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DEPARTMENT  
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ON  
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POPULATION  
AND  
LIVING  
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**ARBEIDSNOTAT  
FRA  
AVDELING  
FOR  
PERSONSTATISTIKK**

**BEFOLKNING  
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Report from Multidisciplinary Research  
Conference on Poverty and Distribution  
Oslo, November 16–17, 1992

**Part 6  
Parallel Session 5  
The Welfare State, Distribution,  
Policy and Poverty**

CENTRAL  
BUREAU  
OF STATISTICS  
OF NORWAY

# FORORD

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Synspunktene som presenteres er forfatternes egne, og er ikke nødvendigvis uttrykk for for SSBs oppfatning.

# PREFACE

This series contains papers within the field of population and living conditions. The papers are expected to be of some general interest, and presents work in progress, or other notes worth a limited distribution.

The views expressed in this paper are those of the author(s) and do not necessarily reflect the policies of the Central Bureau of Statistics of Norway.



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**Report**  
from  
**Multidisciplinary Research Conference**  
on  
**Poverty and distribution**

Oslo, November 16-17, 1992

**Parallel session 5**  
**The welfare state, distribution policy and poverty**

November 16th and 17th 1992 the Central Bureau of Statistics, Norway arranged a multidisciplinary research conference on poverty and distribution in Oslo.

The aim of the conference was

- \* to present and discuss various approaches and methods in the study of poverty and distribution,
- \* to present and discuss results of Norwegian and foreign investigations of the scope of poverty, its distribution and development, its causes and remedies, and
- \* to identify relevant areas for research on poverty in Norway and other countries.

Researchers from more than twenty countries participated. The conference partly consisted of plenary lectures and discussions, and partly of parallel sessions where individual participants had the opportunity to present and discuss their own papers.

The conference report includes the lectures of the main speakers and the papers presented at the the conference, and consists of seven issues of Working papers from Department for Statistics on Individuals and Households. The first one includes the lectures given in the plenary sessions, while the others includes the papers from each of the parallel sessions:

- 1 Plenary lectures
- 2 Paralell session 1. Approaches to the study of poverty. Subjective and objective indicators of poverty.
- 3 Parallel session 2. Income and consumption. Distribution and poverty.
- 4 Parallel session 3. Who are the poor? Comparisons between groups and countries.
- 5 Parallel session 4. Poverty - development and duration.
- 6 Parallel session 5. The welfare state, distribution policy and poverty.
- 7 Parallel session 6. Less developed countries: Who are the poor, where are they located and why are they poor?

## Programme

### November 16th:

- 10.30 - 10.45      Opening
- 10.45 - 11.45      Prof. Jonathan Bradshaw, University of York, Britain:  
Why and how do we study poverty in industrialized western countries.  
Various approaches to the study of poverty. Lecture and plenary discussion.
- 11.45 - 12.45      Lunch
- 12.45 - 13.45      Prof. Bernard M.S. van Praag, Erasmus University, Netherlands:  
How poor are the poor? Relative and absolute poverty. Subjective and objective indicators of poverty.
- 13.45 - 14.00      Pause
- 14.00 - 15.00      Prof. Lee Rainwater, Harvard University USA:  
Who are the poor? The distribution of poverty. Comparisons between various groups and various countries.
- 15.00 - 15.15      Pause/coffee
- 15.15 - 17.15      Parallel sessions with presentations and discussions of contributed papers.
- 17.15 - 18.15      Prof. Greg Duncan, Ann Arbor, USA:  
Poverty's development and duration. Panel studies.
- 19.30              Get-together
- 20.00              Festive dinner

### November 17th:

- 08.45 - 11.00      Parallel sessions with presentations and discussions of contributed papers.
- 11.00 - 11.15      Pause/coffee
- 11.15 - 12.15      Prof. Stein Ringen, University of Oxford, Britain:  
The welfare state, distribution policies, and poverty. Analyses of measures and policies to combat poverty.
- 12.15 - 13.15      Lunch
- 13.15 - 14.30      Presentation of International Research and statistical Programmes on Poverty.
- 14.30 - 14.45      Pause
- 14.45 - 15.45      Panel discussion: Challenges and possibilities facing poverty research focusing on data requirements.
- 15.45 - 16.00      Conclusion and closing led by a representative of the Central Bureau of Statistics.

RESEARCH CONFERENCE ON POVERTY AND DISTRIBUTION  
OSLO, NOVEMBER 16-17, 1992

**Parallel session 1**

**Approaches to the study of poverty. Subjective and objective indicators of poverty.**

Session leader: Dr. philos Lars Gulbrandsen, INAS, Norway

Mr. Karel Van den Bosch, UFSIA, Belgium: Poverty and Social Security in Seven Countries and Regions of the E.C.

Prof. John Veit-Wilson, Dept. of Applied Social Science, England: Confusions between Goals and Methods in the Construction & Use of Poverty Lines.

Mr. Arne S. Andersen and mr. Jan Lyngstad, Central Bureau of Statistics, Norway: Payment problems or poverty? Norwegian households 1987 - 1991.

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**Parallel session 2.**

Income and consumption. Distribution and poverty.

Session leader: Mr. Ib Thomsen, Central Bureau of Statistics,  
Norway.

Mr. Thor Olav Thoresen, Central Bureau of Statistics, Norway: Child  
Care Subsidies and Effect on Distribution.

Ms. Hilde Bojer, Department of Economics, University of Oslo,  
Norway: Gender, occupational status and income inequality in  
Norway.

Prof. Leif Nordberg and Rec.ass. Markus Jäntti, Åbo Akademi  
University, Finland: Statistical inference and the measurement  
of poverty.

Dr. Jolanda van Leeuwen, Erasmus University Rotterdam, The  
Netherlands: The Leyden Poverty Line when Prices are Income-  
Dependent. Abstract

Dr. Jørgen Aasness and Ms. Jing Li, Central Bureau of Statistics,  
Norway: A microsimulation model of consumer behavior for tax  
analysis. Abstract

Mr. Ib Thomsen and Mr. Dinh Quang Pham, Central Bureau of  
Statistics, Norway: An application of latent Markov models to  
estimate response errors from repeated surveys.

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**Parallel session 3.**

Who are the poor? Comparisons between groups and countries.

Session leader: Ms. Gunvor Iversen, Central Bureau of Statistics,  
Norway.

Dr. A. Jan Kutylowski, Poland: Distribution of subjective income  
deprivation in Poland 1981 -1990.

Ms. Iulie Aslaksen, Central Bureau of Statistics, Norway and ms.  
Charlotte Koren, INAS, Norway: A women's perspective on  
poverty: Time use, income distribution and social welfare.

Dr. Björn Gustafsson, Göteborg University, Sweden and Dr. Ludmilla  
Nivorzhkina, Rostov University, Russia: Relative Poverty in  
two egalitarian societies. A comparison between Taganrog,  
Russia during the Soviet era and Sweden.

Mr. Lars B. Kristoffersen, NIBR, Norway: Social Indicators of Child  
Poverty.

Ms. Randi Kjeldstad, Central Bureau of Statistics, Norway: Pre  
valence and Change in Low Income among Male and Female Singles  
and Lone Parents in Norway through the Nineteen Eighties.

Mr. Børge Strand, Central Bureau of Statistics, Norway: Regional  
location of Poverty in Norway.

Dr. Hans de Kruijk, Erasmus University, The Netherlands: Location  
of poverty in Pakistan.

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**Parallel session 4.**

Poverty - development and duration.

Session leader: Dr. Kari Skrede, INAS, Norway.

Dr. R. Muffels, Tilburg University, The Netherlands: The Evolution of poverty according to objective and subjective standards.

Mr. Kjell Jansson, Statistiska Centralbyrån, Örebro, Sweden: Low income per year is not enough to measure poverty.

Prof. Dr. Bea Cantillon, UFSIA, Belgium: The "zero-sum crisis": the stability in the distribution of income and welfare in a period of economic crisis.

Mr. Jon Epland and Mr. Leif Korbøl, Central Bureau of Statistics, Norway: Duration of Poverty in Norway in the 1980s. Some longitudinal results from the Norwegian socio-economic panel (NSP)

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**Parallel session 5.**

**The welfare state, distribution policy and poverty.**

Session leader: Mr. Knut Halvorsen, NKSH, Norway.

Dr. Ivar Lødemel, FAFO, Norway: European Poverty Regimes.

Dr. Jørgen Elm Larsen, The Danish Equal Status Council, Denmark:  
Poverty debate and poverty research in Denmark.

Mr. Tapio Salonen, Sosialhögskolan, Sweden: Social assistance in  
a longitudinal perspective.

Mr. Sven-Åke Stenberg, Swedish Institute for Social Research,  
Sweden: Welfare Dependence in the Welfare State: A Cross-  
Generational Study in Post-War Sweden.

Dr. Lutz Leisering and Dr. Wolfgang Voges, Bremen University,  
Germany: Poverty produced by the welfare state. An application  
of longitudinal analysis.

Mr. Peter Whitesford, University of York, United Kingdom: Assessing  
the Impact of Anti-Poverty Policies: - the Australian  
Experience

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**Parallel session 6.**

**Less developed countries: Who are the poor, where are they located and why are they poor ?**

Session leader: Mr. Bjørn K. Wold, SSB, Norway

- Mr. Mohamed Ould Abba, Ministry of Plan, Mr. Sidna Ould N'Dah, National Statistical Office, Mauretania: Le Profil de la Pauvrete en Mauretanie: Questions Conceptuelles, Instruments et Principaux Resultats.
- Mr. William Bender and Mr. Simon Hunt, Ministry of Plan, Luanda, UNICEF, Luanda, Food Studies Group, University of Oxford, Angola & Great Britain: Poverty and Food Insecurity in Luanda.
- Mr. Christian Grootaert, World Bank, USA: The evolution of welfare and poverty during structural change and economic recession - the case of Cote d'Ivoire 1985-88.
- Mr. Wilson Mazimba and Mr. Emmanuel Silanda, Central Statistical Office, Zambia: Some indicators of poverty in Zambia.
- Mr. Sidna Ould N'Dah, National Statistical Office, Mauretania: Enquete Permanente sur les Conditions de Vie des Menages en Mauretanie.
- Mr. Jeannot Ngbanza and Mr. Perkyss Mbayndoudjim, ECAM, Bangui, Central African Republic: Mesure de la Pauvrete: Les Travaux en Cours en Republique Centrafricaine.

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# European Poverty Regimes

## **Abstract**

This paper presents evidence from a comparison of social assistance and minimum income schemes in France, Greece, Germany, United Kingdom, the Netherlands and Norway. Focussing on the principles guiding the specific programs rather than the outcome, the existing social assistance schemes will be seen to cluster around four European traditions, the Latin, the Continental, the British and the Nordic tradition. The development and nature of these "poverty regimes" will be discussed in relation to the more general and all-encompassing notion of "welfare state regimes".

Paper for presentation at The International Research Conference  
on Poverty and Distribution, Oslo, November 16 and 17, 1992.

## Introduction

Poverty and social exclusion is an increasing problem in Europe.<sup>1</sup> After a stable situation in the late seventies, the proportion living in poverty has increased during the last decade. In 1985 an estimated 13.9% of the citizens of the European Community were living from incomes less than half of the national average in their own country<sup>2</sup>.

An expressed aim in all the Western European welfare states has been to extend the coverage of social insurance to reduce the dependence on social assistance to a minimum. While the development was promising during the first post-World War Two decades, we can witness a new shift in the balance between assistance and social insurance recently. The increase in poverty has contributed to a resurgence of the role of social assistance as a major form of income maintenance.

Another outcome of the increase in poverty is a change in the focus of the sociopolitical activities of the EC. While "the social dimension" so far has been primarily oriented towards the working population, and hence social insurance, the increase in (poverty and) assistance dependency has contributed to a shift of attention onto this issue.

Lately we can also see a shift in the focus of comparative studies of social security. So far, the emphasis has been on social insurance, and while there are numerous European studies in this field, the first thorough mapping of European social assistance schemes is yet to be produced<sup>3</sup>

**1** An earlier version of this paper was presented at the conference "Hermeneutics and Cultural analysis". Lofoten, May 1992. Parts of the material was included in the paper "Social assistance – A part of Social Security or the Poor Law in New Disguise?" (With Bernd Schulte) at the conference "Social Security: 50 Years after Beveridge". York, September 1992.

**2** Study conducted by O'Higgins and Jenkins. Referred in Room 1990 p 55.

**3** Examples of recent crossnational studies of social assistance are Lawson (1979), Walker (1984), Euvrard (1989), and Leibfried (1991).

This paper presents material from a cross-national study which aims to provide an overview of the nature and functioning of assistance in seven European countries<sup>4</sup>.

The paper consists of two parts. First I discuss cross-national variation in assistance within the framework of a model that distinguishes four main European traditions. In the second part I will make a first attempt to relate the findings to theories of total variation between welfare states, or "welfare regimes" which appears to be the term in vogue these days.

<sup>4</sup> These are France, Greece, Spain, Germany, the Netherlands, the UK and Norway.

# 1 European social assistance variation

All Western European social assistance schemes represent modern version of earlier Poor Law arrangements<sup>5</sup>. During the first two decades after the Second World War the abolition of the Poor Law took place in all of these countries. The break with the Poor Law tradition was seen as a touchstone in the development of the welfare states. Numerous are the volumes describing the growth of modern welfare under variations of the heading "From the Poor Law to the Welfare State". The Poor Laws were more repressive than helping for the dependants. The liberal tradition of "less eligibility" (keeping the value of benefits below the lowest wages in the economy) and "the work-house test"; forcing the impoverished to live in the workhouse, were central to these regimes of repression. The schemes were all financed as well as administered by the local authority. The later shift towards social insurance involves a centralisation of social security with an increasing role of the state as legislator, source of finance and administrator as central elements.

The expansion of social insurance not only reduced the numbers depending on assistance. It also brought about dramatic changes in the composition of the assistance clientele. When the Poor Laws were replaced with more modern forms of social assistance, it was mainly those who were not covered by old age pensions, disability benefits, pensions for dependants and various short-term benefits through social insurance who remained in the assistance schemes. Although all the countries shared the ambition of as wide a social insurance coverage as possible, important differences are found in the way this aim was attained.

The choice between the contributory approach and the taxation system of finance is the most important factor in explaining variation in the extent of the *coverage* of social

<sup>5</sup> It should be noted that not all of these were schemes regulated by national legislation.

insurance. Where entitlement (also for basic benefits) is achieved through individual contributions, substantial groups such as the elderly and disabled people remained excluded. This is different in a system where the finance over general taxation allows the legislators to include people irrespective of their contributory record. The coverage of social insurance influences not only the size and the composition of the assistance clientele. The *nature* of these schemes are, in turn, largely an outcome of the number and the characteristics of the assistance claimants.

We can approach the cross-national differences by analysing the extent to which the national schemes have maintained the principles of the preceding Poor Law. Two of these principles remain intact in all the Western European nations. First, the claimant's own economic resources are considered in the evaluation of entitlement<sup>6</sup>. This form of meanstesting differs from the insurance schemes where only the need of the claimant determines access to benefits. For example in the case of old age pensions, this is restricted to establishing whether or not a person belongs to a defined category, defined by an age limit. Other benefits, such as disability pensions, require a more thorough investigation of the claimant's situation. But also in this case, the individual's savings are not taken into account in the assessment of need.

