experience an isolated existence, and to live in isolation is a real barrier to social integration.

The key to social integration is participation. The United Nations Development Programme has emphasised that participation is an essential element of human development (UNDP, 1993). Participation is a **process** which involves widening the choices available to people so as to broaden their opportunities. It is essentially about increased empowerment, in economic, social and political terms. This involves government intervening in market processes and managing market outcomes in order to promote the degree of control that people have over their own lives.

But control is not only a matter of providing opportunities. It also involves ensuring that people have access to the resources they need in order to choose between those opportunities. In Australia, moves to encourage social integration through participation are frequently limited by a lack of resources. Moves to switch the emphasis in community services onto the needs and outcomes of clients, for example, can only succeed if they are adequately resourced. Furthermore, these resources must be made available in a form which is sensitive to the needs of the people for whom they are provided. Legal rules and bureaucratic processes which are appropriate for groups in mainstream society may serve as obstacles for minority groups. If so, the rules themselves must be changed.

Increased reliance on market processes has been used in Australia as a strategy for empowering vulnerable people. But it is debatable whether the idea of consumer sovereignty can be transposed from the economic text onto real world situations where what is being met is **need** rather than **demand**. In addition, these changes are being introduced in a climate of fiscal restraint and economic liberalisation. Both tend to exacerbate economic inequality, which in turn threatens the ability of vulnerable people to exercise their choice. To expand the range of choices available while limiting the ability to choose is to restrict, not encourage, participation and social integration.

This having been said, the available research suggests that many forms of social participation are undertaken very widely amongst the Australian population. A recent study found that low levels of material resources do not exclude the poor from participating in normal social activities like going to the cinema, joining sports and social clubs, visiting friends and eating out (Travers and Richardson, 1993). The same study did, however, note that participation is not the same as social integration which also encompasses the notions of dignity and social solidarity. The idea of social integration, it was argued, is often ignored in the Australian debate.

The neglect of social integration is evident in the extreme levels of deprivation confronting several minority groups in Australia. Two of these - the young homeless and the mentally ill - are discussed briefly later. Here, attention focuses on two other groups where the problems of social integration are also particularly profound: indigenous Australians and overseas immigrants from non-English speaking backgrounds (NESB).

According to data from latest Census, around 265,000 Australians identified themselves as being of Aboriginal or Torres Strait Islander origin in 1991. This corresponds to 1.6 per cent of the total population. Around two-thirds were living in urban locations and one-third in rural areas, the latter figure being more than twice that for the population as a whole. Much research has been conducted into the health status of indigenous Australians. The result of that research is a matter for national shame. A recent review of the research evidence, undertaken as part of the National Health Strategy (NHS, 1992: 86), reported rates of Aboriginal child mortality between two and four times that of the total Australian population. Aboriginal male life expectancy at birth is 12 to 20 years (depending on location) below that of the total population: the shortfall for Aboriginal women is greater still, at between 14 and 21 years.

Research on the poverty status of the Aboriginal population also reveals a depressing picture. One study, using a combination of data from the 1986 Census and the Income Distribution Survey conducted in that year, found that the poverty rate of Aboriginal families was almost three times that of non-Aboriginal families. Two-thirds of all Aboriginal children were in poverty or near-poverty (Ross and Whiteford, 1992). With a combination of poor health status and high poverty incidence, it is clear that much more effort is required to ensure that social integration among Australian indigenous people is a real option for them, not a pipedream.

An important step towards this goal has been taken with the passing of the *Native Title Act 1993*. That Act enshrines in legislation the special relationship between the indigenous people of Australia and their land. A special fund has since been set up to address the economic and social deprivation of indigenous Australians as a result of their dispossession. Reforms have also been announced to address the health status disadvantages faced by indigenous Australians referred to earlier (Commonwealth of Australia, 1994b). It is too early to assess the impact of these reforms, but their intent is welcome and their success in improving the socio-economic circumstances of indigenous Australians will be keenly monitored.

Australia's long history of immigration has left it with a heterogeneous mix of overseas-born settlers, who currently make up just under a quarter of the population. The mix of the immigrant in-take has also been changing rapidly, towards settlers from the Asian region and away from those from traditional source countries such as the United Kingdom and Southern European countries like Greece, Italy and the former Yugoslavia. Over the five year period 1988-92, four of the six leading countries of birth of Australian settlers were Asian: Hong Kong, Vietnam,

Philippines and Malaysia. Together, these accounted for 26 per cent of all immigrants over that period, only slightly less than the combined migrant in-take from the United Kingdom, Ireland and New Zealand.

