
UNIT 10 SOCIO-ECONOMIC IMPACT OF DEVELOPMENTAL STRATEGIES

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10.1 INTRODUCTION

In Unit 9, an attempt was made to review the developmental strategies that Australia adopted at different points of time since it became a federation. As a consequence, at least during the past four decades or so, Australia has undergone transformative changes in its economic development process. From being predominantly an exporter of primary resources and an importer of manufactured goods from Europe, in recent decades, Australia has emerged as a fairly diversified economy to a point where manufactures and services now make up over one-third of its total export earnings and its trade destinations are perceivably spread over the world. While this may be so, what impact have the evolving developmental changes made on the domestic economy in respect of the different segments of the society? Generally speaking no doubt the standard of living of the people of Australia has improved considerably and today, it ranks as the nineteenth in the world in per capita terms largely on account of the developmental strategies adopted during the recent decades. It is against these claims, in this Unit, the focus is on analysing the socio-economic impact that the development process has made on Australia. In doing so, questions that the Unit intends to address are as follows: what is the extent to which income distribution has become equitable; what is the lot of the marginalised segments of the society; whether the welfare measures adopted by the federal government from time to time made any significant improvement in the socio-economic status of the poorer sections of the population; and what are the levels of health and education among the different sections-importantly among the aboriginals, women, and children of the Australian society?

10.2 OBJECTIVES

After reading this unit, you should be able to:

- explain the decline in income inequality;
- identify the deficiencies of social security system;
- understand the social indicators for health and education;
- reflect on the socio-economic deprivations of the Aboriginals, women and children; and
- discuss the growth of the welfare state in Australia.

10.3 UNEQUAL INCOME DISTRIBUTION AND PERSISTENCE OF POVERTY

Australia has had for long the reputation of being an egalitarian society. In reality, however, income inequality had persisted ever since six Australian colonies became a federation in 1901. An official survey in 1915 revealed that the top 5 per cent of the population had as much as 60 per cent of the wealth. No doubt this situation changed over time with the federal government introducing from time to time welfare policy measures through progressive taxation. Although there are no reliable data, available unofficial studies suggest that still the top 5 per cent of the population own anywhere between 40 to 50 per cent of the total wealth.

In terms of income, Australian Bureau of Statistics in its survey made in 1992 showed that the top ten per cent of pre-tax income earners received little more than one fourth of all gross income during the second half of the decade of 1980. Such an estimate could be misleading as it includes, besides the labour-force earnings, all those in receipt of pensions, benefits, superannuation, dividends and bank interest. A more recent study by the Economic Planning Advisory Commission in 1995, in fact, notes that "measured income inequality, especially that for market-based earnings has been increasing, or at best has been relatively static". The Commission was also of the view that "the increased redistributive role of government programs" has not resulted "in a decrease in inequality" (Economic Planning Advisory Commission, 1995, p.71). Based on the Commission's findings, it is pointed out that in the 1980s private income generation has only exacerbated the prevailing income inequality.

Just as much no reliable estimates are available to measure income inequality, estimates regarding the evidence of poverty are no less scarce. Existence of poverty has for long been not acknowledged because, as one observer puts it, the "myth of egalitarianism [made] Australians relatively indifferent to the problem of income inequality". (Encel, 1970, p.171) It was only in 1975, the federal government appointed the Commission of Inquiry into Poverty, which it may be said, had conducted a pioneering study on the levels of poverty in Australia. Dismissing the generally held notion that Australia is "a lucky country", the Commission found that in 1974 (a year generally characterised by full employment) no less than 10 per cent of households were below poverty line. Of these, those recorded incomes less than 40 per cent below the poverty line were households without an income-earning adult.

