Chapter II

CURRENT AUSTRALIAN INCOME MAINTENANCE POLICY

In this Chapter, I investigate the history and structure of income maintenance in Australia and some of the assumptions which underpin that structure.

I begin with a general overview of the income maintenance system with a focus on the function of the Special Benefit.

In order to tie this review to practice, it is followed by a detailed description of the history and administration of one of the categorical payments in the current system. The program selected for detailed scrutiny is the Invalid Pension, one of the first payments introduced by the Australian Federal Government. The Invalid Pension sets out to meet the needs of a clearly defined part of the population; it was not and could not be broadened into an income guarantee.

From there the discussion proceeds to the underlying assumptions of the income maintenance system. These are summarised in the context of three continua: residual versus institutional welfare, social insurance and non-contributory systems, and finally, simple versus complex welfare programs. These assumptions determine to some extent whether categorical benefits should be persevered with or income guarantees be introduced.

THE AUSTRALIAN SYSTEM OF INCOME MAINTENANCE: AN OVERVIEW

Income maintenance in Australia is divided into specified categorical payments made predominantly by the Federal government and discretionary payments paid by state or local government instrumentalities. As well, there is a network of voluntary agencies providing discretionary support meant to relieve "emergency" situations. Voluntary bodies are heavily subsidised by the Federal and state governments.

Categorical payments provided through the Federal Government are paid by a number of Departments primarily Social Security, Veterans Affairs, Employment, Education and Training, Aboriginal Affairs and Immigration and Ethnic Affairs but also by others such as Primary Industries. There are also programs providing occupational benefits paid by Administrative Services and Defence. The Joint Committee of Public Accounts identified ten Departments with a responsibility for 127 income maintenance programs (1).

The Social Security Department, however, is the main provider; it makes over two-thirds of all income maintenance, payments at the Federal level (2).

Social Security's major income maintenance payments are designed to assist the elderly, invalid, temporarily sick, unemployed, widowed, and sole parents and to provide family allowances for those caring for children (3). In 1983 Social Security introduced a family income support payment for low paid workers. In 1987 this payment was improved and renamed Family Allowance Supplement. The Department of Employment, Education and Training, provides assistance to isolated children, Aborigines, and poorer secondary school children to compensate them for disadvantage. It also provides means tested assistance to adults to encourage tertiary studies plus some post-graduate assistance to promote excellence. The Department of Employment, Education and Training provides a number of subsidies to employers for training unemployed people. The Department of Aboriginal Affairs provides a range of programs (albeit far from adequate) designed to compensate Aborigines for decades of neglect. The payments made by the Department of Immigration, Local Government and Ethnic Affairs are designed to provide
opportunities for migrants where it is felt they suffer particular difficulties. Health payments are meant to help compensate for medical handicaps and to compensate for the isolation of rural people with medical problems. Veterans Affairs payments are made for service-related disabilities. Service pensions are paid at a younger age than Age Pension. Veterans payments combine aspects of occupational and social welfare conditions.

There are a number of occupational benefits, such as superannuation, on which some workers depend solely or in part when they leave employment. Certain powerful unions in Australia have been able to extract considerable retrenchment payments from some large employers when they decide to lay off workers. The Department of Administrative Services pays redundancy to retrenched Commonwealth Public Servants for periods of 6-12 months (depending on length of service).

The major welfare relief organisations both public and private are based in the capital cities - they do have a presence in major country towns: however, outside of these areas, services provided are generally spasmodic and inferior.

The Federal income maintenance system in Australia has grown from two specific categorical payments, Age and Invalid Pension, established in 1908 to its present array of categorical payments which make up a "safety net" of social welfare provisions. Nearly all the forms of payment have been introduced in an attempt to meet some clearly defined need.

Underlying the complexities of the various forms of payment is the basic principle which constructs the existing income maintenance system. That principle insists that eligibility/need is determined by a person's position in a socially constructed category. Age determines one's eligibility for an Age Pension, gender and marital status define eligibility for Windows Pension, Zone Allowances are paid in a limited number of localities, race was the reason used to reject Aborigines and Asians prior to 1960 and is now grounds to pay some specific benefits. Gender, race, age and locality are, thus, all pertinent structural divisions which have affected the Australian income maintenance system. The major exception to this has been the Special Benefit.

SPECIAL BENEFIT

The Special Benefit had the potential to become an income guarantee for all Australians who could not establish an eligibility for any other form of categorical payment. In 1947 the Social Services Act laid down that the Director General could, using his discretion, pay a Special Benefit to any person who was not in receipt of a pension, benefit or rehabilitation allowance paid by Social Security or a Service Pension paid by Veterans Affairs Department and whom he considered:

"...by reason of age, physical or mental disability or domestic circumstances, or for any other reason, that person is unable to earn a sufficient livelihood for himself and his dependents (if any) [4]).

The Act specifically prevented the Director General from exercising such discretion where the applicant for Special Benefit was unemployed as a result of his being involved in or party to an industrial dispute (5). In 1964 the Department paid Special Benefit to three main groups of people: those who except for residency requirements would be paid a pension or benefit, pregnant women not living in a bona fide domestic relationship 12 weeks before confinement and 6 weeks after confinement, and people who could show they were experiencing some other form of hardship.

By 1984 the Department had specified in instructions to staff in excess of 20 categories as a guideline to enable determination of applications for Special Benefit. In an attempt to simplify the process of eligibility, the Northern Territory Consultative Committee for Social Welfare requested the Minister for Social Security to instruct his Department to return to the spirit of the legislation rather than to allow the proliferation of categories of people deemed appropriate beneficiaries (6).
The problem which they saw developing was that such proliferation of categories could be used to argue against applicants who, though not included in the guidelines under the legislation, may have an entitlement.