Another considered vestige of the Poor Laws found in modern assistance schemes is the requirement that the claimant must first seek to gain own resources before assistance can be awarded. This aspect of subsidiarity comes into effect both in relation to work and to other welfare benefits. Social assistance, therefore, is the last safety-net of the welfare state.

While only Britain has fully nationalised assistance, many countries feature strong state involvement, for example in the form of heavy state contributions towards the financing of the

<sup>6</sup> In an early comparison of European assistance, Lawson (1979 p. 1.) noted that "It is generally understood that the assistance approach is distinguished from other forms of social provision by subsidiary character and its emphasis on providing benefits only to those who can prove need. Beyond this, however, there is no common agreement as to its precise nature and scope".

schemes. These schemes furthermore tend to feature greater central control in the form of detailed legislation, establishing clear rules for entitlement. The predominantly local schemes, on the other hand, are usually governed by vague *framework-legislation* which is limited to setting out the principles according to which benefits are awarded. Schemes of this nature often depend on individual *discretion* both in establishing entitlement as well as in deciding the amount provided for each person in need.

Finally, the local schemes tend to maintain the Poor Law tradition of tying *conditions* to, or offering services in conjunction with the award of benefits. Today, this tradition finds expression in "cash-care multifunctional" services (Jones 1984) where social workers have the combined function of assessing applications and providing information and guidance. Even where the receipt of material aid is not made conditional of participation in social work, this is often how it is perceived by the clients.

Although significant internal differences can be observed, I find it justified to divide Europe into four main traditions of social assistance. The Nordic countries, and among these Norway in particular, have maintained principles of the Poor Law to a greater extent than other European countries with nationally legislated assistance schemes. In the Latin countries traditional assistance schemes are only now starting to pass through the parliaments. These are nationally standardised, and share an emphasis on social treatment and other forms of integrative measures with the Nordic countries. In the Continental countries we find a stronger degree of centralisation accompanied with a greater emphasis on income maintenance in the form of legal entitlements compared to the Nordic and Latin countries. Great Britain represent the opposite extreme from the Nordic countries. In a fully nationalised social assistance scheme, the emphasis is clearly on legal entitlements to nationally established benefits.

If we take as our starting point the two main variables degree of centralisation on the one hand and the extent of

"strings attached" to the provision of aid on the other, the four traditions constitute a four square figure.

*Four European traditions of social assistance<sup>7</sup>*

		Content	
		Social treatment	Income maintenance
Degree of centralisation	Local	Nordic	Continental
	Central	Latin	British

So far my distinctions have been based on rough generalisations. Below we will find that while Britain and The Nordic countries largely fall into the categories of the figure above, the picture is more complex in the case of the Continental and the Latin countries.

## 1.1 The Nordic Countries

In all the Nordic countries we find social assistance based on national legislation. Still, the implementation of the schemes vary with the degree of delegation. The nature of the laws make this possible. Instead of detailed rules and regulations, we find brief texts, where the emphasis is on the principles underlying the legislation more than the rules establishing entitlement<sup>8</sup>.

<sup>7</sup> The positioning of the latin tradition refers to France only. There is, however, reason to expect that France will serve as an example for the other latin countries in their attempts to create national schemes.

<sup>8</sup> The drafting of a law establishing a last economic safety-net leaves the legislator with the choice between two fundamentally different approaches. On the one extreme we find the approach of listing all the need situations covered. The result is a detailed and complicated set of rules. The alternative is to state that all persons without their own means ( whether established by discretion or set in the form of a scale rate) are entitled to aid. A frame-work law is less complicated, but results in greater uncertainty about the outcome of individual applications.

Such *frame-work legislation* leave substantial room for discretion in the evaluation of applications. While the decisions traditionally were in the hands of politically elected lay-men, the tendency of late has been to delegate this authority to the local administration as represented by social workers.

Although these are shared features, there are still important differences to be found among the Nordic countries. Sweden introduced national scale rates in 1982. After this date a stronger division between social work and income maintenance developed, the latter function is increasingly carried out by administrative staff at the local personal social services. A similar, albeit less strong tendency towards standardisation can be found in Finland. National scale rates were introduced in 1984. Two divergent tendencies can be observed in Denmark. While the law introduced in 1987 involved a move away from social worker's discretion towards increased legal entitlements, the local authorities have simultaneously gained greater self-determination in the implementation of assistance. Critics have argued that the latter tendency may lead to an undermining of the national scale rates as well as of the rights-orientation in general (Tanninen and Julkunen 1988 p 20).

Although we can find extensive use of discretion in all the Nordic countries, this principle is particularly dominant in Norway. In a situation with no national scale rates, we find that the benefits vary, not only from one local authority to another, but also from one social worker to another in charge of the individual application.

When the present law was enacted in 1964, the number of clients had been reduced to a small residuum because of the extension of social insurance, full employment and economic growth. The remaining groups depending on assistance often suffered from complex social problems, and the road was set for a system aiming at social integration of the person in need more than income maintenance. Social case-work became the method and social workers were given the dual role of bureaucrats and "therapists". The scheme is furthermore heavily influenced by

lay-men as care-takers of local self-determination. In a framework law lacking clear rules for entitlement, it is furthermore very difficult to *claim* benefits. The aspect of legal justice is further undermined by poor administrative case-work, for example by extensive use of oral notification of decisions and failure to provide information about appellants rights and procedure (Molven and Vetvik 1986). Although it is very difficult to study non-takeup in a system of this nature, there is reason to believe that large numbers of people who would be found eligible for benefits are discouraged from approaching the social assistance authorities in Norway.

The Nordic countries would compare more favourable if we, instead of social assistance, focus on the extent of *minimum social protection* in Europe. The system of "people's insurance" has come a long way towards providing non-meantested benefits to a large majority of the population in need of income maintenance. Further, the basic or minimum benefit in social insurance is awarded regardless of the claimants contributory record.

## 1.2 The Latin Tradition

The southern members of the EC differ from the other EC nations in that the welfare state is less extensive and developed. This is particularly true for social assistance. Neither Greece nor Portugal have established schemes that fall within this category. Some of the northern regions of Italy have introduced assistance arrangements. In Spain, the autonomy given to the provinces after democratisation has brought about substantial differences in the area of welfare. The Basque region introduced a system of protection in 1982 which give a general right to assistance for large groups.

This does not, though, imply that the population in the remaining countries and regions are totally without minimum protection. Many local welfare organisations, often organised by the church, provide services as well as cash for the poor. While the lack of a general scheme for the poor is the most marked

difference between these countries and the rest of Europe, groups such as the elderly, the disabled and widows are covered by *categorical* schemes. It is difficult to decide whether to define these means-tested schemes as social assistance or as insurance.

The absence of national laws, and the great internal variation among these nations, makes it difficult to identify *one* latin tradition. I will therefore limit my analysis to France, mainly because this country is likely to serve as role model when the other latin countries now plan to establish national schemes.

In 1988 France introduced, as the first latin country (or last northern-european), a national system of assistance, *Revenu Minimum d'insertion* (RMI). This "insertion income"<sup>9</sup> is intended to fill the gaps in the existing (categorical) minimum protection schemes. The benefits follow nationally set scale rates, but there is still reason to question the extent to which this benefit can be considered an entitlement for the beneficiary to claim. This is because of the nature of the "integration-contract". The legislator decided that rather than "doling out" money, services and conditions would be tied to the receipt of aid with the intention of integrating the client. While benefits may be awarded for an initial three months, the aid may be stopped if the client refuses to sign a "contract" (Euvrard 1989 p 8).

Social insurance in the latin countries is based on the contributory principle and is far from universal. The underpinning categorical schemes described above cover mainly the non-able bodied population. When general social assistance is introduced, as in France, the target group is, therefore, mainly the marginals. In a situation similar to that found in the nordic countries, the element of social treatment, or control, therefore becomes central to the legislator.

<sup>9</sup> "Insertion" is, in French, in reality a "weaker" term than "integration". The term, which cannot be translated, denotes that those who have lost their place in society should be helped to regain it.

### 1.3 The Continental Countries

The social assistance schemes of Germany, Austria, the Netherlands, Luxembourg and Belgium share many features. One of these is a division of benefits into one general scheme and an adjacent system of benefits for defined groups. The latter are similar to the Latin categorical schemes. One important difference, however, is that the categorical benefits in the continental countries are an integral part of assistance, while for example the French system remains separate from the general scheme even after the introduction of the RMI.

The Poor law in (previously) West Germany was abolished and replaced with "Sozialhilfe" in 1962. The act gives any person who can document an income below a fixed level a *legal entitlement* to benefits. The benefit level is established by the central government (allowing for regional differences in the cost of living) and is based on statistical data about income and expenses of the lowest income groups. There is little room for discretion in this rule-oriented system. We also find a separation of "cash and care" in the offices responsible for the allocation of aid. Few social workers are employed by the "Sozialamt", administrative officers handle most of the claims.

Although it can be argued that Germany features a system of assistance which is more rights-oriented than the Latin and the Scandinavian counterparts, we also find aspects in the German scheme reminiscent of previous poor law arrangements. In Germany the *principle of subsidiarity* plays an important role, both in relation to non-public organisations, and most importantly, in establishing the division of responsibility between the family and the state. Unlike most other national schemes, the German system extends the familiar responsibility to include the income and savings of the applicant's parents and children in the assessment of the need for public aid. While most national systems restrict this responsibility to spouses (and under-age children), the retired parents of a German unemployed forty year old may be asked to repay the benefits awarded. This is the rule irrespective of whether or not these people share a

household. Naturally this effects the take-up rate, which is found to be low in Germany<sup>10</sup>.

Although the implementation of assistance remains a local responsibility in Germany, the scheme is more centralised than, for example, the Nordic schemes. This is achieved, first through a detailed set of rules, and, second, through extensive state participation in the financing of the scheme.

Following the Bismarck tradition the Continental countries adhere to a strictly contributory system of social insurance. Although the coverage is more extensive than in the Latin countries, large groups, such numerous elderly and disabled persons, are excluded from insurance. The result is a larger and more heterogenous clientele compared to that of the Nordic countries.

## **1.4 The British Tradition**

Britain is the nation where the development towards a standardised entitlement to social assistance has been the most extensive. Already in 1948 the Poor Law was abolished and replaced with a nationally organised and financed system of assistance. Britain took another important step away from the poor law tradition with this reform. As a result of the nationalisation, income maintenance was separated from social work which continued in the form of local authority personal social services.

The process of standardisation took another step forward in 1966, when the reformed assistance scheme (Supplementary Benefit) became a part of the social insurance administration. During the two decades between these reforms, the assistance clientele had increased in numbers and was increasingly dominated by the elderly and the disabled, in other words an opposite of what occurred in the other European countries. This development must be understood in light of a failure of social insurance where a combination of the contributory approach and insufficient benefits forced large numbers onto assistance for

<sup>10</sup> While for example the take-up rate in the UK is estimated to be appr. 80%, research indicates that up to half of the eligible do not apply for aid in Germany.

their entire income maintenance or for supplementation. With many elderly and disabled ("deserving") recipients, the pressure for an upgrading of assistance was increasingly felt.

While a similar, although smaller, clientele brought about a division of assistance in the Continental countries, the British system remained undivided. The result was that the "marginals" profitted from the enhancements of welfare both in terms of benefits and rules for entitlement.

The British system illustrates how difficult it is to avoid discretion in a lower safety-net. The emphasis on rights and entitlement has created a very complex legal system. The result is widespread "discretionary interpretation" exercised by the officers responsible for the administration of the scheme (Beltram 1984). In spite of this perhaps unavoidable problem, assistance in Britain stands out as the most income-maintenance- and thereby rights-oriented system in Europe.

## 2 Social Assistance and Welfare Regimes

In this section a first attempt will be made to analyse the cross-national variation in relation to dominating theories of Welfare State-traditions. I will argue that the material presented above may be used to highlight internal differences that combine to produce a contrasting picture from what is usually arrived at when the unit of comparison is the totality of Welfare State variation.

I take as my starting point three models from comparative welfare research.

1. The most frequently applied distinction is based on the *residual-, handmaiden and institutional models of welfare* (Titmuss 1974). According to the "*residual model*" the main sources of welfare ought to be found in the market and in the family. Public welfare should only come into play when these "natural channels" break down, and then only for a limited time, providing welfare at a minimum level. The clearest example of welfare according to this model is the Poor Laws of the 19th. century.

The "*handmaiden model*" (or "*industrial achievement performance model*") sees welfare as an adjunct to the economy. Benefits are distributed on the basis of work merit, usually in the form of contributions.

In the *institutional redistributive model*, welfare is seen as a major integrated institution in society. Universal benefits are provided on the basis of need.

2. In the second tradition, also pioneered by Richard Titmuss (1963), the focus is on *the social division of welfare*. The three competing providers of welfare identified are private insurance and the workplace, the taxation system (fiscal welfare), and the state or other public agencies.
3. Lately, a third research tradition has developed. The term *welfare state regimes* focusses on the clustering of regional

welfare traditions covering similar countries (Esping-Andersen 1990<sup>11</sup>). While the first two traditions usually focusses on the national experience, this tradition addresses many of the same themes and shifts the focus to the cross-national arena.

All of these traditions have limited applicability for the cross-national comparison of social assistance. The institutional-residual distinction tends to imply that more institutional welfare (social insurance) brings about a decreasing role for the residual model. Public welfare in the social division tradition is seen as *one entity* which shrinks or expands in relation to the two other providers. In both traditions the tendency is thus towards one-dimensionality. When the term "regimes" is applied, we find both a tendency to see public welfare as undivided, because the focus is on the totality of variation, and one-dimensionality when the relationship between the different regimes is considered.

Esping-Andersen's (1990) main variable is the extent of decommodification through welfare. It naturally follows that the focus is on social insurance. While this form of welfare can be met through different providers, there is no option for private or occupational welfare for the social assistance clientel. Recipients of social assistance are mostly excluded from work, and their need situations are not a natural target for the private insurance industry.

Today, a large and growing proportion of European citizens depend on monetary transfers from the public. We therefore need to develop models that can help us analyse the *internal divisions* in these systems. By focussing on the relationship between the two main forms of public income maintenance, social insurance and assistance, we find that the institutional-residual distinction takes on new dimensions, and that internal cleavages in the regimes become visible.

11 See also e.g. Taylor Gooby (1991), Leibfried (1991), Lewis (1992) and Deborah Mitchell (1992) for later contributions to, and criticism of Esping-Andersen's typologies.

Esping-Andersen (1990) distinguishes between three welfare regimes, where the main criterium is the extent to which the provision of welfare is disconnected from the recipients position in the economic market, i.e. decommodification.

Welfare in the *liberal regime* (e.g. the United States, Canada and the United Kingdom, which is increasingly falling within this tradition) is characterised by, either meanstested or meagre universal benefits targeted at the working class and the poor. A consequence of this is a strong division between public and private/occupational welfare.

This contrasts with the more extensive and generous welfare in the *conservative/corporatist regime* (e.g. France, Germany). The focus of this regime is, however, mainly on those who are or have been active in the labour force, and the maintenance of status is given priority over allocation according to need.

In the *social democratic regime* (e.g. the Nordic countries), Esping-Andersen finds a combination of welfare according to need with standard security within social insurance. This represents the model where welfare has achieved the highest degree of decommodification.

In addition to the distribution of income maintenance, welfare can also be seen as a system which imposes sanctions on its recipients. The clearest example from history is the forced internment in the workhouse and the loss of citizens-rights under the Poor Laws. Present social assistance schemes have, albeit it to varying degrees, maintained elements of this tradition<sup>12</sup>. The *internal division of public welfare* becomes central to such a perspective. Hence, a different picture of welfare variation results when we change the focus from redistribution or the relationship between private and public welfare providers to focus on the relationship between social insurance and assistance.