It is in the aftermath of the Inquiry, federal government introduced considerable changes in the annual budgets to revise and restructure personal income tax, levels of welfare payments, health benefits and other subsidies that would enhance individual and household incomes. This did not

bring about any perceptible change in the status of people living below the poverty line. For, in 1981-82 the proportion of income units with income below the poverty line had increased by nearly five per cent over the estimated 6.5 per cent in 1971-72. These findings were further reinforced by a report made by the Department of Housing and Construction that there were no less than 100,000 people who were homeless poor Australians and as many as 700,000 families with income below the poverty line after they have paid for their housing (Department of Housing and Construction, 1985). It is believed that these figures remain so even now. What triggered the sudden increase in the number of people living below the poverty line in the late 1980s and through the 1990s were the high level, incidence and longevity of unemployment largely on account of the economic restructuring which led several large manufacturing plants either to shut down or shed labour. In other words, the nature of work becoming available has been changing, seeking skilled labour. Non-availability of appropriate social infrastructure such as schooling and post-school training, lack of affordable child-care facilities that reduced job opportunities of primary care-takers (especially women) in single parent families, lack of English-language skills particularly among new immigrants and the exorbitant cost of public transport created more confusion. What compounded the problem was that the welfare policies put in place by the federal government tended to treat these as a national problem amenable to uniform cures or palliatives. So much so, the social welfare policies of the federal government as pointed out by the Australian Council of Social Service (ACOSS) "divided [the] nation, with our social and economic fabric marred by unacceptable inequalities" (Australian Council of Social Service, 1995, p.i). Therefore, there were those who argued that social justice and community cohesion cannot be ignored until the economic "fundamentals" are in place.

It is here that one has to take note of the serious deficiencies in the social security system as it has evolved in Australia. No doubt, the social security in Australia is unique as it is fully funded from budget revenue rather than employer and employee contributions. Also, the benefits are need-based and on the basis of the length of employment. Yet, compared to most other developed countries with a social security system in place, the pensions and allowance rates are very low in Australia. Secondly, benefits are paid after lengthy waiting periods creating thereby poverty traps. Thirdly, the social security system is not geared to cope with labour market changes. Fourth, the system does not recognise "caring" as an activity for which income support should be dispensed especially to the physically challenged people. Finally, under the system there is no adequate provision for affordable housing for the homeless as there is chronic under-investment in public housing schemes.

10.4 SOCIAL INDICATORS: HEALTH AND EDUCATION

In the previous section our focus of analysis was on wealth and income distribution and on that basis we assessed the level of poverty. However, such an assessment may not reflect adequately the quality of life. It is for this consideration, in this section, an attempt is made to examine certain quantifiable social indicators such as importantly health and education that have bearing on the quality of life.

Generally, it is claimed that the quality of life in Australia is high. It is often attributed to the pursuance of the welfare state policies by the government. It is said that Australia's welfare state had its origins in the 19th Century at a time when private charities catered to the poorer sections of the people. Once the federation was set up at the turn of the 20th Century, the state became involved in proffering welfare measures such as pensions for the aged and invalid. Subsequently, during the 1930s, with the onset of economic recession, other welfare measures and programmes were introduced. Over the decades, especially since the 1960s, welfare measures were crafted

essentially to promote social justice rather than simply to provide safety net to meet specific economic problems of the work force. However, by 1980s, the social justice objective of the federal programmes was underplayed. With that began what can be described as the 'retreat from the welfare state' tradition. The retreat was on account of several factors and not simply because of fiscal considerations. In fact, it was viewed that the main beneficiaries of the welfare measures were the middle-income group and not the marginalised segments of the population especially in respect of provision of adequate levels of education and health upon which emphasis was placed on federal provision for health and education. Keeping these in view, an attempt is made here to examine the support extended by the state to health and education.

10.4.1 Health-Care Schemes

By most counts, Australia has commendable health schemes in place thanks to which Australia is described as a healthy country. Today, life expectancy at birth is 75 years for males and 89 years for females whereas in 1950 comparable figures stood at 66.5 for males and 71.7 for females. Infant mortality rate is 7 deaths per thousand live births. While the statistical mean is quite satisfactory, Australians are better served in terms of health. The Australian Bureau of Statistics, on the basis of its survey in 1993, showed that more than quarter of the Australian people are obese and therefore are faced with attendant health problems as also a sixth of the population suffer other disabilities including on account of age and other physical handicaps.

In meeting a variety of the health-care problems, Australia has in place adequate health-care facilities. Besides well-equipped public hospitals, which provide on an average 5 hospital beds for every thousand people, there are also primary health-care facilities where general practitioners operating privately on a fee-for-service basis of which fee the federal government through the subsidy scheme (Medicare) refunds 85 per cent. The subsidy scheme is funded by a levy of 1.5 per cent on taxable incomes and the rest is met from the general revenue. Besides, the Pharmaceutical Benefits Scheme guarantees that no family will pay more than Aus \$.600 per year for prescribed medication. Overall, the health expenditure in Australia accounts for 8.5 per cent of GDP, which amounts to Aus. \$ 2000 per person.