Looking at this very issue the Administrative Appeals Tribunal held that:
"An administrator considering a claim for Special Benefit is essentially concerned with the individual case. It may well be appropriate to lay down general principles as to the circumstances in which Special Benefit will be granted. It cannot be appropriate lay down general principles as to circumstances in which it will be refused." (7)

The process of categorisation, however, continued (8).

Had the Department chosen to adopt a strict literal interpretation of the Social Services Act of 1947, the Special Benefit provisions could have been used to ensure for most poor people, excluded from other forms of government assistance, an entitlement to Special Benefit. The only people specifically not covered would have been persons living on a bona fide domestic basis with a person whose earnings were sufficient to preclude payment and persons involved in industrial disputation. That is, except for the two categories noted above, the Special Benefit provisions had and still have the capacity to provide a minimum income for Australians*. It is true that this was not the intention of the legislators when they introduced these provisions. Their intention was to allow a limited degree of discretion to Departmental officers to assist people in need who were not covered by other benefit provisions. The Department used the Special Benefit provisions sparingly until the late 1960s but since then has made far more use of them.

* There would be no legislative impediment preventing the Department of Social Security paying a Special Benefit to a person who had failed the work test for Unemployment Benefit on the grounds that the person had no desire to work. In fact the Department has in recent years consistently transferred long term unemployed people whose prospects of obtaining employment seem remote, to Special Benefit. The Hawke Labor Government recently removed the right of the Director to grant Special Benefit to people who were not permanent residents.

However, the Special Benefit remains a categorical benefit, payment of which depends on the discretion of Departmental officers. It is not an income guarantee. The Special Benefit like the Invalid Pension forms part of the safety net of income maintenance provisions.

INVALID PENSION: A CASE STUDY

The decision to select the Invalid Pension for detailed examination was made primarily because there has been some recent detailed analysis of its history, its administration and its functions; and also because it exemplifies many of the difficulties which categorical payments encounter. The other major reason for concentrating on the Invalid Pension is that in several ways the values implicit in the administration of the Invalid Pension are integral to many other special welfare payments in Australia.

A brief history

The first Federal social welfare payment was the Age Pension, introduced in 1908. In 1909 the Invalid Pension became an appendage to the Age Pension legislation. Allan Jordan, a researcher
with the Department of Social Security, suggests that the Invalid Pension amendments were a rudimentary development, introduced without much thought and that a body of judicial decisions or clarifying amendments might have been expected to follow, an expectation not met until after the Administrative Appeals Tribunal was set up over sixty years later (9). Instead of regarding the Invalid Pension as the centrepiece of the Commonwealth's ill health provisions, the Parliament preferred to implement a number of different benefit schemes and the unions pushed for workers' compensation and superannuation payments.

At the time when pensions were introduced at the Federal level, applicants had to establish not only that their means were limited but that their relatives could not support them. The rates of withdrawal of pension if an applicant had any means of earning a livelihood were harsh compared with today's graduated withdrawal rates.

Eligibility

Invalid Pensions are paid to Australian residents over the age of sixteen years who have resided in Australia for a period of ten years unless the person developed the invalidity whilst living in Australia. Invalidity is defined as "85 percent (total) and permanent incapacity". The permanence and degree of invalidity is judged by Commonwealth Medical Referees. Pension officers make the final determination to grant or reject an application.

Determinations of eligibility

Commonwealth doctors and Social Security officers who decide whether or not an applicant is entitled to receive an Invalid Pension have shown a greater willingness to accept predominantly physical than mental handicaps as the basis for granting a pension (10). There has been a consistent rejection of the concept of "social handicap" as a grounds for the granting of Invalid Pension applications. For example, the Director of Social Security in Queensland addressing final year social work students at the University of Queensland in 1964 refused to accept that many people through a combination of low education, poor work history, personality difficulties, racial background and limited intelligence, could be seen to be totally and permanently incapacitated for work because of these social handicaps.

It was put to him at the time that the Department's view resulted in anomalies; for example, people who had borderline intelligence, and who had gone to a remedial school, often found it impossible to find other than casual work. Their appearance or mannerisms might make employers extremely reluctant to engage them. They might subsequently be rejected from Unemployment Benefit for failing the work test on such grounds as "attitude to work", "apathetic" or some such. They would as a consequence receive no income. By the beginning of the 1970s such people were being transferred to Special Benefit but this process still depends very much on officers of the Department using their discretion - is this person a "discouraged worker" or a "malingering"?

The last time the concept of "socially handicapped" eligibility for Invalid Pension was rejected was in 1978 during a crackdown on Invalid Pensioners - firm guidelines were laid down which specifically set out to cut down the number of socially handicapped who might receive the pension. As well, the Department of Social Security was instructed to review existing pensioners and to send those whose handicap was of a social nature for a further examination by the Commonwealth Medical Officer. The Hawke Labor Government has instructed that to a specific limited extent, socio-economic factors will be considered when Invalid Pension applications are being assessed.

One suggestion made to overcome the situation where people may not be considered to be 85 per cent incapacitated but considered unlikely to hold down permanent work has been to propose the introduction of partial disability pensions. Jordan, after reviewing a number of
overseas schemes which recognise partial incapacity, rejects such proposals; he notes that in the Netherlands where such a scheme is in operation the bulk of the payments are made at the maximum rates (11). There is an Australian counterpart to the Dutch experience: Social Security pays a Handicapped Child's Allowance at two rates (a) severely handicapped and (b) substantially handicapped. In 1982, 25,347 children were assessed by Commonwealth Medical Referees as severely handicapped and only 1,591 were declared substantially handicapped (12).