<sup>12</sup> See, for instance Atkinson (1991) for the United Kingdom: "This general means-tested assistance, the modern-day version of the Poor Law, is now called "Income Support")

We can identify different sub-regimes within the regimes described by Esping-Andersen. My hypothesis is that the emerging *poverty regimes* not only complements the picture, but also helps us distinguish differences that diverge from those resulting from a comparison of total Welfare State variation.

Adding the Latin tradition to the three described by Esping-Andersen, I will try to describe the four poverty regimes in European welfare<sup>13</sup>.

1. One outcome of the emphasis on poverty in the British liberal regime, is that the welfare for the poorest and most marginalised groups has developed further away from the liberal doctrines of the Poor Law compared to similar arrangements in other countries. Also social insurance is largely limited to serve as an instrument in the fight against poverty, and has proved unable to secure standard security for its beneficiaries. The latter is left to the market. As a consequence we find that the public welfare is relatively undivided. The nature of the British assistance scheme justifies the term *institutionalised poverty regime*.
2. In the conservative regime we find a stronger division between social insurance and assistance than in the example above. Assistance is, however, still extensive in coverage and income maintenance in the form of clear rules of entitlements dominate, as in Britain. Unlike Britain, the continued presence of elderly and disabled people has brought about a division of assistance in the Continental countries. In Germany, for example, the benefits for these groups are higher than those awarded in the lower-tier, general schemes (because of the supplements which are paid to claimants beyond pensionable age (60 years) under the Sozialhilfe scheme in the form of aid to subsistence). Combined, these two forms of relief can be described by the term *differentiated poverty regime*.
3. Social assistance is in the Nordic social democratic regime marginalised through the extension of social insurance. The

<sup>13</sup> The typologies are based on the distinctions presented in section 1 above.

target group is therefore limited to the very poorest of the able-bodied. A strong emphasis on social control and treatment has resulted from an understanding that these people are in need of "something more" than income maintenance only. In the "institutional social democratic regime" we therefore find a persisting *residual poverty regime* (Lødemel 1989).

4. It is more difficult to identify *one* latin regime. This is perhaps the reason why Esping-Andersen (1990) does not include these countries in his discussion of European welfare regimes. Leibfried (1991) applies the term "rudimentary regime". Great internal differences give, however, reason to be careful about grouping together a "rest-category" under one label.

The Southern European countries share, however, the feature of categorical schemes for the non-able-bodied. In this situation, the absence of general assistance forces large groups to rely on the family and voluntary organisations for aid. Recent developments in France, as well as the debates in other Latin countries, give, however, reason to expect the emergence of a poverty regime which shares many traits with the Nordic approach. (France is in this context a latin, and not as in the case of social insurance, a continental country.) When France, as the first latin country, introduces a general scheme (RMI), this is seen by the legislator as an expression for a new solidarity<sup>14</sup>. The emphasis is on integration in the form of social treatment and control. This understanding is similar to the Nordic "pathological" understanding of poverty. But while this is seen as an individual pathology, the French debate indicates that poverty and marginalisation here are viewed as a "sick societal body". Another important difference is that the French general assistance schemes will be organised by the state (or the regions in Spain) with a greater national standardisation as a result. Although the official objective can be described by the positive term integration, the policies of for example the RMI give reason to use the term *national residual regime*.

<sup>14</sup> In France, RMI is officially described as a part of "the new solidarity".

## **2.1 Alternative explanations for the divergence among the schemes**

I can think of at least four, not mutually exclusive explanations.

### **1. Culture**

The strong element of subsidiarity in the German social assistance scheme (Sozialhilfe)-unlike the others in the study- is probably best explained by a culture which puts great emphasis on the responsibility of the individual, of the family, on work-performance, work-ethic, and on mutual responsibilities between the state and the individual. These elements predate the development of the Welfare State.

### **2. The extent of poverty**

The "obsession with poverty" in the British Welfare State might be explained as originating in strong division of the working class into artisans on the one hand and casual labour on the other. While the latter was always largely excluded from the welfare arrangements of the former, recent developments have seen their descent into the large pool of the non-working underclass. More important, the continued presence of non-ablebodied "deserving poor" has contributed to the constructive development of the British poverty regime.

### **3. The Poor Law precedent**

If we start from the assumption that policy inheritance greatly influences the path of decisions in the field of welfare, we must turn to the nature of the preceding Poor Laws in our search for explanations. From this perspective the absence of a general Poor Law in 19th century France might explain its categorical approach.

### **4. The development of social insurance**

Also in the French case, the best explanation may be found in the development in the "higher" system of social insurance. This can be exemplified by a comparison between the French and the Norwegian cases. Before the introduction of national insurance Norway also had a system of categorical schemes for the non able-bodied. But while the means-tested Norwegian old age

pension and disability scheme could easily be incorporated into the tax-financed social insurance, this is much more difficult (if desirable) in for example the contributory French system of social insurance. The French categorical schemes continued to co-exist alongside the expanding social insurance system because those unable to pay individual contributions continued to be excluded from the social insurance schemes.

In the case of minimum protection, the main distinction is between the contributory principle on the one hand and the taxation principle on the other (see Zacher (ed) 1982). In Norway, the process of extensions to cover new groups was a political rather than a practical question (as in the case of countries where only those able to pay sufficient contributions could be included, e.g. the German *Arbeiterversicherung* in the 1880's.) Benefits were awarded on the basis of need irrespective of contributory ability. With increased national prosperity and a liberalisation in the understanding of what constituted legitimate need (e.g. from paralysis to nervous problems in the case of the disability scheme), social insurance was extended to reduce assistance to a minimum.

The Norwegian social assistance scheme was introduced in a period of full employment (1964) and extensive insurance coverage. It is on this background that we must understand that the recipients of assistance were collectively perceived as suffering from social malfunctioning. Thus the ground was laid for a system aiming at social control and treatment more than income maintenance.

The sharpest contrast to the Norwegian experience is found in the British system where the flat-rate contributory system forced increasing numbers to rely on assistance. While Germany divided assistance into two tiers of benefits, a similar attempt failed in Britain. After Labour tried to create a new system for the elderly in 1962, the pressure for reform to alleviate *their* plight, had the unintended effect that the poorest were "taken along" into a much improved system with the introduction of Supplementary Benefits in 1964.(Lødemel 1989)

## Conclusion

In this paper I first identified four main traditions of social assistance in Western Europe. The clustering of countries was similar to that found by Esping-Andersen in his study of European welfare regimes. The characteristics of the assistance traditions reveal, however, a *contrasting picture* to that found by Esping-Andersen's analysis of total-variation, where the emphasis was on the systems of social insurance. This gave rise to my discussion of "poverty-regimes" as "sub-regimes" within the welfare state.

The comparison between the two types of regimes can be made with reference to the distinction between residual, handmaiden and institutional models of welfare<sup>15</sup>. Esping-Andersen's European liberal regime (Great Britain) corresponds to a residual model of welfare. In my comparison, I found, however, that within this regime the assistance program had developed closer to the tenets of the institutional model than in any of the other European countries.

On the other extreme, the social democratic regime (Scandinavia) shares many of the features of the institutional model. The poverty regime within this group of nations represents, however, the clearest example of residual welfare provision in our comparison.

The strong residual traits of the over-all institutional Scandinavian model, and the finding of institutional welfare in the British residual model, might appear to be a welfare paradox. I believe, however, that the unequal success of assistance can be largely explained as a reflection of the unequal development of social insurance in the two countries. The failure of British social insurance caused a shift of attention towards

<sup>15</sup> I will concentrate on the extremes, the liberal and the social democratic regimes. The continental conservative regime comes close to the handmaiden model of welfare, which is irrelevant to a comparison of assistance (cannot be established through the workplace or in the market). Esping-Andersen does not discuss the Latin countries.

assistance as a major form of income maintenance. In Norway, by contrast, the successful expansion of insurance left assistance as a marginal scheme serving the poor with residual services. In the words of Titmuss: "poor people's services will always be poor services."

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## **POVERTY DEBATE AND POVERTY RESEARCH IN DENMARK**

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## POVERTY DEBATE AND POVERTY RESEARCH IN DENMARK

### Abstract

In Denmark, poverty and social exclusion do not have a prominent place on the public or political scene. However, the situation is contradictory. There is great political and media focus on long-term public support and labour market exclusion and awareness of absolute poverty is increasing (homelessness, street-kids, psychiatric patients etc.).

There is also a continuing awareness of relative poverty and social exclusion within sections of the "professional" world (academic circles, the NGO's, social workers etc.). Sections of the trade union movement are also gaining a growing awareness of relative poverty.

However, in general there are still fundamental disagreements about how to define poverty, the extent of poverty and the main causes of poverty.

Therefore, the strategies for combatting social exclusion and poverty are very different: ranging from the view that the welfare state makes it too attractive to be outside the labour market, to the view, that the development of modern society has a structural tendency to create social exclusion and that development of a new welfare model is needed.

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## I. INTRODUCTION

In Denmark, poverty and social exclusion do not have a prominent place on the public or political scene. However, the situation is contradictory. There is great political and media focus on long-term public support and labour market exclusion and awareness of absolute poverty is increasing (homelessness, street-kids, psychiatric patients etc.).

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## II. RESEARCH ON POVERTY IN THE 1960'S AND 1970'S

Poverty as an issue was more or less absent during the 1960's and 1970's. Only a few social researchers and social workers discussed the "residual poverty", which was understood as a marginal phenomenon. This discussion had very limited response in the public (Friis, 1964). The main issues in the political debate, and in social research too, was not poverty as such but broader themes, related to poverty, such as inequalities in the living conditions and low income problems.

The role of the educational system in the reproduction of social inequality and the barriers for "equality through education", which was the Social Democratic slogan, was an important theme (Hansen, 1982).

The Danish Welfare Study (started 1976) and the Low Income Commission (started 1979) expressed the scientific and political interest in the unequal distribution of welfare in Danish society.

In Denmark, there is no longstanding tradition in the field of poverty research. While poverty research has been the dominating discipline within living condition research in Great Britain and USA, for instance, welfare research has been the dominating discipline within living condition research in the Scandinavian countries since the late 60's. This reflects the different development of the welfare states in these countries. While the welfare states in USA and Great Britain are liberal welfare state models (i.e. with "poor" services and benefits for the poor) the Scandinavian welfare states are, more or less, institutional welfare state models; i.e. in general higher standards of social services and benefits for all citizens (c.f. Esping-Andersen and Korpi, 1987; Titmuss, 1974). Therefore, living condition research in Scandinavia have been more occupied with research into inequality ("the level of living research") than with poverty (see e.g. Ringen, 1987; Henriksen, 1987; Abrahamson et al., 1988; Andersen et al., 1988; Erikson et al., 1987).

However, there has been a shift in the debate about living conditions: from a debate about inequality and the barriers against creating more equality in the 1960's and 1970's to a debate about (how to avoid) poverty in the 1980's (Abrahamson et al., 1987). This reflects the shift from a situation of full employment and an expanding welfare state to a situation characterized by long-term unemployment on a very high level and a welfare state system under strong

fiscal and, in some respect, also political pressure.

### III. RE-DISCOVERY OF POVERTY IN THE 1980'S

In the 1980s, journalists and social workers were the first to point to the rising poverty problems often using case stories and qualitative descriptions (e.g. Reintoft, 1982; Vilby, 1977). In 1983, the two big national unions for unskilled male (SID) and female workers (KAD) also intervened in the poverty debate. Among other things they arranged and sponsored poverty hearings where the "new poverty" was made visible by inviting unemployed and low income workers to tell about their living conditions which were further documented by social workers and researchers. In general, it was claimed from considerable parts of the labour movement that Danish society became more and more divided between an "A-team" with good skills and stable jobs on the best part of the labour market and a "B-team" and "C-team" with low wages and insecure jobs or suffering from complete exclusion from the labour market with the risk of falling into poverty.

Important elements in the strategy against this development as it was formulated from the labour movement were:

- more equal distribution of jobs through reduction in the daily working hours
- adult educational reform to give better possibilities for especially unskilled workers (payed freedom to education),
- a reform of the social welfare system including less control and more prevention, and
- increasing social benefits to unemployed and other recipients (refer Auken, 1985).

Those parts of the labour movement that intervened into the poverty debate did not hide that the motivation was also

political: the changes in social and labour market politics after the government shift in 1982 when the Social Democratic Government was followed by a Conservative-Liberal Government sharpened the accuses against the government for creating expanding poverty problems.

After the mid 80's the poverty problem was discussed on a broader level involving the Government and the public and mass-medias. The former Ministers for Social Affairs, Mimi Jacobsen (until May 1988) and Aase Olesen (until December 1990), and Prime Minister Poul Schlüter intervened in the poverty debate and announced new measures to combat poverty. Hence for the first time in decades poverty became an issue of national concern.

### III.1. The incidence of poverty in Denmark

The extent of poverty, or the size of the group in danger of becoming impoverished, varies from 1% to 15-20% of the population depending upon whether one takes as starting point:

- a. A relative or an absolute concept of poverty.
- b. An instantaneous or a longitudinal measuring method, where the duration of poverty can be used as criteria.
- c. How many dimensions of poverty/social exclusion (economy, housing, health, social contacts etc.) are "required" to classify an individual (or household) as being poor.

In the following a distinction will be made between absolute poverty ("total exclusion") and relative poverty.

### III.2. Absolute poverty: extent, characteristics and causes

The former Minister for Social Affairs, Mimmi Stilling Jacobsen, defined what she called "the real poverty" in this way:

"The real poor, in the sense that their income is far below the current standard of living and that they are characterized by a number of physical and psychological circumstances, we find among the clients in shelters and else where, among others, the private charity organizations are making a great effort." (Berlingske Tidende 19.11.1986)

The Minister also used a notion of "resource-poverty" but argued that "real poverty" was to be found among the homeless, alcoholics and similar who were not in contact with the official social system. This concept of poverty was criticized for only being concerned with the immediate visible part of the poverty in modern societies and therefore excluding the invisible part of poverty: those that survive but do not live. Even though the Minister recognized the existence of poverty in Danish society she did not suggest any concrete measures against poverty except more financial support for the NGO's. However, the Ministry of Social Affairs sponsored a couple of studies regarding the extent of poverty in Denmark. The first one, concerned with absolute poverty: *De fattigste i Danmark* (The Poorest in Denmark), was published in the summer of 1987; and the second one, concerned with relative poverty or "resource-poverty", was published in 1990.

Even though the first study was primarily concerned with individuals and groups living in absolute poverty, the study also touched upon the extent of relative poverty. The group of relative poor was estimated to about 150,000 people (primarily calculated on the basis of "The 1986 level of living survey"; see Hansen 1986); and the group of people living in absolute poverty was estimated to about 30,000

people (Hansen, Møller, and Smidth-Fibiger, 1987). Compared with figures of poverty from an earlier study of absolute poverty (Friis, 1981) the size of the group living in absolute poverty had increased from approx. 20,000 in the end of the 70's to 30,000 in the mid 80's.

The political initiatives resulting from the debate over this study was an appeal from the Minister for Social Affairs expressing the hope of a closer co-operation between the government and the private organizations in the social field. A special programme, "Funds for voluntary work for the socially threatened", was established in 1988 to support this work. In 1992, approx. D.Kr. 50 million have been allocated to this work.