10.4.2 Educational Facilities

Australia provides for reasonably adequate standards of education. The total outlay on education is slightly more than 5 per cent of the GDP. Both the federal and the state governments provide for educational services, which among others include free tuition in government-run schools, which receive 90 per cent of funding from the states by way of federal transfers they receive and the remainder of 10 per cent the schools receive directly from the federal government. Private schools too receive government funding-65 per cent from the federal and 35 per cent from the state governments. School education is compulsory between the ages of 6 and 15 (16 in Tasmania). At the tertiary level, higher education is provided at the university (36 universities) and a series of state-based technical and further education (TAFE) colleges, which provide vocational training. The funding for these comes primarily from the states (71 per cent) and the federal government (17 per cent) and the remaining 12 per cent from tuition fees. In order to support students at the secondary and tertiary levels, federal government provides a means-tested education allowance known as Austudy. The National average shows a ratio of women to men at the tertiary level as 53:47. Overall, nearly one-fourth of the age-group 15 to 24 go to the tertiary level of education — more than one-tenth at university, and nearly as many at TAFE.

While the social infrastructure facilities in respect of health and education appear impressive, in respect of quality of life what is critical is the access of the different segments of people to these

facilities. Several studies have documented the geographical variations in respect of access to these facilities. For instance, health-care facilities are characteristically concentrated in metropolitan centres and surrounding affluent suburbs largely because medical practitioners tend to concentrate in these areas given their objective to income maximisation and professional interaction. So much so, fewer medical practitioners have been attracted to work in remote areas and to that extent access to medical facilities for the rural residents are far from satisfactory. There is little that the government can do to get the facilities reach out to the poorer sections of the society. Much the same is true in respect of educational facilities. Access to state-run schools, belonging to lower income group and residing in remote regions are factors that circumscribe educational opportunities to the age group needing school education.

10.5 SOCIO-ECONOMIC DEPRIVATIONS OF SELECT GROUPS

In this section, we will examine the levels of socio-economic deprivations among three select groups: the Aboriginal and Torres Strait Islanders (TSI), the women and children.

10.5.1 Aboriginal and Torres Strait Islanders

Available recent data show that the Australian aboriginals are unevenly distributed in the country—about 26.7 live in the metropolitan centres, 40.9 per cent reside in other urban areas and 32.4 in rural areas. Life expectancy for Aborigines and TSI is around 55 years as compared to 75 years for the rest. Infant mortality rate is estimated at 26 deaths per 1000 live births compared to 10 per 1000 for Australia as a whole. The rate of unemployment in these communities is nearly one fourth of as against around one-twentieth nationally. The proportion of aborigines in education beyond the age of 15 years is around 5 per cent compared 25 per cent for the country as a whole. In turn, the level of unemployment varies geographically among these communities. In rural areas, unemployment among these people remains very high. Labour force participation is around 66 per cent for males and 36 per cent for the females in these communities. What is more, these labour work in lower-paying/status jobs. Any of the initiatives on the part of the federal government to rectify the deprivations of these communities have fallen foul of the conflict inherent in the Australian federal system between the federal and state governments. Development strategies intended to enhance wealth through mining activities have brought no perceptible improvement in the well being of the aboriginals and the Torres Strait Islanders. As one observer aptly put it, the developmental "programs ostensibly aimed at meeting basic Aboriginal and TSI needs were typically restricted to symptomatic rather than structural issues; addressing delinquency rather than powerlessness; housing rather than dispossession; literacy rather than alienation; alcoholism rather than dependency". (R. Howitt, 1989, p.167)