Some repatriation payments such as the War Pension are paid on a percentage system dependent upon a tribunal's determination of the degree of incapacity. This system has been criticised by some as encouraging malingering and some criticism has been tied to concepts such as accident neurosis (13).

But perhaps Jordan's most telling argument against the introduction of a number of categories or levels of incapacity is that in the 70 year history of the administration of the Invalid Pension there has been no reliable way of determining who is and who is not 85 per cent permanently incapacitated (14). The introduction of other categories would further complicate the unreliability of determinations.

"In cases dealt with by the Administrative Appeals Tribunal much of the discussion has revolved around whether the claimants suffered from organic disorders, psychiatric conditions, both or neither. Consensus has often been unattainable: it has proved quite possible for one medical witness to find a disabling physical condition and no psychiatric condition, a second to find a disabling psychiatric condition but no physical disorder and a third to find neither. And in the end it may be decided - quite often has been decided - that the person does not suffer significantly from the condition for which he claimed pension but that he is disabled to a pensionable degree by a condition he denies having." (15)

In 1983 a review of the efficacy of the operation of the Invalid Pension program was carried out by a committee from the Departments of Health and Social Security. It paid particular attention to the determinations by Commonwealth Medical Referees. One conclusion of the committee was that:

"The failure of the current system to achieve the correct determination at the earliest possible stage in the processing chain, is indicated by the fact that in 1981-82, 39,629 claims for invalid pension were determined of which 16,288 were rejected. Of this number, some 12,030 were rejected on medical grounds and these cases attracted appeals in 58.1% (6,990) of cases. Some 65.7% (4,593) of these appellants were successful in having the earlier decision reversed." [16] (italics in original)

What was more worrying is the fact that:

"The current statistics do not indicate the type of person who appeals on medical grounds compared with the person who doesn't. It could be that those who should appeal and could succeed are not doing so due to poor education, inability to understand grounds of appeal, lack of self-confidence and incapacity to cope with a large bureaucracy." (17)

The committee discovered huge discrepancies between and within states as regards rates of acceptance of applicants' claims to be totally and permanently incapacitated "in 1981-82 the range was 44.2% to 83.3% - national average 58.6%, whereas in 1982-83 year to date 31 March the range was 45.9% to 84.9% - national average of 62.5%" (17). New South Wales had in 1982-83 the highest rate of successful appeals - 90 per cent (19).
One of the committee members held that there was reason to believe that whatever the disparity between states, there was even more disparity between individual Commonwealth Medical Referees (20). This committee held that the meaning of permanent incapacity was poorly understood by Commonwealth Medical Referees (21).

Another component of the attitudes which surround the invalidity debate is the issue of character. There was on the statute book from 1908 until the Whitlam Government came to power in 1972, a requirement that people had to be of good moral character if they were to be paid the pension (22). This provision had slipped from use by 1972 but when I was employed by Social Security in Queensland in the mid-sixties, I worked on the pension applications of several alcoholics who had their applications rejected. The letter notifying them of that simply said "You are not deemed worthy to receive the Invalid Pension." Such people could not get Sickness Benefit because their incapacity was permanent. Because they were not fit, able and willing to work they were rejected from Unemployment Benefit. During the early 1970s such people were increasingly transferred to Special Benefit. Nowadays they would be paid an Invalid Pension, once they were determined to be 85 per cent incapacitated.

Racism and appeals

Ethnocentrism has also played a part in the administration of Invalid Pensions. The most celebrated example of this was the "Greek Conspiracy" case.

On the morning of 31 March 1978, Commonwealth Police arrested 180 people mainly of Greek extraction and charges were laid concerning fraudulently obtaining Invalid Pensions. This dragnet operation received massive press coverage, most of which was slanted towards the suggestion that migrants in general and Greeks in particular, were obtaining Invalid Pensions to which they had no entitlement. In 1983 charges against all but four of the defendants were dropped* but the Fraser government had achieved what it set out to do - make it harder to get Invalid Pensions, particularly for migrants (23). The Greek Conspiracy Case has been only part of a more general "policy to reduce the number of invalid pensioners in Australia" since 1978.

The semi autonomous appeal provisions set up within the Department of Social Security have demonstrated that the large number of rejections which officers of that Department make are often dependent upon inappropriate determinations. Many appeals are allowed at a Departmental review before they reach the appeal committee. Then there are a number of further steps such as the Administrative Appeals Tribunal and the Administrative Decisions (Judicial Review) Act which can overturn Social Security appeal decisions. Many more applicants for income maintenance payments whose claims have been rejected would have obtained a payment had they exercised all the appeal options which were technically available to them.

Unlike the recipients of other benefits and pensions, Invalid Pensioners do not pay tax on their pension income until they reach the age of 60 (women) or 65 (men), when they are transferred to Age Pensions.

The fact that the Invalid Pension did not become subject to an equivalent form of taxation as Aged Pension (in 1973) or Widows Pension, Unemployment, Sickness and Special Benefits in 1976 was a result of the desire to encourage or at least not discourage Invalid Pensioners from engaging in part-time work. The antecedents of such thinking can be traced to the 1912 Fisher Government's special treatment of blind pensioners. The illogicality of encouraging those whom Commonwealth Medical Referees have determined are 85 per cent incapacitated to work at the

* On 30 May 1985 these remaining four charges were dismissed in the Federal Court. The total legal cost to the Commonwealth of this vendetta was in excess of $7 million.
same time as discouraging the unemployed who are fit, able and available to work escaped the attention of the architects of such plans.