With around 107,000 immigrants arriving each year over the decade to 1992, considerable attention has focused on how effectively these new arrivals have been integrated into the wider society. The growth in the family reunion element of the immigration program has meant that many new arrivals have a framework of family support to move into. However, this does not always assist in the process of **social** integration if the families themselves form an enclave virtually isolated from the rest of society.

The policy of multiculturalism is designed to encourage acceptance of cultural and linguistic diversity and promote equity of access to, and participation in, all community programs and services among people from all ethnic, cultural and religious groups in Australian society. In addition the recently announced access and equity strategy designed to achieve equity and participation amongst all groups in society is giving particular attention to Australians from non-English speaking backgrounds and indigenous Australians.

To assess how much progress has been made on integrating immigrants into Australian society, it is necessary to go beyond policy documents which express targets and intentions to look at the evidence on actual outcomes. A large amount of research has been conducted into the economic and social status of immigrants, much of it funded by the Bureau of Immigration and Population Research (BIPR). Recent studies funded by the BIPR have found evidence that while poverty among overseas-born families overall is similar to that among Australian-born families, poverty is higher than average among immigrants from non-English speaking countries and recent arrivals to Australia (Johnson, 1991; Taylor and MacDonald, 1992). Other research indicates that immigration has not undermined social cohesion in Australia, largely because Australia's national identity is itself relatively weak. The maintenance of social cohesion does not, however, equate with the achievement of social justice, nor with the absence of racist attitudes and behaviour (Holton, 1994).

These studies indicate that while immigrants do not suffer any great disadvantages overall relative to the Australian-born population, there are particular groups of immigrants who do experience poverty and disadvantage which, in conjunction with their recent arrival and the language barriers they face, suggest that they are not fully integrated into the wider society. Against this, past experience suggests that this is often a temporary problem which gradually disappears as the period of residence in Australia increases. This pattern could, however, change as the migrant in-take switches away from the United Kingdom and Southern Europe towards the countries of South East Asia.

In summary, it appears that the issue of social integration is one which requires further attention in Australia. The fact that social cohesion is relatively good overall seems to be the result of good fortune as much as a consequence of deliberate

planning and social engineering. It is also clear, however, that there are areas in Australian society where much more effort is required before participation and social integration can be claimed to have been achieved. This is one area where Australia has much to gain from learning about the experiences of other countries.

Productive Employment

Being a member of the formal labour market is not the only way to be productively employed. This is understood all too well in developing economies, but has tended to be forgotten in industrial countries where value is often equated with **monetary** value. Unpaid household work is also productive in the sense that it produces outputs that are of value, even if they are difficult to value precisely. A recent study undertaken by the Australian Bureau of Statistics (ABS) estimates that unpaid domestic work is greater in aggregate than paid work, particularly for women, where it accounts for almost a third of total waking hours (ABS, 1994b). Involvement in voluntary work (often for community organisations) and in providing unpaid care also fulfill important and productive functions, even if they absorb less time than household work.

Encouraging productive employment has to extend to all of these forms of work. This is particularly important given the increasing difficulties many parents face in balancing paid work and (unpaid) family responsibilities and the increased emphasis given to providing community-based care to frail elderly people and other vulnerable groups. Patterns of work are thus becoming more varied and are changing more rapidly, but the importance of work to people's lives is increasing despite the relative scarcity of paid employment.

Having said this, however, Australian experience over the last decade has given considerable emphasis to expanding the scope of paid employment opportunities. This has been achieved at many different levels, with the balance between them changing as economic circumstances themselves have changed. A central element of Australian economic policy framework since 1983 has been the Accord, an agreement negotiated between the Commonwealth Government and the Australian Council of Trade Unions (ACTU).

At one level, the Accord has operated as an incomes policy, restraining the growth of wages so as to facilitate economic and employment growth in a non-inflationary environment. At a second level, the Accord has allowed questions of living standards and social justice to be addressed within the framework of wages policy, thus representing the continuation of the wage-earners' welfare state alluded to earlier. Non-wage issues addressed under the Accord include tax reform, the re-introduction of universal health provision (Medicare), improvements in the social wage, expanded child-care provision, a rapid growth in the coverage of occupational superannuation and a general push to improve the circumstances of disadvantaged groups. The Accord has proved to be a resilient framework for policy, having been renegotiated on many occasions.