Absolute poverty was again discussed by the Danish Parliament's "Social Committee" in June 1992, taking as starting point a new report from the The Danish National Institute of Social Research (Fridberg, 1992).

The report sums up the group of totally excluded to be 40,000.; approx. 1% of the population. This group has increased in size by 10,000 since the middle of the 1980's.

### III.3. Characteristics of the absolute poor

Between 13,000 and 14,000 people are homeless. Half of those live in Copenhagen. One in eleven homeless is between 18 to 24 years of age. In 1988, there were 25,000 registrations at shelters, welfare homes and boarding houses.

The number of drug addicts is estimated to be 10,000. This number has been increasing; particularly with multiple drug use addicts.

Each year 35,000 are admitted to psychiatric institutions.

Of the 250,000 Danes exposed to the dangers of alcohol, it is estimated that approx. only 18,000 yearly have contact with treatment facilities.

Torben Fridberg, author of the report, points out that over and above the continuing unemployment, the effect of restructuration of the social sector (decentralization, de-institutionalization, daily help instead of 24 hour help, help to selfhelp - all very positive sounding concepts), had serious costs: the weakest and most burdened groups have been left to their own devices, with no results.

The situation now, is that not only has the number of totally excluded grown (from 20,000 people in the late 70's to 40,000 in the early 90's), but the situation for the single individual has worsened. Eg. the report points out that it has become much more difficult to find suitable low cost housing for the socially excluded in Copenhagen. In the municipal of Copenhagen it is estimated that one in three persons need not be socially dependent if it wasn't for the lack of suitable accommodation. During 1970-1985, 140,000 older and relative cheap type residences disappeared due to urban renewal and sale of private accomodation etc.. (1)

Concerning drug abuse, the report points out that (apart from Copenhagen) there are very few specialized 24 hour facilities left, and that a rapidly rising number of drug addicts are receiving legal methadone to, for example, prevent the spread of the HIV virus, but half of the methadone is prescribed without (additional) concurrent social treatment.

Alcohol related deaths are rising in medical institutions,

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1: The question of a "social dimension" in urban renewal processes, that prevents exclusion of the weaker members of the community, is one of the most important poverty combating initiatives of an EC Poverty III project in Denmark (the SAMIKO Project, refer Andersen and Larsen, 1992).

at the same time the number of psychiatric treatment facilities are falling. In addition there are fewer treatments carried out at specialized alcohol treatment centres. The most difficult cases are excluded from the treatment centres.

#### III.4. Relative Poverty: extent, characteristics and causes

Until the mid 80's data on the incidence of poverty in Denmark had mainly been compiled in international comparative poverty research. The Commission of the European Community, for instance, has conducted several poverty studies.

In 1977, by defining the poverty line as 50 per cent of the average annual net income per capita it was found that 13 per cent of the Danish population was living in poverty (Friis, 1981; EF-Kommissionen, 1982). (2) In contrast, using the "Leyden Poverty line" it was found that 23 per cent of the Danish population was living in poverty in 1979 (van Praag et al, 1982). (3)

In *The living Condition of the Danes from 1976-1986* (Hansen, 1986), representing the results of a national survey of the living conditions of the 29-79 years old, financial poverty was defined as individuals living in households where the gross household income was less than 100,000 D.Kr. in 1985 and where the disposable income (which means what is left for food, clothes etc. when all fixed expenses are payed) per month was less than 1,000 D.Kr. in 1986. Using this definition, the survey found that 3 per cent of the population between 29-79 years of age were living in

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2: This poverty line has been critized for measuring inequality instead of poverty; see eg. Hansen, 1989.

3: This poverty line has been developed by researchers in Leyden in Holland. The Leyden poverty line is based on a subjective concept of poverty (c.f. van Praag et al., 1982; Hagenaars, 1986). For a critique of the Leyden poverty line, see e.g. Ringen 1988.

financial or economic poverty (Hansen, 1986). Several social scientists criticized the statistical basis for this conclusion and claimed that the number of poor people could be up to 6 per cent using the same definition of poverty and the same data (e.g. Elklit and Tonsgård, 1986).

Also the definition of poverty was criticized for being based on an absolute concept of poverty and only including the most extreme economic poverty. According to the critics, this kind of concept only recognizes physical (especially nutritional) and not social needs in relation to the normal standard of living in society; that is, a relative concept of poverty. The definition was adopted on basis of calculations by the "Dansk Husholdningsråd" which estimated that a proper nutrition costs 840 D.Kr. per month. This means that this poverty level left 140 D.Kr. per month for all other needs (except fixed expenses). Furthermore, the second criterion: less than 100,000 D.Kr. in gross household income per year for both singles, couples and families with children was criticized for being arbitrarily fixed. (4)

Within the last couple of years there have been a few other attempts by Danish social scientists to measure poverty in Denmark. In two studies conducted by the Danish National Institute of Social Research it was concluded that the incidence of poverty in Denmark is between 2 and 9 per cent; depending on how restrictively the poverty line was defined (E.J. Hansen, 1989; F.K. Hansen, 1990). Even though the studies used different measurements of poverty and several poverty lines, all poverty lines were restrictive ("low").

Acknowledgement of relative poverty, poverty in relation to the modern welfare state's norms, is politically and from a research perspective, much more controversial than absolute poverty. Relative poverty does not deal with the threat of

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4: The data of the survey did prove that if the criterion, less than D.Kr. 100,000 in gross household income per year was not taken into account, 11 per cent of the sample had less than 1,000 D.Kr. in disposable income per month.

people's "physical efficiency" being threatened by hunger, but with their "social efficiency" being threatened because of enforced lack of resources: that their potential lifestyle choices are restricted significantly in comparison to the accepted norm in society. "Social efficiency" deals with being a social individual who can function in the roles as parent, spouse, a member of the local community etc.. The Norwegian poverty researcher Steinar Stjernø (1985) characterizes modern poverty with the concept of "the tyranny of scarcity": a life where people don't live, but just survive.

In Denmark, measures of relative poverty based on this concept has been conducted (see Andersen and Larsen, 1989 and 1992; Larsen and Andersen, 1990, 1992a and 1992b; Larsen, 1991 and 1992). The measurement of relative poverty is based on the same data as used by Hansen (Hansen, 1986): a combination of a low disposable income per month (money left over once tax, rent etc. has been paid) and a low yearly gross household income. However, **definite guidelines were established with a qualitative interview study** as the starting point (Andersen and Larsen, 1989). The connection between social and material needs and household budgets among long-term unemployed was investigated.

This measure of poverty is, to some extent, able to distinguish between "choice" and "priorities" and "enforced lack of resources". (5) However, it must be pointed out that this study is only offering a rough estimate of the extent of poverty in Denmark and it must also be emphasised that the above measure of poverty does not concern itself with how many are exposed to poverty on a continuous (long-term) basis. It can be said to be a measure of the group exposed to the risk of becoming impoverished.

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5: One of the most important objections against Townsend's measurement of poverty (Townsend, 1979) has been that he was not able to distinguish between "choice" and "enforced deprivation" (see e.g. Piachaud, 1981; Mack and Lansley, 1985).

Table 1 shows that the incidence of relative poverty among the population as a whole is 12 per cent, among the employed 4 per cent. People on social security benefits in Denmark are to a large extent those exposed to the risk of becoming impoverished: up to 1/3 are in or at the borderline of relative poverty.

In general, women are more exposed to poverty than men and the majority of public supported living in poverty are women (60 per cent). The differences in the incidence of poverty between men and women are, however, most pronounced when we examine the incidence of poverty within different types of households. Among lone parents, for instance, the incidence of poverty is 28 per cent among women compared with 17 per cent among men (c.f. Larsen and Andersen, 1990). (6) In contrast to Staffan Marklund (1990), who rejects the "thesis" of feminization of poverty (e.g. Scott, 1984; Gelpi et al, 1986) in the Scandinavian countries, the evidence, at least in the case of Denmark, is that women are more exposed to poverty than men. The feminization of poverty is most clearly pronounced among women who are lone parents and/or publicly supported (Larsen and Andersen, 1990; Larsen, 1992).

Furthermore, the study showed that the incidence of poverty among members of trade unions for unskilled workers was much higher than among members of other trade unions. This was the case for both the employed and the unemployed (Larsen and Andersen, 1990).

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6: One fifth of all lone parents in Denmark are men.

Table 1: Poverty rate in Denmark among persons aged 29–79 years. Distributed after employment status. 1

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EMPLOYMENT STATUS	POVERTY RATE		
	Men	Women	Total
Employed	4	4	4
The publicly provided for	21	25	24
Of these:			
Unemployment benefits	10	12	11
Sickness benefits	9	17	13
Social assistance claimants	19	43	32
Early retirement wage recipients	21	23	22
Early pensioners	27	25	26
Old-age pensioners	28	33	31
Other pensioners	14	16	15
All between 29 and 79 years of age	10	14	12

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Source: Larsen and Andersen, 1990.

1 : DEFINITION OF POVERTY:

1. In households with 1 adult : Less than 1,500 D.Cr. per month per adult and less than 750 D.Cr. per child per month for daily consumption in 1986 and below 100,000 D.Cr. in total annual gross income in 1985.

2. In households with 2 adults : Less than 1,500 D.Cr. per month per adult and less than 750 D.Cr. per child per month for daily consumption in 1986 and below 150,000 D.Cr. in total annual gross income in 1985.

3,2 per cent did not disclose their annual gross income. These are included in the number from which the poverty rate is calculated.

Finally, the study showed that among pensioners there were considerable differences in the incidence of poverty between pensioners receiving the basic old-age pension (and early retirement pensions) and pensioners who receive other kinds of pensions; e.g. private pension or civil servant pension (the incidence of poverty was 31 per cent and 15 per cent respectively). The majority of old-age pensioners have been unskilled workers. Inequalities in the living conditions continue and even increase in old age (refer Henriksen, Kampmann and Rasmussen, 1988).

Even though there is uncertainty connected with this measurement of poverty in Denmark, the figures indisputably show that the incidence of relative poverty is significantly higher for those groups with a marginal relation to the labour market. Accordingly, the conclusion is that poverty tends strongly to be concentrated among unskilled workers and especially among unskilled workers who are long-term publicly supported. The coherence between being an unskilled (female) worker and being exposed to labour market marginalisation and poverty is clearly pronounced.

### III.5. Different conceptualizations of poverty - different figures of poverty

The different figures of the extent of poverty in Denmark in the different studies are of course more confusing than clarifying. However, this is not as much due to the fact that poverty research in Denmark is still immature as it is to the fact that there is no consensus, whatsoever, about the conceptualization and measurement of poverty; internationally as well as in Denmark. (7)

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7: See e.g. the issue of Journal of Social Policy, April 1987, in which the present trends in poverty research were outlined and Ringen's article and Donnison's comment in Journal of Social Policy, October, 1988. See also the debate between Townsend and Sen (Sen, 1983 and 1985; Townsend, 1985).

Moreover, it is not likely that full agreement or consensus on how poverty has to be defined and measured will emerge. How poverty is defined and measured, not to mention how the causes and cures are explained, depends on the conception of the basic structures of power and distribution in society. Finally, moral and political conceptions influence what is viewed as a satisfactory and acceptable minimum standard of living in society. Accordingly, poverty research is far from being an "exact" scientific exercise in the measurement of poverty. Most poverty studies have, however, one thing in common: the measurement of poverty is based on cross-sectional data and not on longitudinal data. This is, besides all the above mentioned circumstances, a major limitation which nearly all poverty studies suffer from. Duration of poverty is not operationalized as a criteria in the measurement of poverty. (8) Measuring changes in poverty rates and the composition of the poor over a period of 10 years the Michigan study, one of the few longitudinal living condition surveys conducted, has shown that the circulation in and out of poverty is large (Duncan, 1984).

#### IV. POVERTY AND RESOURCE DISTRIBUTION SYSTEMS

The economist, Amartya Sen, has pointed out that poverty is conditioned by the admission to and entitlement to the necessities of life (Sen, 1981). Ownership of property and the structures of distribution therefore is central in the analysis of how inequality and poverty is created and reproduced. This points out that the core of the analysis at the structural and societal level must focus on the class structure, the mode of production and the specific relations of exchange in the economic system. The different resource distribution systems in modern societies create a number of inequalities and poverty risks. The concept of poverty risks stress that we are not talking about an actual state of

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8: The measurement of poverty in our study is suffering from this limitation, too.

poverty, but about those structural factors that create the risks of poverty. Poverty is basically intensified class inequality. Therefore, poverty is on the structural/societal level caused by the same factors which is causing class inequality. This is evident when we look at poverty in a historical perspective. Hundred years ago, poverty was the norm and not the exception within the working-class. In fact, as late as in the mid of this century poverty was no longer the norm but the exception within the working-class in developed industrialized societies. The post-war period was, until the mid 70's, in most countries characterized by the development and growth of the welfare state and by an enormous increase in the living standard of ordinary people. In case of loss of income caused by temporary unemployment, sickness etc. the welfare state protected wage earners against serious decline in their living standard. This has at least been the case in the Scandinavian countries.

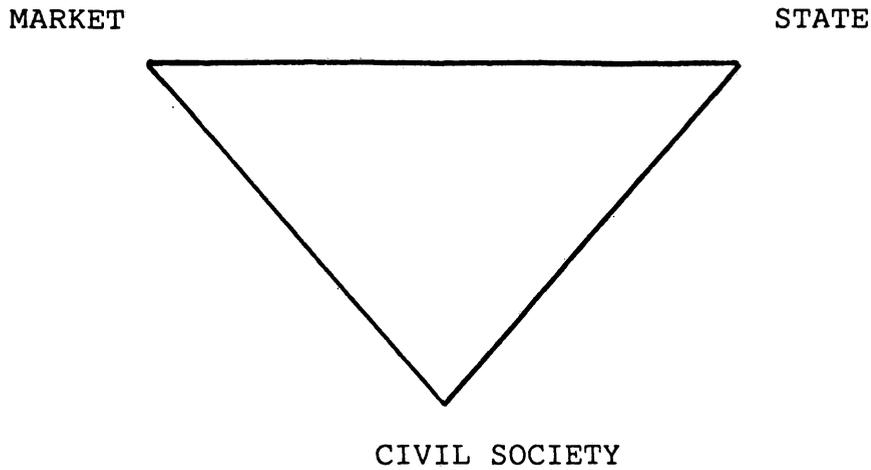
In modern capitalist societies three main resource distribution systems can be identified, and it is the interplay between these three main resource distribution systems which determines the living conditions of the wage earners. These systems are the market, the state and the civil society. The three resource distribution systems can be characterized as the support triangle or the welfare triangle, see figure 1. The support triangle sum up the main structure in the living conditions of the individuals, and the differences in living conditions are a result of different positions in these main resource distribution systems.

The market is today the single most important resource distribution system. Firstly, there is the labour market. In countries like Denmark, the main part of the adult population has to sell their labour power to survive. However, more and more people today find it difficult or impossible to sell their labour power because of high and long lasting unemployment. Secondly, there is a market for

commodities, where the main part of the necessities of life has to be bought. In both markets there exists structural inequalities. On the labour market un-skilled and semi-skilled workers are the low payed part of the labour force (especially women), and people receiving long-term publicly support are even worse off. Fringe benefits are more common among the highest payed and they have in general better job security. In short: the labour market is a segmented structure and it determines the possibility of consumption. The inequalities produced on the labour market are reinforced in the commodity market, while those with high incomes find it much easier than the low payed to optimize their income when spending it on goods and services. For example, if you buy large quantity of goods you get discounts; high deposits in banks give high interest rates etc.. The "output" of the income is in this sense bigger for those with high incomes. In short: it is expensive to be poor.