"In 1977 the acceptance rate for applicants for the Invalid Pension was 83.7%. In 1982 it was 58.8%. It is even more alarming to discover that those rejected on first application, when they appeal, have a success rate of 60% at the Social Security Appeals Tribunal; and the twice rejected applicants to the Administrative Appeals Tribunal have the best success rate of all, 72%. The rising gradient of success towards the Administrative Appeals Tribunal is an indicator of the extent to which the receipt of medical opinion can be tailored to fit political need." (24)

"The Department has won only 14 cases out of 48 ... Many cases are conceded by the Department of Social Security after the appeal is lodged and many at the door of the Tribunal. As there are about 1,000 appeals pending to a Tribunal, which can deal with 100 each year, this can also be seen as cynical use of a bottleneck to defer the grant of pension and to limit pensions to those with the fortitude to persist so far." (25)

In 1982 the Australian Council of Social Services (ACOSS) carried out a phone-in on Invalid Pensions in Sydney - it found that 10 per cent of the respondents who had been rejected as not being 85 per cent incapacitated received no Social Security benefits (26). "The consistency of complaints received indicates that many doctors are unduly harsh towards poor people with disabilities" (27) and "... (about a quarter) had not been given information about their right to appeal." (28).

"The Administrative Appeals Tribunal is not a reflection of the Invalid Pensioner population. Overseas born comprise 24% of Invalid Pensioners while 70% of Administrative Appeals Tribunal applicants were immigrants." (29) Nearly half of these are either Greek, Italian or Yugoslavs. These statistics did not prevent the Fraser government from declaring that the main thrust of their social welfare policies were directed at the "most needy" (30).

**Blind pensioners**

Blind people are examined by Commonwealth Medical Referees in the same way as other Invalid Pension applicants and, if it is decided that the applicant is totally and permanently blind, they are paid an Invalid Pension, but their pension is not subject to a means test as are all other Invalid Pensioners. They are also entitled to a payment for their first child irrespective of their means. Payments for a spouse and/or any other children are subject to normal income provisions applying to all other Invalid Pensioners. Blind pensioners' special conditions have an interesting history and their treatment presents a contradiction which, when examined, reveals perhaps more clearly than any other form of benefit, the conglomeration of values which underlie much of the social welfare thinking in Australia.

Foremost among these organising principles is that the administrators of Invalid Pensions have a preference for physical over mental conditions*. They have been - I would suggest still are - firmly attached to concept of worthiness; they refuse to accept that social handicaps could constitute "total and permanent incapacity"; yet, they accept that social handicaps contribute towards invalidity and they rely on Commonwealth Medical Referees to make objective, consistent determinations about applicants' capacity to work.

The degree of sight which a person has can be reasonably accurately measured compared with many other medical conditions. Limited sight might in some circumstances not be such as to constitute "total and permanent blindness" but some people with lessened sight might experience
As mentioned earlier the way in which need/eligibility is defined is through the development of a social category. The creation of categories demands certainties about conditions and boundaries. Physical features are more readily assessable than are mental ones. Physical conditions which can be observed either directly, or indirectly through a piece of medical technology, are easier to assess than are those conditions such as back injuries which do not show up on X-rays. The more certain an assessor is that the applicant fits within the eligibility boundaries, the more readily the assessor accepts that the applicant is in need.

make them "totally and permanently incapacitated". Such people are not paid a blind pension but are paid an Invalid Pension.

Given that people can obtain an Invalid Pension for handicaps as diverse as being a quadriplegic or suffering from schizophrenia, it is necessary to ask what is it that is particular to blind people which motivated the legislators to make them into a separate category? Thane, writing about the British experience, suggests that one of the major pressures on government of the day in the 1920s was brought to bear by the war blind (31). This was not the situation in Australia where, as early as 1912, the Fisher (ALP) Government was moving to grant blind people an advantaged position compared with other Invalid Pensioners (32). This process accelerated until in 1954 the Menzies (LCP) Government abolished the means test for blind pensioners and this policy has remained in place ever since.

If it was a special compassion extended to blind people which led to these arrangements, then there is a major contradiction to explain. Aborigines, the group which on a per capita basis suffers the most blindness (33) were until the 1960s specifically excluded from any payment. They are also the group with the least income. If it was compassion which led to the privileged treatment of the blind, then it was compassion tempered with institutional racism (34).

Kewley asserts that it was not a belief that blind people were unable to earn - and therefore had a greater need for income than other incapacitated persons - but, in fact, just the opposite. He says the amendments advantaging the blind arose out of the desire

"to provide them with every inducement to earn some-thing towards their support..... The dual purpose of this provision was to discourage those already at work from leaving it with a view to obtaining a pension, and to encourage others to undertake training occupation." (35)

Jordan cites the treatment of blind people in the first decade of this century when blindness was not considered sufficient evidence of invalidity; and the consistent refusal at least until 1936 to pay blind musicians and beggars a pension whilst they continued to work the streets, coupled with the stated desire to encourage the blind to work, as a sufficient refutation of the suggestion that it was compassion which led to the advantaged treatment of blind pensioners (36). He agrees with Kewley that discrimination in favour of the blind derives from wanting to encourage their greater capacity to work and have a "normal" life.*

This being the case, and the constancy in legislative amendments allowing blind people very generous allowable means without affecting their pension would support this interpretation. It does not answer the question as to what it is which allowed governments of all political complexions to exclude blind people from the strict asset and income tests applying to other pensioners.

One obstacle to moving towards equitable treatment of blind and other Invalid Pensioners is that to increase benefits to the blind costs comparatively little compared with making those same
benefits available to all Invalid Pensioners. Once Invalid Pensioners received special treatment then other categories of pensioners and even beneficiaries would argue they too should receive similar treatment.