Over the 1983-90 period, the Accord facilitated a demand-led expansion of employment, but attention has also focused on the supply-side, particularly since 1987. Australia has embraced the concept of the 'active society' approach to policy reform pioneered by the OECD. In income support, this has involved moving away from providing support that is passive in its acceptance of non-participation in paid work, towards the provision of support which actively encourages and facilitates a return to employment. Specific strategies introduced include making benefit eligibility conditional upon proof of active job search, supporting the transition back into employment through provision of work experience and training programs, and facilitating employment among married women through expansion in the number of child-care places.

This process was interrupted by the recession which began in 1990. During the recession, unemployment increased by around 430,000 - almost four times the decline in unemployment between 1983 and 1990. Long-term unemployment rose by 220,000 over the same period - an almost three-fold rise. The recession brought home the need for an urgent response to the unemployment problem, which in a relatively short period undid much of the achievement of the previous decade.

In its response to unemployment, the Commonwealth Government established an expert committee to consider the options and, on the basis of their report, released a White Paper, *Working Nation* in May 1994. The White Paper recognises that while economic growth is central to reducing the general level of unemployment, growth itself is not sufficient to make substantial in-roads into long-term unemployment. It needs to be accompanied by an expansion of labour market programs designed specifically to assist the long-term unemployed by enhancing their skills and providing job experience. The new Job Compact, a wage subsidy scheme financed by the Government, has the aim of guaranteeing a job placement for all those who have been unemployed for more than 18 months, in return for them agreeing to accept any reasonable job offer. The White Paper is thus both about expanding employment in general and about re-integrating those suffering from long-term unemployment in particular.

The White Paper also contains several innovative reforms to the social security system. These have been designed to improve work incentives and reduce the barriers preventing beneficiaries from accepting an offer of employment. The reforms are also designed to encourage benefit recipients to accept part-time work, to improve the financial circumstances of single-earner low-wage families, and to provide additional support for parents who choose to care for their children rather than join the labour force.

The social security reforms announced in the White Paper are designed to make the support system more consistent with the labour market changes described earlier. They are also significant in their recognition that previously unpaid caring work undertaken in the home is productive and should thus be made available to parents on a more attractive basis. The reforms represent a major step away from a system where unemployment assistance is premised on the assumption that most work

opportunities are full-time and most families have only one worker, towards a system more in tune with contemporary labour market conditions. As the same time, they recognise that a decade of targeting social security benefits through means-testing has created work disincentives which run counter to the aims of the active society approach to income support policy.

It is far too early to provide an assessment of the White Paper reforms. Economists seem somewhat doubtful about whether or not the central aim of the proposals to reduce the level of unemployment to five per cent by the end of the decade is achievable. The new individualised case management approach to finding work (or training) for the long-term unemployed is also untested at this level of operation. Welfare experts have generally welcomed the social security reforms, although these will have only a limited impact on the level of unemployment. Perhaps the most significant message to emerge is the acceptance that government intervention has an important role to play in managing how market forces affect the opportunities and choices available to people.

Poverty Alleviation

In order to be able to discuss the alleviation of poverty, it is necessary to have a basis on which to measure poverty. This is a controversial issue and the definition of poverty is still vigorously contested in many countries. Here, I wish to avoid these debates and assert that, in a country like Australia, when we talk of poverty we are essentially talking of **relative** poverty, i.e. poverty that is defined relative to the conditions prevailing in Australian society generally. Each country will have its own definition of poverty and for some an **absolute** (subsistence) definition will be more appropriate. Of course, if we wish to compare poverty across different countries we need a common means of measurement - or at least a common measurement framework - but that is a separate matter.

In Australia, the most widely used poverty concept is that developed by the Commission of Inquiry into Poverty in the mid-1970s. This method is not without its critics. No Australian Government has ever officially endorsed the approach, but that is probably too much to expect for any poverty line. However, unlike Britain where a recent Secretary of State for Social Security argued in 1989 that poverty in that country had been abolished, politicians in Australia accept that poverty still exists. When former Prime Minister Hawke announced his Government's intention to 'end child poverty by 1990' during the 1987 election campaign, he was tacitly acknowledging that poverty existed in Australia at the time.