10.5.2 Women

Going by the data on life expectancy and the female enrolment in the secondary and higher education may suggest effective health care and better educational attainment as far as women are concerned. The same may suggest significant involvement of women in the paid work force. In reality, this is not so. Notwithstanding the long history of legislation governing actual working conditions of the labour in terms wages and working hours, the position and participation of women in the labour forces is not satisfactory. Their participation still lags behind that of males. Considerable differences in the rate of their participation depend on the location—whereas in the urban centres female participation is 53 per cent and in other areas it is only 50 per cent. Ethnically speaking, only 45 per cent of non-English speaking women are in the labour force. But these

figures still may not give any indication of their status as full-time or part-time workers or their wage levels. The casual nature of the female labour force is vitally important at a time of economic restructuring as casual labour have far less job security. As development strategies change, casual workers are much more likely to be retrenched and as casual workers, the working conditions of this work force have less access to superannuation and other associated benefits associated with casual workers. Again, as casual workers, the total earnings of women are far less than that of the returns of male labour. What is more, women are under-represented in highly paid jobs such as managerial, professional and administrative occupations. Besides their inferior working conditions, women also suffer higher unemployment rates than male workers.

In dealing with the poor and inadequate working conditions of the women work force, the federal and the state governments had put in force some affirmative pieces of legislations such as, for example, the New South Wales government's Anti-Discrimination Act of 1977 and the federal government's Federal Affirmative Action (Equal Employment Opportunity for Women) Act of 1986. The notion of equal opportunity is the underlying philosophy of these enactments seeking employers to remove restrictions in the way of hiring targeted groups such as women, aborigines, people of non-English speaking ethnics and the disabled as well as setting up mechanisms for handling complaints regarding discrimination. Together, the federal government has initiated some 'action plans' since late 1980s "to improve the status of women by providing economic security and independence, freedom from discrimination and equal opportunity in all spheres of activity" (Office of the Status of Women, 1991, p.1). Admittedly, these action plans have envisaged such objectives as the need to ensure that women have an effective voice in society, adequate educational training equipping women for full and equal participation in all aspects of social and economic life and to progress towards reducing the gap in earnings between male and female workers etc.

10.5.3 Children

Nearly one-fifth of the Australian population belong to the age group of 0 to 14. While the welfare of the children is acknowledged as the prime concern of the government, the conflict inherent in the Australian federal system between the state and federal governments has retarded progress in the dispensation of welfare measures. On the whole, the states provide children's personal care services by way of setting institutions to organise foster care to serve as a substitute for parental care where it is needed. The federal government supplements the state activities with various cash benefits and support for a variety of programmes funded through specific-purpose grants. These programmes range from personal development through provision of pre-schools to protection against child abuse, substitute care and cash benefits. Besides, the federal government has also introduced a variety of other measures that bypass the states in respect of dispensing additional family allowance to targeted sections. However, most of the welfare schemes come under pressure in times of financial stringency as demand outstrips supply. As a result many of the needy become dependent on private charities.

10.6 POLITICAL FALL-OUT

The foregoing two sections offered a descriptive analysis of the socio-economic impact that the developmental strategies made on the different segments of the Australian society. In this section, an attempt is made to examine the political impact of the developmental strategies. As has been mentioned in Unit 9, Australia since federation evolved the tradition of a welfare state. Keeping in tune with its tradition of welfare state, Australia was perhaps the first in introducing such significant legislative measures as pensions for the aged (in 1909), pensions for disabled (in

1910). Prior to these, the notion of a 'basic wage' was built into the welfare system whereby it was defined that the minimum wage to be paid to an unskilled worker should meet his 'normal needs' that help assist him live as a "human being in a civilised community".

A major positive step in tune with the tradition of welfare state was taken with the economic recession in 1930s. When unemployment became so widespread, government-funded unemployment benefits were dispensed. Ever since the growth of the welfare state took place in an incremental fashion in that new policies and programmes were introduced as and when they were deemed by the government of the day. With the introduction of uniform income taxation in 1942, the federal government assumed the responsibility for cash payment of pensions and benefits to individuals while the states assumed responsibility for the provision of services that mattered for the well-being and quality of life. In essence, politically it was recognised that the federal government could 'interfere' in what traditionally had been areas of exclusive state responsibility. Such a view cut across the political parties. It was widely seen as legitimate for governments to use the welfare state tradition to promote social justice rather than simply provide a 'safety net' for those marginalised sections of the population.