The state is the secondary resource distribution system. The state includes, in this context, the whole public sector with all its redistribute services in cash and in kind. The overall result of this redistribution can, however, not only be measured by its output. The input, the tax revenue, has to be measured too. In Denmark, for instance, there is not much redistributonal effect of the tax system between the main classes in society, because the main part of the tax revenue is payed by the ordinary wage earners. So, the redistribution is mainly a redistribution within the working class and between the generations and not between the main classes.

Figure 1: The Welfare Triangle



"WELFARE ARENAS" THROUGH WHICH RESOURCES ARE DESTRIIBUTED		
MARKET	THE STATE	THE CIVEL SOCIETY
Labour Market Commodity Market	Transfer payments, economic subsidies and services etc. Tax system	Family and social networks
CONDITIONS WHICH PROMOTE RISKS OF POVERTY - (INTENSIFIES INEQUALITY)		
<ul style="list-style-type: none"> <li>- low wages</li> <li>- unemployment</li> <li>- wearing out of the labour power over time</li> </ul>	High or low redistributional effect of the public sector	Accumulated reserves from earlier on in life or debt and lack of common comforts.  Favourable or un- favourable support obligations. Processes of redistribution within the social net- works etc.

The civil society, including the family and the social networks, is the third main resource distribution system. Civil society is not a very precise concept of what is left outside the market and the state. Civil society forms a set of informal social relations. In this arena another sort of exchange and distribution prevails. The social relations outside the market and the state are maintained and reproduced through more tight network relations without the formalised and anonymous relation as is prevailing between the individuals in the market and in the state. Habermas has characterized the social relations within the market and the state on the one hand and the civil society on the other as the contrast between the "system world" and the "life world" (Habermas, 1981).

The economy of the civil society is also different from the economy of the state and the market. In civil society, goods and services are also exchanged but this exchange is managed by personal obligations. Curtis concludes on the economy within the civil society that the focus is:

"...not so much on the commodities that are transferred from one person or group to another as it (focus) on the exchange of generalized personal willingness to respond to the needs of others, depending primarily on the degree of social relationship." (Curtis, 1986)

There exist no major theory building about the mobilising and distribution of resources through the social networks, and relative few empirical in depth studies have been conducted in relation to the social networks and the informal economy taking place here. One of the exceptions is Ray Pahl's "Division of labour" (1984). This lack of theory and empirical studies should, however, not be interpreted as if the civil society only plays a minor role in the whole economy. There are no doubts about the importance of the productive capacity of the social networks and the informal

economy taking place here.

However, it will be misleading to conceptualize civil society as a more equality creating resource distribution system than the market and the state. The civil society certainly has an enormous distributive capacity, and it has in many analysis of the economy as well as of social policy been overlooked as an arena where resources are mobilised and distributed. On the other hand, those who have the greatest need for social protection, e.g. long-term unemployed, are in general those who lack social networks or social networks with a capacity to mobilise and redistribute material resorces. Therefore, civil society is not in general a resource distribution system which can replace the role of the welfare state and social policy. The opposite may in fact prevail: that the inequalities which are created in the market and reproduced in state legislation (e.g. eligibility rules for unemployment benefits) are reinforced in the civil society. An example is the so called black economy or informal economy. Several studies in Europe (eg. Pahl, 1984) have shown that there has been a growth in the informal economy. However, it has also been shown that it is not to a very high degree long-term unemployed and other groups of long-term social benefit recipients who benefit from this economy. Pahl concludes that:

".... the distributional consequence of the pattern of informal work in industrial societies is to reinforce, rather than to reduce or reflect, contemporary patterns of inequality." (Pahl, 1988)

This is so, among other things, because it requires both informal contacts, tools, and other facilities to obtain and carry out informal work. Most social benefit recipients are not in such a position.

Even within the family there are inequalities in the pattern of consumption. Women (and children) do not have the same

access to the resources possessed by the family as the man have. In fact, the family or the household is not always a good unit to measure inequalities and poverty, because it is possible that one part of the family lives in poverty while another part is not (Glendinning and Millar, 1987). In lone parent families a similar pattern can be seen. The lone parent could be living in poverty while trying to avoid the consequences of poverty for the child(ren).

The overall result of the activities taking place within the resource distribution systems is that the distribution of living conditions is not only, as Titmuss (1974) assumed, the outcome of the three welfare systems: social welfare, fiscal welfare and occupational welfare (the outcome of market and state), but is also influenced by the exchange of goods and services within the social networks. This welfare system might be conceptualized as "family and community welfare".

There is, however, no waterproof shutters between the different resource distribution systems. On the contrary, the increasing overlap and mixture of market, state and civil society in modern societies creates more and more complex sets of relations which together determines the living conditions of the individual. All together, the resource distribution systems make up a widespread net of distribution through which incomes, products, services, status and social contacts are supplied to the individual. The living conditions of the individual, or the individuals command over resources, is a quantitative expression of its access to and ability to benefit from the three main resource distribution systems. Rights, privileges and market positions are factors of vital importance for the individuals access to the resource distribution systems. Educational skills on the labour market, possession of money, real estate etc. and personal relations to those with money and power are major criteria for the access to the resource distribution systems. The same criteria do on the

other hand have the function of excluding other groups who do not possess these opportunities and/or capabilities. This is the background for class formation and class structure in capitalist societies. Within the same classes, however, there also exists considerably inequalities in the access to the resource distribution systems and their outcome. Finally, people have different ways, skills and personal background of managing their resources which also tend to create inequalities in the actual outcome of the resources which people possess.

Seen from the perspective of the individual and the family, however, the risks of poverty are related to the life cycle as well. In Seboom Rowntree's studies of poverty in York by the turn of this century and again in the 1930's and the 1950's he pointed out the following factors as the main causes of poverty:

- the dead of the breadwinner
- unemployment
- casual employment
- large family obligations
- low wages.

These major causes of poverty still exist. Today, however, divorce instead of the dead of the breadwinner is a major factor causing poverty for women and children. As pointed out by Duncan (1984), however, there is a large circulation in and out of poverty over longer periods of time. This circulation is, among other things, explained by different stages in peoples life cycle and, especially in case of women, by divorce and remarriage.

Rowntree found that people were especially vulnerable in the following stages of their life cycle: childhood, when they form a family and when they have small children, and in old age. Bradshaw and his colleges in York have recently confirmed that these stages in the life cycle also today

represent circumstances where people are especially vulnerable (O'higgins et al., 1988).

This theory of poverty risks does not say anything about the actual state of poverty. The existence of poverty on the structural level depends on historical and national circumstances. The welfare state, for instance, has until recently to a great extent abolished poverty in modern societies like Denmark.

The existence of poverty in modern welfare states has to be explained within a structural approach where the primary causes of poverty are the inability of the labour market and/or the welfare system to secure for the marginal groups on the labour market, a sufficient standard of living.

Marginalization and poverty are affected by a very large range of measures and systems of distribution and are, in fact, an outcome of the total interaction between these mechanisms and welfare state policies. To this end market forces, industrial relationships, economic policies, the tax system, labour market policies, educational policies, social policies and so forth act and counteract together with many other public and private actions and create, in a very complicated manner, a certain distribution of life chances and well-being among individuals (Abrahamson et al., 1986).

Therefore, the risk of poverty depends on what positions individuals and groups take up in regard to the totality of the resource distribution systems. The most important of these, in this connection, are:

The degree of labour market activity over time.

The opportunity to receive the highest income transfer benefits (i.e. unemployment benefits instead of social assistance, etc.) and - ofcourse - not least the general level of these transfers.

- Type of household and support obligations.
- The opportunity of low cost social consumption, especially regarding housing.

Financial hardship in highly developed societies is determined by an interplay between several "unfavourable positions" in the resource distribution systems in society. A weak labour market position, which leads to low income (e.g. as a result of unemployment or low pay) need not in modern welfare states lead to financial hardship but will increase the risk of this. Whether (relative) poverty will actually become a consequence of an unfavourable labour market position depends on the individual or household circumstances such as support obligations, living expenses, debt etc.. On the other hand a permanent connection to the labour market is not in itself a guarantee against financial hardship and poverty, even though the risk might be considerably less than for those with a weak labour market position (Andersen and Larsen, 1989).

In Denmark, unfavourable support obligations and housing costs are often the factors that turn long-term unemployment into poverty. Seen from the perspective of resource allocation the risk of poverty is firstly a question of long-term unemployment, secondly a question of the level of transfer payments.

Whether the risk of poverty will actually be transformed into a state of poverty depends on factors like the number of children, the existence or absence of accumulated resources from earlier on in life and the ability of social networks to relieve or compensate the lack of material resources.

## V. MARGINALIZATION AND POVERTY

In Denmark, one of the major causes of poverty today is long-term unemployment. However, it is important to separate the concepts of unemployment, marginalisation and poverty; even though the populations of long-term unemployed, marginalised people and poor people may be highly identical.

Firstly, the main part of the population affected by unemployment only experience short spells of unemployment and they can not be characterized as marginalized on the labour market. (9)

Secondly, to be marginalized is not the same as being poor. Individuals, who are marginalized on the labour market, may have a spouse who have fairly stable employment and a fairly good income keeping the family as such out of poverty.

Thirdly, poor people do not necessarily belong to the population of the unemployed and marginalised people. Many of those who are low payed workers are living in poverty. In

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 9: However, several Danish research reports, at the risk of labour market marginalization, show concurrently that during the last 10-12 years there has existed a significant and growing concentration of long-term unemployment (e.g. Ploug, 1988, Larsen and Andersen, 1990). Those officially registered as unemployed represent only part of the total exclusion and unemployment problems. A portion of those that presently receive sickness benefits, early pensions or early retirement wage, have previously been long-term unemployed and have subsequently been shuffled over into these other areas of social security. The total number of long-term (2 years and over during 1982-1987) or permanently excluded, from the labour market, of the population aged 16 to 66 years old is estimated to 17% at the end of the 1980's; of these 14% are men and 19% women (Larsen and Andersen, 1990). The various studies show that long-term unemployed and other long-term social security beneficiaries have two characteristics that particularly identify them:

1. Minimum basic schooling with little or no vocational training, and
2. Women in all age groups make up a disproportionately large and growing part of long-term social security recipients.

the U.S.A., for instance, only half of the poor population would be lifted out of poverty in case of full employment.

However, as shown in table 1, a major part of the long-term unemployed and other groups of long-term social benefit recipients in Denmark belong to the group who are living in poverty.

#### V.1. Illustration of relative poverty in Denmark at the individual level, based on qualitative research methods

The following illustrates relative poverty with 3 examples from research among long-term unemployed (Andersen and Larsen, 1989). The examples illustrate modern big-city poverty, and which factors, on the individual and family level, that affect whether long-term unemployment/labour market exclusion leads to poverty (the names are fictitious).

##### Example 1

Jens, 51 years of age, had been working up until one year before the time he was interviewed. He had been divorced a few years ago and had thus moved to a new community residence where the rent is high. Jens had incurred quite a few debts in association with his divorce and moving. He had also been involved in quite a long strike, during which he received supplementary benefits which had to be repaid. All together a debt of D.Kr. 100,000.; that he had no chance of repaying - compare the following budget.

Actually, he never really got himself re-established after his divorce. Before he was fired, he had been doing seasonal work over a period of many years, normally approx. 6 months out of 12, but managed to survive. After being unemployed for one year, things began to look black. His rent had not

been paid for a couple of months and the situation was becoming unmanageable. There was little or no chance of Jens finding a "normal" job because of his age. Nearly everyone of middle age we interviewed said that most of them got turned down in job applications because of their age. An education strategy was not realistic because of his age. His only hope was a "job offer" organised by the Employment Office, but this only comes up after approx. 2 years of unemployment. A "job offer" after only 1 year's unemployment could probably have averted the beginning of a social derailment.

#### Budget 1

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Income after tax (unemployment benefits)	Dkr 5,200
<b>Fixed standard expenses:</b>	
Rent	Dkr 2,400
Trade union fees and unemployment insurance	Dkr 550
Telephone	Dkr 100
T.V. license	Dkr 100
<b>Various permanent expenses:</b>	
Insurance, medicine etc.	Dkr 250
Loan repayments	Dkr 1,000
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Total expenses	Dkr 4,500
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Disposable income	Dkr 800
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**Example 2**

Kirsten, 46 years of age, had been unemployed for extended periods during the last 3-4 years. She was on sickness benefits and had applied for an early retirement pension. Her economic situation was better than Jens' - see budget. She kept her requirements low, so as to stick to her budget; to be able to afford her regular outlays, and put food on the table. Kirsten told of the things she would like to be able to afford to do:

"Go to the movies, theater, have a decent bicycle, wallpaper, furniture and healthy shoes. A reasonable mattress, an extra pair of glasses, pediatric treatment; reading material, holidays, medical treatment and be able to give presents. I really need to do some courses but there is no money for that. My clothes are usually second hand. A summer house, car, driver's license and many other things that I can't think of now, but which of course are totally impossible. I would be satisfied with a drum kit, some oil painting equipment and a reasonable television."

Kirsten has given up on the "regular" labour market and was prepared for a life without paid employment. Kirsten's situation is an example of where a slight increase in her income, and an opportunity for proper local social and cultural work, could provide her with a reasonable future.

**Budget 2**

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<b>Income after tax (sickness benefits)</b>	<b>Dkr 5,300</b>
<b>Fixed standard expences:</b>	
Rent	Dkr 2,950
Trade union fees and unemployment insurance	Dkr 435
Telephone	Dkr 170
Insurance	Dkr 85
T.V. license	Dkr 100
<b>Various fixed expences:</b>	
Medicine and dentist	Dkr 60
<hr/>	
<b>Total fixed costs</b>	<b>Dkr 3,800</b>
<hr/>	
<b>Disposable income</b>	<b>Dkr 1,500</b>
<hr/>	

**Example 3**

Hans is 40 years of age, single and father of two children, 10 and 16, who live at home. He has been unemployed for two years. After six months of unsuccessfully looking for work, he then started on studies to prepare him for university. Hans and the children had only his unemployment benefits to support all three of them (refer to the budget below).

However, his 16 year old son had started to work as bottle collector in a supermarket, and earned enough for his own pocket money.

Hans had gone through his budget with the social security office and they had agreed that he and the children needed approx. 1,000 kroners more than the unemployment benefits he was entitled to. But because of the "maximum ceiling" on benefits, there was no way that he could receive supplementary benefits.

Hans told us the following:

"We have survived by me using a lot of time every day, to drive around on my pushbike to all the larger supermarkets and looking for daily specials. I never go to the theater and very rarely buy clothes. I only have one pair of shoes. From my own upbringing I am used to be very thrifty, so I spend very little on myself....I don't eat sweets, don't smoke or go out... My social life consists of my studies. There is no money for outings or holidays with the children. I always have to say no to everything my daughter asks for. She gets 20 kroners per week pocketmoney. She never goes to any activities, but she goes to an after-school recreation centre where I don't have to pay any fees. She enjoys going there very much."