The following year, the re-elected Government revealed the key to its poverty alleviation program by referring to 'the scourge of unemployment' as the major cause of poverty in its first report on social justice (Commonwealth of Australia, 1988). This statement echoes the main finding of the Poverty Commission report, released in 1975, which was that workforce status was identified as the single most important determinant of poverty status. The link between unemployment and poverty has been an important factor underlying the poverty alleviation strategy of

the last decade, which has involved the expansion of employment opportunities described earlier.

The role of employment growth in reducing poverty has been supported by measures which have improved the income support benefits paid to groups identified in research studies as being most at risk of experiencing poverty. These groups include large families, sole parent families and people living in private rental accommodation. Social security benefits for these groups have been increased substantially in real terms over the last decade. One group particularly prone to poverty is sole parent families. Estimates based on the latest household income data indicate a poverty rate for sole parent families (most of whom are headed by women) which is more than three times the national poverty rate (Saunders, 1994). Their poverty (like their sole parenthood itself) is often temporary, but can nonetheless have permanent consequences for their children.

In addition to the measures described earlier, sole parent families here benefited from the increased enforcement of maintenance payments by non-custodial parents achieved by the introduction of the Child Support Agency. In summary, the alleviation of income poverty has been addressed through a dual strategy involving the creation of more job opportunities, accompanied by increased public benefits and higher private incomes to groups in special need.

While few could criticise the first of these (job growth) as a general strategy, academic research has suggested that the impact of employment growth on poverty over the 1980s has been weaker than expected. These studies reveal that the links between labour force status and poverty status have become relatively loose. This is because many of the new jobs created during the 1980s were filled by people (often married women) who were in families where there was already one earner, and most of these families were not in poverty. This explains why the decline in unemployment was so modest compared to the increase in employment and also why poverty did not fall by much.

In addition, the increased numbers of part-time jobs and low-paid full-time jobs meant that some of the unemployed who did find work may not have been able to earn enough to escape poverty (particularly if they had large families). The poor unemployed became the working poor. These observations do not imply that the job growth strategy itself is inappropriate - far from it - but they do suggest that it may be less effective now than in earlier periods.

Several new forms of poverty have also begun to emerge over the last two decades. The numbers of long-term unemployed have increased substantially, particularly since 1989. This group presents difficult challenges to income support arrangements because a benefit level which may be adequate to meet needs in the short term may not be adequate over longer periods. However, tying the level of assistance to the duration of benefit creates perverse incentive effects. The policy response for this group has been to concentrate assistance in the form of labour market programs rather than income support, as described earlier. A second group of 'new poor' are the working poor, those in low-paid jobs or working part time who do not receive

enough income from wages for them to escape poverty. The increase in part-time and casual employment, the widening earnings disparities and the decline in real earnings for the low-paid described earlier have been crucial here. For families in these circumstances, the coverage of income support has been extended to supplement income from work.

A third group of 'new poor' are the homeless, or people living on the margins of homelessness. Statistics on these groups are almost by definition difficult to assemble, although there is a good deal of partial evidence that homelessness is on the rise in Australia. Recent reports by the Australian Human Rights and Equal Opportunity Commission (HREOC) have documented the dire circumstances facing homeless youth and the mentally ill. The situation with regard to the mentally ill was described in a recent HREOC report as 'completely unacceptable' (HREOC, 1994).

The problems confronting these groups are, of course, more fundamental than lack of adequate incomes. They face discrimination and disadvantage on many levels. Some are living in the community, having been discharged from institutions as part of the move from institutional to community-based care. But the support services and networks are often not available in the community and neither are the resources required to provide them. The result is that the needs of these groups simply go unmet.

This discussion illustrates the fact that poverty is more than just a lack of money income. In reality, poverty is multi-dimensional, with the poor confronting cumulative deprivation in many areas in addition to income. The social safety net must be seen in this broader context. As noted earlier, the wage agreements negotiated under the Accord have devoted considerable attention to supporting and enhancing living standards through the provision of indirect (non-cash) social wage benefits in the form of education, health, housing and welfare services. A recent study by the ABS estimated that these indirect benefits contributed \$110 a week to the average Australian household in 1989-90 (ABS, 1992). This corresponds to just under 20 per cent of average private money income. In the 20 per cent of households with lowest incomes, social wage benefits averaged \$96 a week - four times the level of their average private income of only \$24 a week.