In 1970s, following the recession largely on account of the sudden increase in world market price of oil, the government expenditure on social policy was not actually wound back but was increased only slightly by both the conservative Liberal-National coalition government and subsequently by the Labour administration. Both parties vied with each other to convince the electorate on the need for economic stringency. It was in the midst of these changes that ensued a public debate on the long-entrenched tradition of welfare state was ensured. With the exception of the disadvantaged working class, the overwhelming view shared by the leading political parties including the Labor questioned the advisability of continuing the welfare state tradition. Arguments against social welfare policies were not simply based on the financial exigencies. Other arguments ran along these lines: the major beneficiaries of the welfare measures were not really the disadvantaged but by and large the middle class and despite welfare policies, inequalities had persisted for long in the society. In the process, the welfare tradition was not only discredited but soon abandoned.

Prior to the decade of 1980, the federal government, through progressive taxation, had maintained a policy of social welfare purported to reduce inequalities of wealth, income, opportunity and outcome generated by the successive development strategies. In the aftermath of the report brought out by Commission of Inquiry into Poverty in 1975, the federal government introduced considerable changes in the annual budgets to revise and restructure personal income tax, levels of welfare payments, health benefits and other subsidies that would enhance individual and household incomes. Whatever was provided did ease the plight of the poor but still was far from adequate. Early in 1980s, when the federal government had put in train a series of long-term economic restructuring plans, the essential features of the tradition of the welfare state began to disappear. Not only the public expenditure on welfare schemes dwindled but also the welfare recipients were ridiculed as work-shy 'dole-bludgers'.

The pendulum shifted swiftly to the right in economic and social policy. In the face of rising unemployment (reaching 11.2 in 1992) and inflation largely as the result of the dismantling of most of the institutions that had provided a small resource-rich economy with a measure of protection, both the contending political parties-Liberal-National and the Labor-espoused the cause of economic restructuring and liberalisation. If the conservatives championed regressive tax system, further reduction of the public sector, speedier removal of tariff barriers and labour market deregulation, the Labor was no less vocal in championing the same objectives but couched

in different words pressing for restriction in public expenditure, sale of major governmental enterprises, industry reform and relaxation of central wage determination for enterprise bargaining. In the closing years of the 20th Century, the ideological gap between the two opposing parties closed. Both bowed to the cult of market forces. If at all, the only difference that divided the opposing political forces was whereas the Labor sought to ease the introduction of market forces with consensual cooperation, the Liberal-National intensified its rigour in a more populist mode.

10.7 SUMMARY

Australia has taken great strides in its economic development process transforming itself from an exporter of primary resources to a fairly diversified economy. So much so, it ranks as the nineteenth in the world in per capita terms.

At the beginning of the twentieth century, the top 5 per cent of the population had as much as 60 per cent of the wealth. Over time, through welfare policy measures and progressive taxation, the federal government claimed to have changed the situation. Yet recent studies show that income inequality especially that for market-based earnings has been increasing. There was an increase in the number of people living below the poverty line in the late 1980s and through the 1990s because of unemployment largely on account of the economic restructuring which led several large manufacturing plants either to shut down or shed labour seeking more skilled labour.

The quality of life attributed to the pursuance of the welfare state policies by the government is said to be high. Examining certain quantifiable social indicators such as importantly health and education, we find that Australia has in place adequate health-care facilities. However access to these services is a problem. Health-care and educational facilities are characteristically concentrated in metropolitan centres and surrounding affluent suburbs.

The section of population in Australia most affected and deprived of socio-economic benefits are the aboriginals, women and children. While women in Australia are stated to be doing well, there are considerable differences in the rate of their participation depending on the location. Similarly for children, the state and federal government fund a variety of programmes, but most of the welfare schemes come under pressure in times of financial stringency as demand outstrips supply.

With the economic recession of the 1970s, the welfare state was being questioned and with the 1980s with a series long-term economic restructuring plans, welfare schemes dwindled and welfare recipients were ridiculed as work-shy 'dole-bludgers'. In politics, both the contending political parties-Liberal-National and the Labor-are espousing the cause economic restructuring and liberalisation.

10.8 EXERCISES

- 1) Give a brief account of government social security in Australia. How effective has it been?
- 2) How would you rate the health care and educational facilities provided by the government in Australia?
- 3) How have the developmental strategies in Australia impacted on the Australian aboriginals, women and children?
- 4) Describe the welfare state tradition in Australia. How has it changed?

SUGGESTED READINGS

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