**Budget 3**


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<b>Income after tax (unemployment benefits)</b>	Dkr	6,000
Child allowance	Dkr	1,800
<hr/>		
<b>Total</b>	Dkr	7,800

**Fixed standard expences:**

Rent	Dkr	2,770
Trade union fees and unemployment insurance	Dkr	475
Telephone	Dkr	200
Insurances	Dkr	208
T.V. license	Dkr	58
<hr/>		
<b>Total</b>	Dkr	3,711

**Various fixed expences:**

Medicin and dentist	Dkr	100
Transport (to the HF-course)	Dkr	330
Payments on bed and bedlinen	Dkr	144
Payments on bankloan (Dkr 55,000)	Dkr	780
<hr/>		
<b>Total fixed costs</b>	Dkr	5,065
<hr/>		
<b>Disposable income</b>	Dkr	2,735
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Hans lives in a very active locality, where many are in a similar situation to his own and social relations are not so much linked to consumerism as for the "average" Dane. People normally share a cup of tea when they go visiting. Thus compared to others in a similar situation, Hans was in a better social situation; because of his ability to reduce his material needs, to balance his budget, to avoid economic disasters and belonging to a relatively good social environment. But after a while things did go bad. Hans found himself a girlfriend with a normal income. The exposure to her "normal" lifestyle became a problem. Due to this relationship, but also because of that to his children (especially the eldest), relative poverty became visible - also for him. Often his girlfriend had to pay when they were involved in activities that had to be paid for. This created an imbalance in the relationship, which eventually broke down. This example shows how poverty can break down social relationships.

The philosopher Erich From (1958) expresses this phenomenon in his book "The Art of Loving" in the following way:

"It is well-known that the poor are more willing to give than the rich. Nonetheless can poverty make it impossible to give, and it is therefore humiliating - not only because of the suffering it causes directly, but because it takes the joy of giving away from the poor."

Social relationships, that includes respect and solidarity, have to be very strong if they are to survive material dependence. Or to use a Danish saying: "Children play best together when they are equal."

Today, Hans is employed and is in a fair economical and social situation. Education through 3-4 years was in his case the way back to the labour market.

The examples illustrate how economic poverty is on the

individual/household level determined by the combination and interplay between:

continued connection with the labour market  
 type of household (one or two breadwinners and the number of children)  
 accommodation expenditure  
 whether the person/family has been able to build up funds for "a rainy day" - or have established debt because of unexpected social occurrences.

## **VI. POLITICS AGAINST POVERTY AND LABOUR MARKET MARGINALISATION**

A major part of poverty in Denmark can be counteracted by active labour market measures bringing the poor out of dependency of long-term publicly support. However, a part of the poverty is connected with low wages and large family obligations. Low paid families sometimes find themselves in a "poverty trap"; i.e. a person's or family's economic condition and purchasing power is not improved by an increase in gross income due to higher taxes, and reductions in public subsidies for housing costs and for day care institutions for children. Thus the solution of the "poverty trap" primarily depends upon higher (net) wages for low paid families, reduced marginal tax rates and a slower withdrawal of the public subsidies as gross income increase. To counteract poverty among publicly supported and among low income families it is necessary to introduce a societal guaranteed minimum income. (10)

However, the preconditions making it possible to accomplish

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10: Keane and Owen (1986) pointed out that the only effective way to combat poverty and a further dualisation of society is to carry out a general reduction in the weekly working hours (i.e. redistribute the existing work in society), combined with a guaranteed minimum income for all citizens.

a guaranteed minimum income ("social wage") is that the number of people relying on public support should be considerably reduced. Arguing for a guaranteed minimum income in the EC-countries, Leibfried (1990) points out that a strategy to combat labour market marginalisation and poverty will be ineffective if its only focus is on the economic side of such a socio-economic minimum income.

Implemented in isolation from other measures, such a minimum income could even promote marginalisation instead of counteracting it because such a minimum income would tend to be poor and residual compared to the income protection wanted by "normal" wage earners. If such a minimum income is too low compared to former wages the "normal" wage earners will prefer the insurance system which is based on market performance. This is at least the lesson we have learned from the history of most European social policy (refer e.g. Leibfried, 1990; Leibfried and Tennstedt, 1985; Marklund, 1982).

Therefore, a strategy for a minimum income must systematically be linked with possibilities to participate in the central areas and functions in society (e.g. political and cultural life in society). Still, however, the single most important role is work and participation in work (in terms of a broad concept) is essential to counteract marginalization on the other levels of mainstream life in society.

There is nothing "natural" and "inescapable" in a rapidly growing unemployment (Theborn, 1986). Unemployment can be kept at a low level if the main power-elites in society (which includes the trade unions) are committed to do so and are willing to set aside the necessary resources for the purpose.

An effective poverty combating strategy has to be multidimensional. The most important elements being:

- employment and education policies that assists the marginal groups on the labour market. Such policies must be much more differential than up to now. Some would be able to make use of regular educational opportunities. Others would bring about "job offers" or participation in an alternative labour market.

- ensuring a reasonable guaranteed minimum income level, a "poverty protection line", that takes into consideration variations in breadwinner(s) commitments, differences in accomodation costs, access to and the price of public service institutions, such as daycare institutions etc..

- for those groups where age, health or other factors make it unrealistic for them to be integrated in the traditional labour market there has to be created an alternative "third labour market" based on meaningful self activization initiatives which is controlled from "below", but supported from "above". An important task in connection with this is to support the development of a sound local "social and cultural infrastructure" in the form of a positive local community identity; vital local communities as opposed to a negative "ghetto identity".

## VII. REGENERATION OF THE DANISH WELFARE MODEL?

Since the end of the last decade a mounting, but unclear, paradigmatic shift has been noticed with reference to the concept of the welfare state in Denmark. The most important changes are as follows:

1. A growing demand for reformation within the national social security system (supplementary benefits, unemployment benefits, early pensions, early retirement wage etc.). The discussion concerning the financing of unemployment benefits and employment policies has particularly intensified which has resulted in the formation of expert panels and

commissions. The principle of universal tax-financed social benefits, which has been one of the cornerstones in the Danish/Scandinavian model, is being seriously challenged; among other reasons due to the impression of the European integration process. The demands for restructuring of the social security system is often coupled with demands for greater wage differentiation on the labour market.

2. The other important trend is the new efforts to "activate" unemployed and other marginalized groups. These efforts have primarily manifested themselves at the local level, but are being supported by more national, trans-national, experimental and development programmes, as well as the latest "Activization Agreement" which was legislated for by the Danish parliament in June 1992. The new activization efforts are increasingly being developed in conjunction with the many local community partners, volunteer organizations and the social partners. Simultaneously there is occurring a tendency to break-down traditional barriers between occupational policy, labour market policy, and social policy, within the public administration.

However, the new consensus regarding the need for a new political and organizational approach, to solve the problems of economic and social exclusion for too many groups within the population, is still embryonic and subject to contradictions and conflicts.

The variance in interpretation of the ways in which to solve the problems of marginalization and social exclusion can in general terms be described in the following way:

At one end of the scale the problem is seen basically as one where the welfare state has been "overdeveloped" (too generous) and thus destroyed the economic incentives to provide an active effort on the labour market/in the economic sector. The strategy here becomes what is termed "a market conforming strategy": a less "generous" welfare state

and greater wage differentiation on the labour market.

At the other end of the scale is an interpretation that the growing social exclusion is not due to changed or "wrong" behavior on the part of individuals because of a too generous welfare state, but is basically a question of whether the labour market, the welfare state and other institutions in society structurally produce and reproduce exclusion of certain groups within the population. The strategy here becomes a "welfare conforming strategy"; formulated as a question based on how the economic and institutional organization of society can be rearranged so that realization of the goal of social citizenship receives optimal conditions.

The two poles, the "market conforming strategy" and the "welfare conforming strategy", can initially be seen in the scientific discussion and partially in the political discussion. The two poles need to be interpreted as ideal types (in Max Weber's sense), ie. types that don't need to exist in their "pure" form in the real world (which rarely behave like a model but becomes a complicated mix). The two poles should be regarded as an attempt to describe the range of options and paradigms for tackling the problems of marginalization and exclusion (Andersen, 1992).

The purpose of formulating the ideal types is to contribute to the clarification of the connection between poverty combating strategies and the overall strategic development direction which is followed in relation to the welfare state and social citizenship.

The present Danish policy suggestions and considerations are often comprised partially from both models (refer Andersen and Larsen, 1992).

### VII.1. The market conforming strategy

The market conforming strategy builds on the paradigm that institutional and politically determined barriers "taming" the free expansion of market forces limit economic growth and welfare - especially the trade union's influence on wage formation/differentiation and the welfare state's safety nets (compare the "crowding-out" and "overload" theories; Larsen and Andersen, 1992a). Solving both problems is seen as the strategic challenge in avoiding welfare stagnation in the future.

The initial problem concerns the way the agents of the economic sphere - in particular the labour market - operates. Here the object is to initiate a radical flexibilization in the wage formation process creating greater wage differentiation. For example a lower "starting-up" wage for young long-term unemployed and other groups. It is assumed that the present cost of labour is a barrier preventing the integration of marginalized groups into the labour market.

The second problem concerns the way the (universal type of) welfare state operates. The solving of this problem is seen as a prerequisite for solving the first problem. Here the aim is to restructure the system of transfer incomes, so that this system directly supports the goal of greater wage differentiation instead of laying the foundation for (high) minimum wages.

There are an infinite number of combinations and variations of concrete political proposals within this area, but they can be summarized in three types of interrelated topics:

**Firstly, the principles for financing the transfer incomes and services.** The goal is a strategic strengthening of for example the unemployment insurance principle, so that a direct connection is created between risk, the premium paid

and benefit received. These are the main principles of the corporate/continental welfare regime (refer to Esping-Andersen, 1990 and Bent Rold Andersen, 1991) as opposed to the present taxation financing (dominated by the principle of universalism), which characterizes the Danish/Scandinavian model.

Secondly, lowering of the level of transfer incomes, ensuring a marked difference between the labour markets minimum wages and income replacement benefits as in the liberal welfare state regime.

Thirdly, limiting the accessibility to public funded transfer incomes for people of working age, so that the incentive to work is maximized. This market conforming strategy would point in the direction of an Americanized labour market, ie. a labour market with a large segment of "working poor".

Compared with present Scandinavian/Danish standards, then the combined effect of a fully implemented market conforming strategy, would mean a significantly changed redistribution profile, which would mean a lowering of the standard of living for wage earners with low incomes and also those in the population who are totally or partially dependent of public transfer incomes. The "synergy" effects of greater wage differentiation in the labour market and a corresponding differentiation in transfer incomes could in principle, be partially neutralized by rearranging the taxation system and other forms of public funds transfers (refer to Jensen et al., 1992).

However, this would be contrary to the basic principles of the market conforming strategy, which attempts to ensure the optimal "synergy" between the market processes and social security systems.

The crucial factor in the debate between those who support

and those who are against the market conforming strategy is of course whether, the combination of greater wage differentiation and a market conforming restructuring of the welfare state will actually mean greater market integration of the marginalized groups. Critics point to, for example, the U.S.A. and say that the large wage differentiation and lower social benefits have not led to lower unemployment and poverty.

Thus critics see the market conforming model as leading towards a polarized society: a social order based on individuals performance on the market, which in reverse will create a new "underclass"; greater imbalance and more "water tight" barriers grow between the A-, B- and C-teams - ie. by a physical and spatial splitting up of residential areas; a "ghettorization". The increased social and economic polarization of society can mean that large sections of the underclass become involved in criminal activity, and the fear of crime may play a much greater role in the day to day life of the middle and upper classes, which also will affect the functions of the state. This type of social order could be labelled as the "F.I.P." model. In this model, Family, Insurance and Poor relief becomes the dominating factor to "integrate" members of society.

The dominating lifestyle is exclusively centered around filling the role as consumer and as an agent of the market. Individual consumption would be able to grow for the strong groups in the A team, but the economic shortage and poverty for the B- and C-team would become more marked and lasting.

The parameters determining the balance and relation between working life and family life will also change: the "housewife" will appear again, and new segments grow within the labour market; eg. a new group of servants in the form of nannies, gardeners etc..

However, the history of the development of the welfare state

in Scandinavia has created strong political and institutional barriers for the actual implementation of the market conforming strategy. This is because it would eliminate the "core" of the Scandinavian model, which consists of a combination of welfare state entitlements and a labour market, where the "solidarity type wage policy" has left it's mark. It can be said that the market conforming strategy represents a new social order in the same way that the change from the previous capitalism's "nightwatcher state" to the modern welfare state was a transformation of the social order.

## VII.2. The welfare conforming strategy

The welfare conforming, or to be more precise the welfare renewing strategy takes as its starting point that the developed Scandinavian welfare state's social rights are, on political and moral grounds, not to be fundamentally challenged, but must be expanded and renewed to include the right to be an active member of society and greater participation of the citizens in relation to the welfare state's institutions and service benefits. The starting point is thus the notion of modern social citizenship, having as its core the possibility of integration on the labour market and in political and social life. The economic organization in society must then be based on these premises.

The welfare state concept is characterized by its transfer and service benefits being understood as a necessary defence mechanism to the market's inherent tendency to generate inequality and exclusion (refer Polanyi, 1944). The developments in the 1980's in Denmark showed, however, that the "old" welfare policies up till then had in some ways been insufficient to solve the growing social exclusion, which has been the greatest welfare problem of the 1980's and 1990's. The crucial question is therefore, how can the Danish/Scandinavian model be renewed?

### VII.3. A new model for social citizenship?

The strategic discussion on the development of the welfare state raises the question of whether an alliance can be created between the A-, B-, and C-teams with reference to the procuring of new welfare goods for the integrated majority of the population and at the same time ensure the integration of the marginal groups. The challenges could be regarded as linking the fight against polarization and social exclusion with new goals for the societal development, like:

- creating a new balance between working life and family life and creating more resources for an active participation in society's social, cultural and democratic processes, and
- ensuring favourable conditions for a continued equal status process between the sexes and races.

Some important experiences from the earlier history of the development of the welfare state seems to be that solution models that represent common interests from various classes and social layers in the population stand a better chance of surviving political and economic pressure (refer Baldwin, 1990; Esping-Andersen, 1990). A suggestion for a future welfare strategy could take as a starting point that a majority of people in modern society have solved many of the "old" problems concerning living conditions. A certain sense of economic security has been achieved, better health and material living conditions etc.. On the other hand there now exists new types of problems such as stress, "burn-out", lack of time for parents, and a contradiction between working life and family life. A renewal of the welfare state could build on a concept of offering the A-team (the integrated majority of the population) new welfare advantages and thus make possible the integration of the large groups in the B- and C-team that want to be active in society.

The new welfare goods could for example be entitlement to a sabbatical year, as an answer to middleaged people's need for "adventure" and a need for change in the middle of their lives. Other new welfare entitlements could be reduced working hours, 3-day weekends every second week, longer holidays, days to take care of elderly or disadvantaged members of our families and longer maternity/paternity leave for families with children. The possibility for ongoing education and greater rotation possibilities between work and education during a lifecycle is another important social right. A third factor in a renewed welfare model is of course a stronger safety net for the weaker groups on the labour market in the form of the right to employment, education or some other activities suited to the individual's interests, expectations and capabilities (e.g. the concept of a third labour market).

The welfare philosophy is that one considers it as a collective task to (re)distribute, not only income and goods, but also work and "free" time available in a rational "based on needs and rights" manner, which builds on people's varying requirements and individual choices during their life course (and clear minimum rights) as opposed to the market forces' disparity creating and polarising distribution of this work and free time. The challenge is to create a real possibility for levelling out and making more flexible, people's participation in work and economic life during the course of their lives and to return human resources back to "civil society" and participation in the democratic processes of society.