*A survey conducted by the Paraplegic and Quadriplegic Association of New South Wales in 1985 showed that 36% of its members were employed.* Alsopp, L. "Address to the National Taxation Summit." Australian Disability Review. Australian Government, Canberra, February, 1986. These figures undermine such arguments for the special treatment of blind people.

The advantaged position of blind pensioners compared with other Invalid Pensioners occurs in part because lack of sight is seen as a medical rather than a mental condition. Unlike bad backs or mental conditions, blindness can be "objectively" measured. The public feels sympathy for blind people. It is a handicap which is not seen as self-induced; does not necessarily result in disfigurement; historically the blind have been seen as a special worthy category; and many blind people do work, that is, they are not seen as "bludgers".

**Summary**

When attempts are made to sieve the assumptions underpinning the preferential treatment of blind pensioners compared with other pensioners who are also regarded as being 85 per cent incapacitated, the complexity of such an exercise becomes apparent. Promotion of the work ethic is in the forefront, closely followed by the notion of rewarding the worthy at the expense of people experiencing less valued handicaps. This is itself part of the less-eligibility debate the history of which can be directly traced to 19th century poor law administrations. The preference for physical over mental or social handicaps is part of this debate - usually manifested in the suggestion that many non-physical conditions are the result of malingering. The failure (until the 1960s) to pay Aborigines, even those who were non-nomadic (37), and those who were nomadic until the 1970s, exposes the institutional racism of the welfare industry in Australia. So a policy which on the surface may have appeared to have arisen out of values such as equity and humanism is, on reflection, extraordinarily circumscribed. If humanism were the driving force behind the treatment of blind pensioners it would be expected that equivalent humanism would be apparent, for example, in the treatment of Invalid Pensioners who were paralysed from the neck down.

**SPECIFIC FEATURES OF THE AUSTRALIAN WELFARE SYSTEM**

In Australia most discussions on policy take place within the context of debates about the merit or otherwise of a particular payment or service. Seldom does one find any detailed discussion of the structure of the welfare system as a whole. This Chapter attempts to rectify this by examining three continua of practice: residual to institutional, social insurance or non-contributory, and simple versus complex arrangements.

**The continuum of residual to institutional welfare**

Australian social welfare provisions contain both residual and institutional aspects. In their starkest manifestations conservative sects operate hand-out welfare services in the form of food and secondhand clothes parcels to the "worthy poor" and at the other extreme, during the later 1970s, Age Pensions were paid to all residents over the prescribed age of 70 years who had lived in Australia for ten years.
Residual welfare services aim to fill in the gaps left by other services - voluntary organisations are the main suppliers of residual welfare. Some residual programs are provided at state and local government levels; for instance, much of the "emergency assistance" provided to families and individuals experiencing crises is delivered through state departments. In any case, voluntary bodies are heavily subsidised by all levels of government.

Residual programs rely on discretion being used by administrators of programs to determine who is worthy to receive a grant. The conditions applying to such grants are seldom specified in a way which is easily understandable to applicants for services and are often tied to general statements, such as assisting "anyone in need".

The residual welfare approach is in line with the desires of those who want to demolish the welfare system and replace it with one which is composed of voluntary agencies funded through private donations dispensing charity. Policy proposals for privatisation of the welfare industry would, if successful, increase the residual nature of welfare services (38).

Institutional welfare is predicated upon the idea of total welfare. It is associated with the development of a full blown welfare state ideal and concepts such as cradle to the grave welfare services. It is, in fact, an ideal which advocates of extended, improved and more comprehensive policies envisage as a distant goal. The prevailing Australian view as to what constitutes a comprehensive welfare program, whilst heading in the same direction, stops far short of a fully-developed institutional approach.

Social insurance and non-contributory systems

Bismarck’s social welfare legislation in the 1880s was the first state controlled social insurance scheme. On the other hand, the British Poor Law system of the time was still very much based on a charity model. All the same, alongside the charity organisations many craft-based friendly societies had developed the concept of social insurance in order to cover their members in times of hardship, and there existed commercial insurance firms.

When the British income maintenance system was overhauled it incorporated both social insurance and non-contributory schemes. The Australian Federal income maintenance arrangements were on the whole extensions of existing state government programs which had been influenced by New Zealand social welfare legislation. The state government programs were overwhelmingly non-contributing schemes. Friendly society programs existed alongside government welfare but over the years they came to abandon a wider welfare role, turning more towards the provision of health insurance (39).

In the first half of the 20th century the Australian Labor Party consistently advocated non-contributory pensions.

"The social insurance approach was rejected by the Labor Party on the grounds that it would neither promote a more equitable distribution of income nor remove absolute poverty amongst those who were unable to contribute." (40)

Non-Labor parties preferred contributory programs. Menzies and other non-Labor leaders feared that non-contributory schemes would weaken the work ethic and discourage thrift. Liberal party members held firmly to the view that social insurance programs lessened stigma, increased self-reliance and ensured that people did not develop the feeling they were getting something for nothing (41).

The non-Labor parties saw a direct structural link between the alms handed out at the parish door by Poor Law officials and non-contributory welfare (42). Because social insurance programs distribute, not according to need, but rather in proportion to paid-in contributions, they were seen by the Liberals as different from charity systems.
But social insurance is still very closely tied to the welfare approach in that the beneficiaries of social insurance payments rely on the state to supervise, guarantee and in many cases (as for example, the Old Age Insurance provisions in the United States) heavily subsidise the return on contributions. Certainly the social insurance approach is one step removed from the poor law structure which still exists in non-contributory settings but it is a very small step. The fact that advocates of social insurance claim that it ends stigma, increases self-reliance and encourages thrift and work effort, says more about the way officials approach the program than about the structure of the program. Under social insurance systems, officials approach the insuree as a person with rights rather than a claimant whose eligibility (worthiness) needs testing. It could be argued, though, that most, if not all, the benefits claimed for social insurance could be obtained under a non-contributory scheme provided it ensured payments as a right.