The provision of social wage benefits through government services made available free or at subsidised prices is thus another way in which poverty can be alleviated. Needs can be met directly through service provision rather than indirectly through income support measures. The universal health system (Medicare) introduced in 1985, has proved to be extremely popular in the population at large and has meant that ability-to-pay has become far less important in determining access to health care. This has helped to break the cycle of poverty, whereby low income leads to poor health status and low earnings capacity, and in turn to low wages or unemployment and thus to a cycle of poverty from which it is difficult to escape. Providing good quality, secure and affordable housing to disadvantaged groups also has provided a platform on which to build and reduced the risk of poverty by

satisfying basic housing needs. Public transport too has proved to be an important determinant of the standard of living of low income groups (Brownlee and McDonald, 1993).

4 Concluding Observations

The most serious economic problem currently confronting industrial countries like Australia is unemployment. The levels of unemployment experienced during the recent recession would have been unthinkable two decades earlier and even the (somewhat optimistic) targets now set for unemployment are high by historical standards. Unemployment is a cancer which threatens to destroy the social fabric by denying citizens something which they have come to expect as being fundamental to their economic and social identity: the ability to participate productively in society. The creation of a whole generation of young people unable to participate in this form of productive employment undermines social integration and puts at risk the sustainability of the entire economic and political system.

The growth in unemployment has been accompanied by increasing economic inequality, within and between countries, a reflection of the liberalisation of factor and product markets and declining state intervention. These problems contribute to poverty and social isolation and threaten the future of market economies. The collapse of the planned economies of the communist block is itself no guarantee that market economies can deliver economic progress and social stability, the twin pillars on which the post-war prosperity of countries like Australia has been built.

Economic development must not only provide increasing levels of material prosperity, it must do so in a sustainable way. This involves ensuring that economic performance is a means to an end, not an end in itself. Yet the leading world economic powers seem unable to agree on a policy response which will allow a co-ordinated approach to what are a common set of problems. This represents a failure of political will, but also a lack of the necessary institutional infrastructure through which that will can be nurtured and applied to solve the world's economic - and social - problems.

New institutional structures are required which will assist in the search for positive-sum international economic strategies from which all can benefit. To date, free trade has been the main catchcry of those wishing to maximise world economic growth. This has met with a good deal of success in the post-war period, but at the cost of undermining the notion of an interventionist state charged with the task of **managing** economic performance in order to maximise economic **and** social progress.

In the context of a modern integrated world economy, these new institutional structures need to be international in scope and purpose. Today's economic forces know no national borders and the effective political responses to them must also embody an international dimension. This might involve some initial loss of national sovereignty, but to resist an international response will ultimately undermine

national sovereignty by denying the citizens of every nation the scope for maximising their economic and social potential.

The task of building new institutional structures designed to make international economic co-operation a reality will not be easy politically. Many citizens already feel increasingly remote from, and distrustful of, their own national governments. This is a very real obstacle to the development of new, more powerful, international political agencies. The main advantage to be achieved from such agencies is the realisation of positive-sum outcomes. In order to achieve that goal, the right incentive structures are required. These, like all incentive structures, must involve two elements: rewards for those who engage in mutually beneficial outcomes and penalties for those who do not.

The development of a new cross-national institutional framework designed to encourage more co-operative economic strategies is only part of what is required. It needs to be accompanied by policies which, both within and between nations, give more emphasis to the social aspects of development. Again, this requires acceptance of the need for the state to play an active role in managing market forces to the overall benefit of civil society. Ultimately, governments cannot absolve themselves of this responsibility, although this is not to be prescriptive about the precise nature and types of state intervention that are necessary.

National policies for social development have to be given more emphasis. This involves increasing the technical capabilities which shape what **might** be done, and developing the administrative process which determine what **can** be done. The view that social development must follow, not accompany, economic development can no longer be sustained. Social policies are an essential companion to economic policies at two levels: first, the existence of a social safety net enhances the **willingness** of people to be subjected to the process of economic change; second, social policies allow the **consequences** of economic change to be managed in a way which maximises social development.

Both roles are important for all countries, whatever their level of economic development. No longer does it make economic sense to curtail public programs in order to achieve smaller government. The overall size of government is far less important than what government does, and how it does it. To continue down the path to smaller government is to move away from a more balanced approach to human development not towards it.

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