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**SOCIAL ASSISTENCE  
IN A  
LONGITUDINAL PERSPECTIVE**

- a case study from Sweden

by

Tapio Salonen

Paper to be presented at the Multidisciplinary Research Conference on  
Poverty and Distribution, Oslo november 16-17, 1992.

**SOCIAL ASSISTENCE IN A LONGITUDINAL PERSPECTIVE  
- A CASE STUDY FROM SWEDEN.**

**This paper focus some major results from a swedish longitudinal study concerning social assistance. The Malmö-study shows that a considerable part of the population in the third largest city recieved social assistance in 1983-89. The results contradicts a popular conception of who's recieving help. Instead of aid to some specific marginalized groups social assistance seems to be a remedy for a broad spectra of temporary scarcity.**

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The degree of social assistance and unemployment are traditionally viewed as basic indicators of how successful a modern social welfare system is in creating secure conditions of life for its population. Social assistance are implemented when other social-political measures fail to meet people's needs. Through studying this form of selective support one can pinpoint various deficiencies in the universality of a social welfare system. This possibility, however, has thus far been utilized to only a limited extent.

In the following, the results of an swedish study of social assistance in a total population during an extended period of time are discussed. The aim of the study was to obtain a differentiated picture of the extent to which social assistance is provided and to identify characteristic patterns. What role does this help play in Sweden today? How large a

### **Social assistance in a longitudinal perspective**

portion of the population turn to this last-resort form of economic aid provided by the welfare state - that of need-based support?

In contrast to many other European countries, Sweden and other Scandinavian countries have retained a needs-based system which bears the features of earlier social conditions of poverty (Lödemel, 1991). Social assistance is still a community matter. During the 80's approximately half a million Swedes annually, or some 6 percent of the population, received help. Statistics now available (SCB 1991) indicate that about half of the recipients of social assistance one year continue receiving it the next. Thus, the number receiving welfare during a two-year period is some 50 percent higher than that receiving it in a single year, or about 750,000. How many persons receive aid then, one may ask, as seen in a longer, or a lifelong, time perspective? Longitudinal research on the extent and distribution of social assistance provided in the population as a whole has not before been carried out in Sweden.

### **Popular conceptions of social assistance**

Ever since the days when societal help to the poor had its start, the popular conception of social assistance has been tinged with moralistic undertones. Although at a time when poverty and deprivation in the growing industrial society were extensive and encompassed the majority of the population, the receipt of poor support was not directly stigmatized, it tended to be the butt of all sorts of ridicule and moralistic labels. During the industrialization of the 1800's, the individual came to be viewed primarily in terms of his or her productive capacity. Those who failed in efforts to support themselves were forced to live a life of shame and humiliation due to their receipt of the local community's help. A basic preventive aim was involved, that of discouraging working persons from becoming recipients of support to the poor. A continuing theme in connection with both help to the poor in the 1800's and the welfare provided today is the moralistic notion that one can

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distinguish between "worthy" and "unworthy" seekers of support. There are surely few social activities as filled with prejudice and myths as that of receiving social assistance.

Although many of the circumstances surrounding needs-based support have changed markedly in Sweden during the 1900's, there are clear residues of moral condemnation and of a sense that the individual is to blame which remain. Among the radical changes in circumstance which have occurred, there has been a shift from such help being provided the older segment of the population to its being given more and more to young persons at the time of their entrance into adult life. Similarly, whereas single women in manifest poverty dominated the picture earlier, men in a latent marginal position in society rather dominate the situation today. Such dramatic changes in the types of recipients of social assistance involved seem not to have had much influence on popular conceptions of welfare. Indeed, notions concerning negative individual characteristics among recipients supposedly has becoming increasingly predominant. The idea of the recipient of social assistance being a burden to society appears deeply rooted. There has been found to be a low degree of acceptance by the public at large of social assistance or of other need-based forms of societal support, such as rent subsidies (Svallfors, 1989).

Such an individualizing, moralistic view of welfare, one which fails to consider the recipient in a broader social perspective, has been partly sustained by the authorities involved. The passive collection of information regarding the individual who seeks help is a usual approach. The authorities in question tend to have an internal organizational perspective. At the local political level, interest is generally focused on the costs of social assistance provided, as seen within the framework of a seriously strained community budget. In this way, local authorities tend to nurture the negative and stigmatizing views on social assistance which the public holds.

## Social assistance in a longitudinal perspective

### The time dimension in social assistance

The difference between a cross-sectional study and a longitudinal one is, to adopt Duncan's (1984:1) fitting comparison, like that between a photograph and a movie-film. The two provide completely different possibilities for gaining an understanding of one and the same study object. The moving picture, to be sure, is more dynamic and appealing, but it is also the more difficult to master.

In research on poverty and need-based support, it is particularly important to attend to the time dimension, so that clarity is achieved regarding what population a study concerns. The generalizability of results must be considered in relation to their representativeness for recipients of social assistance in general. If those receiving help during a single month represent the population being investigated, the results cannot automatically be interpreted as applying, for example, to those receiving it during the entire year. A one-month sample tends to contain a considerably higher proportion of long-term or permanent recipients of social assistance than does a whole-year sample, not to mention a sample concerning a still longer time period. Even if an study encompasses all recipients of social assistance during a particular time period of limited length, the results cannot be regarded as representative for all recipients of social assistance generally.

Research on social assistance in Sweden has involved almost entirely cross-sectional studies. The sampling has been of the recipients during a particular time period of limited duration, often a single month, without the possibility of examining the patterns of receipt of social assistance either prior to this period or afterwards. The approach taken of registering, in a manner much like that of using a fever thermometer or a dipstick to make a momentary measurement, the circumstances of those individuals or households that receive help, has decisive consequences for how knowledge and supposed facts regarding different forms of social assistance are constructed. A *static* perspective has come to dominate conceptions regarding who receives social assistance and what factors are basic to these individuals' or households' needs for it.

### **Social assistance in a longitudinal perspective**

In surveying Swedish studies on social assistance, one can note a pattern of the sampling periods being short and of a preponderance being reported of long-term recipients of social assistance. This has led, it would seem, to undue emphasis being placed on the existence of long-term recipients who are beset by social problems. Research has tended in this way, I would stress, to contribute to a reinforcement of popular conceptions regarding recipients of social assistance representing a clearly circumscribed part of the population.

### **Longitudinal research on need-based forms of support.**

One way of gaining more adequate insight into welfare problems of this sort is to use a more *dynamic* research perspective. Until now, however, only relatively few longitudinal studies have been carried out in any country regarding the distribution of such selective forms of aid. Research of this kind did gain initial impetus in the USA early in the 80's on the basis of two longitudinal surveys of national scope - the Panel Study of Income Dynamics (PSID) and the National Longitudinal Surveys (NLS). These involved the representative sampling of American households during a 10-15 year period. A series of closely linked studies of American households that had incomes below the official poverty level and were unable to support themselves without some need-based form of help followed. The first nationwide U.S.-study of the length of need-based support provided to households showed that only a comparatively small proportion of the American households that received such support remained dependent upon it for a period of several years (Bane & Ellwood 1983).

One highly influential study in this context was Duncan's (1984) analysis of PSID. That panel, comprising data on the conditions of life of 5,000 American families, has been analyzed by literally hundreds of American researchers. Duncan's particular contribution was to relate the conditions of every day life of these households to the conventional

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criteria for poverty in the USA. The results of Duncan's study emphasize the importance of distinguishing between households that are faced with temporary economic difficulties and those that can be considered as more or less permanently "poor." Duncan found that one quarter of the American population had fallen below the poverty level at some time during the 10-year period, but that only 10 percent of these persons, or 2.5 percent of the populace, could be classified as permanently poor. This latter category - the "persistently poor" - Duncan defined as consisting of those persons who lived below the poverty level for eight or more of the ten years that were studied.

Duncan succeeded in showing that the view highly prevalent in the USA that households that can be characterized as poor represent a homogeneous and stable group, is erroneous (op. cit., p. 60). He demonstrated the strong advantages of a longitudinal as compared with a cross-sectional approach, summarizing these as follows:

*"Examinations of poverty based on data covering one-year periods do not capture the actual volatility of family economic fortunes. This volatility demands that we distinguish between temporarily and the persistent poor. Because so many policies are designed with a definition of poverty based on annual income and needs, it is crucial to know the extent to which annual figures misclassify the short- and the longer-term poor" (p. 34).*

Duncan's particular methodological accomplishment, one might say, was the creation of this rough dichotomy between brief and long periods of being below poverty level. On the other hand, he made no attempt to distinguish more specific patterns of living in poverty and of leaving it. As with American research on poverty generally, Duncan restricted himself to the consideration of highly aggregated data and the use of rough techniques of measurement. The longitudinal patterns of poverty Duncan examined were expressible in terms of 1's and 0's, such that 00001, for example, represented poverty during only the final year of a 5-year period and 11111 poverty during each of these years (p. 44-45). Duncan's analysis of dynamic patterns did not go into further detail than this.

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Thus, it offers little of a specific character in connection with my own interest in developing a more thoroughgoing model pertaining to dynamic patterns over time.

Most American studies of longitudinal character have expressed the duration of different forms of economic help in terms of calendar years. This applies especially to investigations of AFDC (Aid to Families with Dependent Children), a form of support provided for single mothers living in poverty. Many of these studies have attempted to develop techniques for computing the probabilities for varying durations of a particular person remaining on welfare. Within recent years, investigations of AFDC utilizing data gathered monthly have appeared (e.g., Blank, 1989). The results of such studies suggest that the duration of welfare recipience has no appreciable effect on the probability at any given time that dependency on welfare will cease. Thus, such American research provides no support for the assumption that the receipt of welfare per se has a pacifying effect.

Three recent Danish studies have used a longitudinal approach for examining various aspects of the duration of social assistance. Are any of the methodological aspects of these studies of particular relevance in the present context?

In the one investigation, of prospective design, carried out at the Social Research Institute in Copenhagen (Ploug, 1988), the "social assistance careers" of persons receiving help during 1980 were followed on through the year 1985. Various patterns of the continuance or discontinuance of receiving social assistance could be found, these ranging at the one extreme from receiving help only during the year 1980, something which applied to 27 percent of the group, to receiving it all six years at the other, which applied to 20 percent of the group. Strict use was made of the calendar year as a basis for determinations. In another, concurrent investigation carried out at the same institute (Hansen & Smidth-Fibiger, 1988), a sample (n = 227) of long-term recipients of social assistance was studied during 1981 to 1985. The temporal patterns, however, were not classified in sufficient detail for the study to contribute much in the present context.

The third Danish research involved a series of studies which Andersen and Elm-Larsen carried out at the Department of Sociology of the University of Copenhagen (Andersen &

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Elm Larsen, 1988, 1989; Elm Larsen & Andersen, 1990). Their work focused on tendencies in Danish society which could lead to a marginal or outsider-type existence for various groups. In contrast to the other two Danish studies just referred to, Andersen and Elm Larsen's research took as its empirical basis the records of all households in Denmark that received social assistance for the years 1982 and 1987. They performed a temporal analysis for the 6-year period involved, prospective in character for the 1982 group and retrospective for the 1987 group. They assessed duration in terms of number of "support months," i.e. the number of months a person or household was registered with the local welfare authorities during the 6-year period. The analysis was limited to consideration of the total number of months, no account being taken of the chronological relationships.

At the Center for Social Politics of the University of Bremen in Germany, a longitudinal panel involving a 10 percent sample of the recipients of social assistance from the city of Bremen during the ongoing period beginning in 1983 has been established. The results obtained (Voges & Liebfried, 1990; Voges, 1991) indicate a pattern of recipience basically corresponding to that found in Scandinavia. Single parents showed particular risk of becoming long-term recipients of welfare, the risk increasing when further children were born. Relatively few cases of persons becoming permanent recipients of social assistance were found.

Although the longitudinal investigations of need-based support carried out in various countries have contributed to knowledge of the temporal patterns and relationships involved, such matters are sufficiently complex that no simple truths regarding the conditions leading to persons being in need of social assistance seem derivable from such research. This can be seen as reflecting the compensatory function which this help has in relation to other societal forms of insurance, a matter I have discussed in some detail earlier (Salonen, 1988). Whereas other forms of insurance by society involve rather clear definitions of who is qualified and of the extent of benefits provided, such is not the case with welfare, the provisions of which are expressed in vague and diffuse terms. Social assistance represents a last resort - something "in place of" something else, a kind of

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"filling of the kitchen sink" within the sociopolitical system of support - to be used when other possibilities have been exhausted and a need still remains. This helps to explain the diffuse contours and the heterogeneity of social assistance. Since this form of individual or family support by definition is to cover all conceivable types of economic difficulties, a basic problem for research is to describe the heterogeneous nature of social assistance and yet find order in it. Among other things, the meaning and role of social assistance can differ markedly from one recipient to another.

## **The Malmö-study**

No modern Swedish study has dealt with the different categories of welfare recipients and the support they are provided as viewed in a longitudinal perspective. This may seem a bit surprising since only through examining this is it possible to gain an understanding of the mobility involved in the receipt of social assistance. In simplest terms, this is the question of the proportion of recipients for which help is temporary and the proportion for which it is basically permanent. The investigation aimed at delineating the prevalence of receipt of social assistance in the population as a whole through linking adequate data regarding the population generally with those who receive social assistance. This makes it possible to illuminate the utilization of social assistance by different traditionally defined segments of the population. Since the study involves access to information of the total population in question, the findings concern not statistical probabilities, but rather the actual frequencies present and relationships which could be shown within the population at the time.

The empirical results apply to all persons and households in Malmö municipality that received social assistance during the period of study. Malmö is the third largest municipality in Sweden, having a population of nearly a quarter of a million persons. Ever since a merger of different municipalities in 1974, Malmö has been at the top statistically in

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the whole country as regards the proportion of the population receiving social assistance. Throughout the 80's, in fact, the proportion in Malmö was nearly twice as high as the average for the country as a whole. An analysis of the factors contributing to Malmö's striking profile in this respect has been discussed earlier (Salonen, 1988). Among such factors are problems of unemployment, peculiarities of the market for apartments in the area, and Malmö's special blend of different groups of people, particularly its high percentage of young persons. The results of the study thus reflect an extreme situation in an urban environment, as far as social assistance matters are concerned. Thus, the findings cannot necessarily be generalized to the country as a whole.

In cooperation with the municipality of Malmö and the Statistiska Centralbyrån ((SCB) or Central Bureau of Statistics), a research register of all households in Malmö during the years 1983-89 was prepared, the households being rendered unidentifiable for reasons of confidentiality. The register included 47,301 households which at some time during this period had received social assistance from Malmö's social services departments. All information which had been reported to SCB was available. This concerned the registered individual's age, nationality and type of household, and the number of months of welfare received, together with the monetary amounts involved, during the respective calendar years. With one exception, the quality of the data can be considered to be very high. The exception concerns foreign nationals who changed from a temporary to a permanent individually identifying person-number during this period and thus appeared twice in the register. This source of error is inherent in the public statistics on recipients of social assistance in Sweden and leads to an overestimation of the total number of recipients and to an underestimation of the duration of receiving help.