From simplicity to complexity

A simple income maintenance system, for example a guaranteed minimum income, would be understood by the bulk of the population. Richard Titmuss writing about the British welfare system in 1958 pointed out that there were 1500 different eligibility tests for the various benefits available from the welfare state (44). As mentioned earlier, the Australian Parliamentary Joint Committee of Public Accounts in 1983 identified 127 different welfare programs operated by the Federal Government which dealt with income maintenance. It is likely that the number of different eligibility tests for the various governmental welfare programs (Federal, state and local) would be of the same order as that to which Titmuss alerted us in the British system.

The more complex any welfare system becomes, the more confusing it is to the recipients of its services. Even with simple programs such as the Family Income Supplement scheme, at least one-third of people who would have an eligibility were they to apply, fail to do so, possibly because the scheme is little understood.

Also the greater the complexity of welfare programs, the more costly they are to administer. Stigma is harder to avoid in welfare programs which are not easily understood. People are less inclined to see eligibility as a right in complex programs.

Advocates of increasing complexity see the development of new programs as the easiest method of increasing the comprehensiveness of welfare services. The more closely services are tailored to meet the needs of specialised groups, such advocates argue, the greater the chances of effectively meeting the needs of those groups, and the less possibility that people who do not have a need will be provided with services: such advocates see the end result of this as lowered costs and greater target efficiency. Such arguments rely heavily on residualist thinking and on professionalised determinations of eligibility. The report by Health and Social Security Departmental officers which showed how unreliable Commonwealth Medical Referees were in their determinations of degree of invalidity or even permanency, should provide a salutary lesson to such advocates (45).

Rural people are at a particular disadvantage when serviced by specialised programs. The more specialised the program the less likelihood there is that there will be an office in their region which deals with the program. Even if there is an office with responsibility for administering the program within the rural region, it will be staffed by a small number of personnel who will also have responsibility for many other specialised programs. The staff will, as a consequence, be poorly informed concerning the detailed aspect of any particular benefit compared with officers in a capital city who might deal only with that specialised benefit.

Because of their high rates of illiteracy, Aboriginal people living in isolated areas, are even less likely to know about specialised welfare programs than are white Australians.
The young and the old have shown they have particular difficulty understanding complex eligibility requirements.

If the particular problems of rural and Aboriginal people are put to one side, when specialised programs are offered to the public it is the articulate middle class person who is most likely to benefit from them. The poor lack confidence to seek and enforce their rights even when they are literate and reasonably sophisticated in their dealings with welfare bureaucracies (46).

The sheer complexity and diversity of welfare programs which make up the Australian welfare system is of such an order that very few welfare operatives would be able to list more than half the governmental programs operating in their city, let alone to detail all the various eligibility requirements.

**ADEQUACY OF INCOME MAINTENANCE**

**The Excluded**

In countries like the United States and Australia:
"By definition a social welfare program does four things: it (1) defines eligibility and thereby identifies the recipients of certain benefits, (2) specifies the nature or type of benefit, (3) establishes the value or amount of benefits that are to be distributed and (4) prescribes the procedures and techniques to be used in their delivery." (47)

A primary function of categorical payments is that they do not cover everybody. Eligibility rules specify a set of characteristics of persons whom the state considers have a need for a specific form of assistance. However broadly this set of characteristics is expressed, implicit in the concept of categorical payments is the idea of excluding from payment people who do not exhibit such characteristics.

In 1978 Senator Margaret Guilfoyle, then Minister for Social Security, commented:

"The social security system is designed to protect people against economic hardship caused by events such as old age, widowhood, sickness and invalidity.  It also aims to provide a safety net to those in the community unfortunate enough to experience unemployment." (48)

Implicit in the assertion of Senator Guilfoyle is the presumption that all those who find themselves in need are experiencing poverty because of some specific handicap such as age, sickness etc. In 1973 the National Income Survey carried out by the Australian Bureau of Statistics revealed that "23.6% of the poor exhibited none of a list of disabilities commonly associated with poverty." (49)

It is known that some groupings of citizens are not in receipt of payments from the Department of Social Security or from any other level of government even though they have little other income*. Those categories are as follows: Young people with no previous work history under the age of 16 living independently; Aboriginal people in isolated areas of Australia where neither

* Single person income units comprise the bulk of income units not fully in either (the social welfare or taxation) system. Nearly 70% of these single people are under 25 years of age." Dixon, D., Foster, C., and Gallagher, P., "Security Issues and the Tax Reform Debate." Economic Analysis and Policy. Vol.15, No.2 Sept.1985 p.129.
Unemployment Benefit nor the Community Development Employment Program is paid; ex Class A widows who are unwilling to re-enter the workforce; many of those who after applying for Unemployment Benefit fail the work test; those who leave a job "of their own accord", and 10% of those who apply for Invalid Pension and are rejected. Many people who receive no government payments even when they have no or very limited income are those who for reasons of stigma or lack of knowledge do not apply. This group either eventually applies after running down savings, or finds work. Another major group are people living in isolated rural areas where Social Security has no presence.

There are other groups of people who have little or no income of their own who do not qualify for assistance under any government scheme - the majority of those live with a member of the opposite sex and are for one reason or another deemed to be dependent on that other person. This latter group cannot within the Australian system be regarded as falling through the welfare safety net because it intentionally excludes them. It is decided for them that they are the responsibility of someone other than the government. The majority excluded from payment are women. For example, the denial of individual status to the dependent spouse reinforces predominantly women's subordination as part of a social unit: the family. This issue is considered in detail in Chapter IV.

The same sort of reasoning lies behind the policy of not regarding young people under the age of 16 as the responsibility of the state. They are seen as the responsibility of their families except when they are deserted or orphaned, in that case the state, usually through the auspices of state government welfare services or subsidised church agencies, takes on the responsibilities of the family and such children are usually declared "wards of state" or "state children". The Commonwealth does, in some circumstances, pay a Double Orphan's Benefit which is insufficient to meet the costs of raising a child.

It could be argued that many of the young living independently who are under the age of 16 years could apply to become state wards if they were in financial difficulties. This, however, denies two realities: firstly, that many of these young people are already state wards who are "on the run" from the state; or secondly, that they are "on the run" from their parents. They certainly do not want to be placed in a state government or subsidised institution nor returned to their family home.

Those who have not been wards of the state have often derived from their peers a very good knowledge of the nature of the state's "care programs". They have consciously decided they do not want to exchange the repression of the family from which they have just escaped for the repression of the state. The alternatives open to them in times of high unemployment are very limited and consist mainly of stealing, prostitution, drug selling and hustling (50).

The Hawke Government introduced the Young Homeless Allowance but surrounded it with so many restrictions that only 1,200 of the estimated 60,000 to 80,000 young homeless people had succeeded in obtaining it by December 1987. Any Australian Government seriously trying to pay all those it considered to be in need would be forced by the above estimate to question the usefulness of the maze of categorical payments which exist.

**Inclusion and need**

In Australia the majority of people who receive an Age Pension have incomes which lift them above the poverty line. In other words, the "need" of the aged for categorical assistance may not be as great as policy makers suggest.

Even if it is accepted that a high incidence of poverty in certain groups is a good reason for singling out those groups for special attention in any anti-poverty program, this does not of itself present a compelling reason to restrict assistance to those groups (51). For example, despite the
fact that Australian Aboriginals are the group most likely to experience poverty, they were until the 1970s the group most likely to be specifically excluded from assistance.

There are in Australia many welfare programs where considerable discretion is part and parcel of the determination of eligibility. Two interrelated concepts, firstly that specialised services should be provided to those in need and, secondly, the safety net approach to welfare services, combine to suggest that discretionary benefits are assured to all who need them. The reality is that the safety net is threadbare in many places (52). This means that many, even those whose need for services has been recognised by the state, do not receive assistance.

The repeated assertion by ministers of social welfare that specialised, categorical, non-universal welfare programs ensure that assistance is directed to those most in need can be interpreted as a genuine belief that the safety net approach works or it can be seen as a smokescreen put up in order to explain restrictions on the general eligibility for benefits. Castles claims that it is the Australian working class attachment to selectivity based on measurable and socially approved need which has limited the expansion of social provision in this country (53).

One of the important justifications given by those who defend the delivery of categorised welfare benefits is that such a process allows more generous payments to be made to those categories of people which the prevailing public opinion holds to be more deserving: for example, widows rather than the unemployed. But on the other hand, many people with low or non-existent incomes are not included in current forms of categorical payment. Also, the existing eligibility requirements in the Australian income maintenance system exclude people on the basis of gender, family status, age, race and locality.

Eligibility is now determined on the basis of a very limited number of personal characteristics. This results in ignoring other characteristics the society might highly value. In any case this eligibility test denies the integrity and the complex nature of people. It results in the reification of welfare beneficiaries and of those who are refused. This process of reification has at least the potential to dehumanise the provision of welfare services because of the form of reductionism it imposes on both the providers and the recipients of service.

As mentioned, some personal characteristics are taken into account; however, a central flaw in the present system is that its eligibility requirements severely limit the characteristics which are considered relevant. The selective evaluation of applicants' personalities results in their being treated more as objects than as human beings.

An income guarantee scheme would have the advantage that it would shift the focus of eligibility determinations from the personal characteristics of the applicant to the income of the applicant.

Irrespective of the form which any categorical or generalised income guarantee takes, methods need to be developed which take account of all forms of income in order to increase the equitable distribution of income maintenance.

THE PROBLEM OF DEFINING INCOME

In recent years the Australian Taxation and Social Security Departments have been alerted to a number of contrived forms of income. If general income guarantees are to be provided to all Australians then it is necessary to deal with this issue in order to ensure the income guarantee is not going to advantage those who have the capacity to disguise income.

The following are some examples of such disguised income practices: some pensioners place their savings into non-interest bearing deposits in order to obtain full pensions. This means financial institutions are getting substantial interest free loans. Further many people use improvements to the family home as a mechanism to disguise income and wealth.

The government recently reintroduced an assets test, a form of wealth tax which applied only to Social Security recipients. It would have been far more equitable (albeit less politically
acceptable) to have introduced a general wealth tax which taxed all wealth including the family home.

Many small business people and farmers disguise income by ploughing it back into their businesses. Until the introduction of a capital gains tax they were able to recoup all this income in the form of tax free wealth on the sale of their business. Previously many individuals were able to disguise income derived from their employment through non-taxed fringe benefits. Most of these loopholes have now been closed.

Superannuation, insurance, deferred annuities and other contrived schemes produce the illusion that they are not a form of income. They substantially operate through avoiding the payment of tax on this wealth during periods when the individual's other income is high and then paying it when the individual's income drops, lowering the overall tax due. The Taxation Department has mechanisms in place which are capable of imputing an income to the various forms of contrived income. These mechanisms could be expanded once a totally revised Act, which amalgamated the positive and negative forms of taxation, was in place. There would still be a need to retain fringe benefit and capital gains taxes and introduce a generalised wealth tax which took account of all assets, including the family home, in order to ensure the most equitable income distributional arrangements were created.

CONCLUDING COMMENTS

This Chapter set out to describe the structure which underpins the income maintenance system in Australia. The material presented established the fact that the major income provisions affecting less affluent citizens are Federally operated categorical payments, funded through general revenue rather than through social insurance contributions. It established further that the system is immensely complex and that the major Federal programs are supplemented by residual approaches operated by state and local governments as well as voluntary organisations.

Politicians would have us believe that the system is comprehensive and efficient, and that its complexity exists to meet the needs of everybody in need in a sympathetic manner. They continue to argue that there exists a social welfare safety net which ensures that people in "real need" are not neglected.

It was shown that Liberal Ministers of Social Security have presumed that those who find themselves in need are experiencing poverty because of some specific social or personal handicap, such as age, widowhood, sickness etc., and that, because the welfare programs have been designed to assist people suffering such handicaps, the welfare system covers all those in need.

Evidence was presented which showed that during the early 1970s, roughly one quarter of poor families "exhibited none of a list of disabilities commonly associated with poverty". This material has been available to Australian governments since the mid-1970s yet Ministers of Social Security have continued to claim that the safety net approach to welfare difficulties works.

However, my review of the structure or administrative practice of a number of benefits and pensions led to the recognition that the safety net has holes in it through which some of the most needy Australians fall and that whatever compassion exists in the welfare system is of a very circumscribed nature.

The Australian social welfare industry reflects prevailing gender and race segmentations found in this society; the old and the young are discriminated against; and rural people are poorly serviced compared with city residents.

What the categorised system of welfare ensures is a reification of clients through the reductionist process of assessing a very limited number of personal characteristics. This process has embedded in it the inherent capacity to dehumanise practice. The assumption that categorised
welfare programs deliver benefits in the most efficient manner to the most worthy and the most needy, was shown to be an ideological statement rather than a description of practice.

FOOTNOTES TO CHAPTER II

(2) ibid, p.5
(4) The Social Services Act 1947, Section 124(1)(c)
(5) ibid, Section 107(4)
(8) Ibid.
(9) Jordan, A. Permanent Incapacity: Invalid Pension in Australia, Department of Social Security, Canberra, 1984, p.4
(10) ibid, pp.180-187
(11) ibid, pp.254-255
(13) Whiting, J. Be In It Mate, Veritas, Dulwich, 1969.
(14) Jordan, A. op cit., pp.254-255
(15) ibid, p.197
(17) Marrs, P. op cit., para 13.10
(18) ibid, para 7.7
(19) ibid, para 7.9
(20) ibid, para 10A.1
(21) ibid, para 12.2.2
(22) Jordan, A. op cit., pp.18-19
(24) Lucire, Y. op cit., pp.275-276
(25) ibid, p.277
(27) ibid, pp.278-279
(28) ibid, p.279
(29) Lucire, Y. op cit., p.276
(32) Jordan, A. op cit., p.55
Royal Australian College of Ophthalmologists, The National Trachoma and Eye Health Program, Royal Australian College of Ophthalmologists, Sydney, 1980, estimated that between 1,300 and 1,500 Aborigines per hundred thousand were blind.


Kewley, T. Social Security in Australia: 1900-1972, Sydney University, Sydney, 1973 p.93. See also Jordan, A. op cit., Chapters 1-5 particularly pp.75-77 and 64

Jordan, A. op cit., Chapter 3.

Kewley, T. op cit., p.258. See also Dixon, J. "Australia's income security system: its origins, nature and prospects", International Social Security Review, Vol 1, 1983, p.21, who said "By 1908 there appears to have been general agreement throughout the country as to who should not receive a pension, notably: aliens, aborigines, 'Asiatics', recent immigrants, those not of good character and those who were not destitute."


Dixon, J. Australia's Policy Towards the Aged 1890-1972, Canberra College of Advanced Education, Canberra, 1977, pp.164-165

ibid, Chapters 3-5

ibid, pp.150-170

ibid, Chapter 3


Pritchard, H. and Saunders, P. "Poverty and income maintenance policy in Australia - A review article", The Economic Record, April 1978, p.18


Castles, F. The Working Class and Welfare, op cit., pp.60-61. "Whereas outside the Australasian context universalism has been seen as an expression of collectivism, which served as the 'giving notion' of democratic socialist thought, and selectivity has been the individualist doctrine guiding liberal-conservative philosophy in the welfare field, in both Australia and New Zealand the labour movement remained more attached to selectivist social policy conceptions than was the case elsewhere. In Australia, this was a matter of an explicit ideological stance which saw means testing as a vehicle for redistribution to the needy. This was only in support of earning-
related schemes for superannuation, sickness and accident compensation in the early 1970s. Even today, Labor and trade union opinion remains deeply divided on the question of whether benefits should be accorded to those who are not in demonstrable need.

"Whether this ambivalence of the Australasian working class movements stemmed from principle or from inertia and cultural inheritance, it obviously provides an important clue to the failure of class politics operating through the mode of electoral competition to effect the expansion of welfare expenditure, since both the practical politics and, to varying degrees, the social policy ideas of the movements were tied to what, in Europe at least, is generally regarded as the chief institutional prop of the residual welfare state. A belief that some or most benefits should be provided on a means tested basis is hardly likely to make the labour movement the most effective agency for pressuring non-socialist parties into extending the coverage and generosity of the welfare state."

See also pp.34, 92, 97.