The empirical basis for studying patterns of utilization of social assistance over time was thus comparable to that of Elm Larsen and Andersen's investigation in Denmark, and of the German study in Bremen. In addition, it was possible in the present investigation not only to examine whether or not social assistance was received during a given year; but also to determine the number of months a household received help during the year in

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question. There was no possibility, on the other hand, of tracing the utilization of social assistance chronologically on a month-by-month basis. It would indeed have been useful to do so in order to better be able to analyze the periodicity and the chronological patterns of change involved.

### **Results of the study**

The present paper focuses on the question of how many households become recipients of social assistance and how much they turn to social assistance as a means of help. Other major questions of interest, such as those of the specific groups involved and the temporal patterns discernible, are discussed elsewhere.

### **Role of social assistance for households generally**

Traditionally, the degree to which a population has used social assistance is computed on a calendar-year basis. The total number of persons in the households receiving help is considered in relation to the size of the population. The numbers of children and retired persons is included in the calculations. The number of persons belonging to a particular household is determined on the basis of the most recent information available. Table 1 indicates the figures obtained in this manner for Malmö and for the whole of Sweden for the years 1983-1989.

## Social assistance in a longitudinal perspective

*Table 1. Percentage of the total population receiving social assistance in Malmö and in Sweden as a whole in the years 1983-1989.*

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<u>Year</u>	<u>Malmö</u>	<u>Whole of Sweden</u>
1983	10,3	5,7
1984	11,8	6,3
1985	12,1	6,4
1986	12,7	6,8
1987	12,5	6,4
1988 *	12,0	6,2
1989 *	11,2	5,9

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\* Refugees applying for asylum are included in the figures only until April 1988. From May 1988 onward they were provided special refugee help

Not revealed in such yearly reports is how stable membership is in the recipient group. Is a relatively well-defined group that receives social assistance year after year involved, or do temporary recipients dominate? Yearly statistics fail to answer this very central question. The conclusions of a sociopolitical character to be drawn would indeed depend to a very considerable extent on whether recipients of social assistance represent a small, closely circumscribed group caught more or less permanently in the situation of being dependent upon aid, or consist instead primarily of persons faced with temporary economic difficulties. In the former case, individualized programs of support and rehabilitation aimed at certain marginal groups would seem appropriate. In the latter case, it would seem better to assess the adequacy of other sociopolitical measures and to attempt to adjust these more adequately to the needs of people generally.

The longitudinal character of the present study makes it possible to examine the extent to which the proportion of the population which has been recipients increases as the time perspective is extended. This is shown, for the period 1983-89, in Table 2.

## Social assistance in a longitudinal perspective

*Table 2. Percentage of the population of Malmö which has received social assistance, shown for periods of increasing length during 1983-89.\**

Years involved	No. of years	% of the population	No. of households involved	No. of persons involved**
1983	1	9,9	14 257	23 647
1983-84	2	14,1	21 401	34 642
1983-85	3	17,3	27 769	43 819
1983-86	4	20,0	33 610	52 324
1983-87	5	22,6	38 699	60 529
1983-88	6	24,2	43 253	66 612
1983-89	7	25,8	47 301	72 749

\* Gross population figures for the respective periods are involved. These include persons who moved to the county during the period, as well as estimated numbers of persons basically residing there who returned after having temporarily left. Gross population as thus computed was 238,938 in 1983 (as compared with 230,381 on the average at a single point in time during the year, computations of this latter type being represented in the figures given in Table 1) and 282,519 for the entire 7-year period.

\*\* The number of persons considered as belonging to a household was the number belonging to it when welfare payment began.

As is evident, the percentage of the population that has received social assistance, as seen in a one-year perspective, increases by a factor of more than two-and-a-half when a seven-year perspective is taken. In fact, approximately a quarter of the inhabitants of Malmö had been recipients at some time during the 1983-89 period. This indicates clearly that social assistance is not primarily a selective form of help extended to a fairly small part of the population, but that a rather sizeable portion of the population is involved. The popular notion that recipients of social assistance tend to belong to a marginal and deviant stratum of society is thus not supported. On the contrary, the proportion of the population that received social assistance sometime during the seven-year is so large that, seen from the perspective of the entire life cycle, need-based support appears to be

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something which a major portion of the population has direct contact with. More will be said regarding this in the section on cohort analysis.

As likewise evident in Table 2, the percentage of those who has received social assistance increases by about 40 percent when a two-year rather than a one-year perspective is taken (1983-84 versus 1983). Nearly half of recipients one year are thus recipients the next. As the length of the period considered is further increased, however, the increase in percentage of those who have received help successively diminishes. This indicates the flow through the social assistance-system of households needing help only temporarily to be considerable.

An alternative way of examining this involves considering both the total number of years in which social assistance was received during the seven-year period, and the year of debut in receiving aid. As shown in Table 3, some 30 percent of the households receiving help made their debut 1983 or earlier, another 15 percent made their debut in 1984, and there was then a successive decrease to 8.6 percent in 1989.

*Table 3. Year of debut for welfare recipients in Malmö during the period 1983-89.*

Year of debut	No. of households	% of the households
1983 or earlier	14 257	30,1
1984	7 144	15,1
1985	6 368	13,5
1986	5 841	12,3
1987	5 089	10,8
1988	4 554	9,6
1989	4 048	8,6
Sum	47 301	100,0

## Social assistance in a longitudinal perspective

Looking at Table 4, one can see that most households that received social assistance only got it one or two years, and that only about one household in twenty of those receiving social assistance, or about one percent of the households in Malmö, received it all seven years. Altogether, 127 different patterns of welfare receipt over time could be noted, in a year-based analysis. For most of the households receiving welfare, the pattern in question was one of a single occurrence of a period of economic need, in the sense of there not being separate periods with a break of a year or more between. On the other hand, since there is no data available on a monthly basis regarding the chronology of receipt of social assistance, the periodicity involved cannot be studied here in a precise way. Thus, it cannot be determined whether, for example, four months with social assistance during each of two consecutive years represent one single eight-month period extending over two calendar years, or a set of brief periods spread over two years.

*Table 4. Households in Malmö receiving welfare during 1983-89. Breakdown (%) in terms of numbers of years during which social assistance was received.*

<u>No. of Years</u>	<u>% of the households</u>
1	42,0
2	21,3
3	12,5
4	8,4
5	6,1
6	4,7
<u>7</u>	<u>5,1</u>
Sum	100,1

## **Social assistance in a longitudinal perspective**

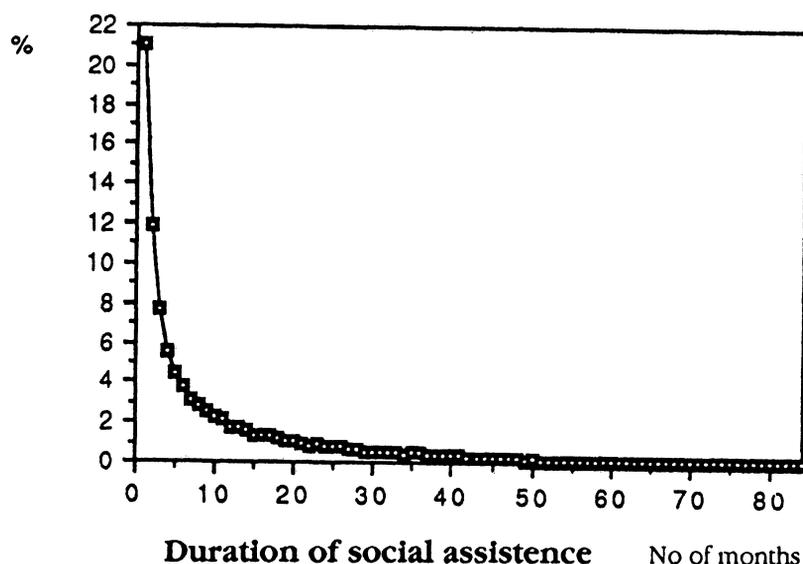
### **Duration of social assistance**

A more detailed way of examining the duration of receipt of social assistance is to consider the total number of months a household received help during the seven-year period. At the same time, taking the average of this for the total group of recipients could provide a misleading picture of the seriousness of the problems with which the majority of this group were faced. Presenting yearly averages of this sort is common practice with governmental authorities. For example, in 1989 the national average for households that received social assistance was 4.2 months, indicating that on the average such households received help about one-third of the time. Similarly, in the present study the average for the seven-year period in question was 12.3 months, indicating for the 47,301 Malmö-households involved that on the average they received social assistance for about one year per household. That figure suggests these families to have been beset by rather considerable economic difficulties.

In fact, however, more than half of the households in question received help for less than 6 months during the seven-year period, about 10,000 (21 %) of the households received it during only a single month, and some 5,600 (12 %) received it during just two months. The distribution as just described is shown in Figure 1. The rapidly falling curve indicates the marked concentration of cases involving only a short total period of receiving social assistance, this representing the majority of the households. Rather than employing the average, which can easily be misleading, it can be seen as more appropriate to use the median for describing the duration of receipt of social assistance which the group tended to show. The median was found to be 5 months, 41 percent being found to have received welfare for 1-3 months, and only 8 percent to have received it for 40 months or more during the period of 1983-89.

## Social assistance in a longitudinal perspective

Figure 1. Distribution of the Malmö-households receiving social assistance during 1983-89 (n = 47,301) in terms of number of months during which help was received.



## The problem-focused perspective of social authorities

The conception commonly held of the recipient of social assistance as being a household that is beset by serious social problems and lives on help from the authorities year in and year out appears indeed to be an exaggerated one. How does it come about then that social authorities often describe their clients in this way? Table 5 provides a degree of insight into this in question. It shows the percentage distribution of cases of varying overall duration which the Malmö's social authorities had contact with, as seen from varying time perspectives. The time perspectives in question vary from a monthly time perspective to a time perspective of seven years.

## Social assistance in a longitudinal perspective

*Table 5. Malmö-households receiving social assistance. Percentage of cases of varying duration of reciptence encountered by authorities during periods of differing length.*

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Duration of social assistance	Time periodes studied							
	1 month	1 year	2 year	3 year	4 year	5 year	6 year	7 year
1-3 months	5	21	26	30	33	36	38	41
4-39 months	58	58	58	57	56	54	53	51
40-84 months	37	21	16	13	11	10	9	8
Sum	100	100	100	100	100	100	100	100

The pattern which appears is a clear one. The longer the period of time which is considered is, the higher the percentage of recipients of social assistance is that only need help of short duration. In the day-to-day work with clients, however, the overall presence of the vast majority of cases that are of short duration tends to be overlooked due to the conspicuousness of the numerically much smaller groups of clients receiving social assistance of long duration. During a single month, only one out of twenty of the client households in contact with authorities tended, in terms of the present results, to be of the short-duration type, the majority of the cases within such a time frame being ones receiving social assistance over long periods of time, often for many years. In contrast, when a long time perspective is taken through consideration of a period of much greater length (here up to seven years), the picture is quite the opposite.

This can be seen as a major reason for social authorities and social workers tending to see recipients of social assistance as being possessed of more serious problems than is in fact the case, a matter which has marked sociopolitical consequences. If sociopolitical discussions here take as their starting point the conceptions social authorities rather generally have of their clients, strongly influenced as these are by their impressions of clients based on their day-to-day contacts with them and thus of short time perspective, the conclusions arrived at can be highly misleading and one-sided. The result can be a

## **Social assistance in a longitudinal perspective**

reinforcing of the image of clients as being deviant individuals overwhelmed with problems, and a vicious circle which assumes the character of a self-fulfilling prophecy.

## **Cohort analysis**

The most thorough and correct approach to understand changes over time in recipients' need and use of social assistance is in terms of time series analysis of such patterns over generations or lifetimes, for various groups of individuals. This allows subtle underlying processes of change to be revealed. It is difficult, however, to gather the empirical material such an approach requires. This is presumably a major reason for its failure to be used within research on social assistance. Rather, a longitudinal approach has been restricted to shorter time perspectives with only rough categorizations of behavior. The lack of data of sufficient quality is partly due to administrative routines for the registering and discarding of information on clients.

In the present investigation, a number of time-series analyses have been carried out. One interesting example is the patterns among youth.

## **The role of social assistance for youth**

The material available provided the possibility of examining year-by-year, over a seven-year period up to the age of 25, the extent to which young adults differing in their age of birth become recipients of social assistance. It has been found that it is up to the age of 25 that young people are most likely to seek financial help in the form of social assistance (Salonen, 1988; SCB, 1992). A cohort study of the sort possible here allows temporal changes in the use of social assistance to be studied and the use of help by those born in different years to be compared. Variations in the numbers born different years

### **Social assistance in a longitudinal perspective**

could also be expected to affect the relative chances of getting jobs, and accordingly the intention of seeking welfare.

Strict methodological demands are involved in carrying out a time-series analysis. A correct approach in the present case required, for example, taking account of those moving in and out of the area for each of the years studied. At this period in their lives, young persons tend to move frequently. Another piece in the methodological puzzle concerned the question of how an adult living together with another adult, this second adult being the direct recipient of social assistance, should be dealt with age-wise. Persons in such a situation constituted about 10 percent of those living in households receiving help. The solution taken was to assume the person in question to be of the same age as the person who was the direct recipient of social assistance. In age groups in which university and other students are strongly represented, such persons tend to make up about 5-7 percent of those in the group who are getting need-based support.

The results of the time-series study showed that surprisingly many of the young persons born during the second half of the 60's became recipients. Already at the age of 18, which was the minimum age for receiving social assistance, some 10-15 percent has received help. Regarding the comparative sizes of the groups born in different years, it was found that the particularly large group born in 1965 (approx. 3,100 persons) showed already at the lowest age that qualified for help a higher percentage that received social assistance than did the smallest group, that born in 1969 (approx. 2,400). Between the ages of 18 and 20, the proportion of those who had received help increased rapidly for those born in each of the years, its more or less doubling for the groups born in certain years. At the ages of 21-22, on the other hand, the cumulative increase in the proportion that had received help decreased.

Table 6 presents the year-by-year changes in the five groups born in different years. Since only a seven-year period is involved, the material provides only limited possibilities for comparing these groups. Thus, whereas the group born in 1965 can be studied during the entire series of ages 18-24, those born in 1969 can only be studied up to the age of 20.

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Table 6. Cumulative percentages of individuals at different ages (18-24) in different age groups (born 1965-69) in Malmö who has received social assistance.

Age	Year of birth				
	1965	1966	1967	1968	1969
18 year	15,2	13,3	13,6	11,4	9,5
19 year	24,2	23,1	22,5	20,9	18,4
20 year	30,6	29,0	27,9	26,3	22,3
21 year	34,9	32,1	30,4	27,8	-
22 year	36,7	34,0	31,3	-	-
23 year	37,9	34,4	-	-	-
24 year	38,6	-	-	-	-

Almost 40 percent of those born in 1965 had received help at some time by the age of 24. This result contradicts the popular conception of social assistance being something which only a small minority of young people, those unsuccessful in gaining access to the job market or to programs of education, take advantage of. Instead, for a considerable part of the young persons up to the age of 25, welfare seems to primarily provide a kind of economic security. For many of those who take advantage of it, social assistance represents only a brief source of income, although for some, to be sure, it can be seen as a sign overall vulnerability and increasing isolation from society. The results presented in the table confirm the expected greater use of social assistance by the larger age groups, those born in the middle as compared with the end of the 60's. Also, possibly contributing to this was the fact that in the early 80's the economic situation was more problematical than during the boom in the latter half of the 80's.

The results of this cohort analysis just described illustrate the importance of studying social assistance in relation to the societal context found at the time. Continuing research

## **Social assistance in a longitudinal perspective**

on social assistance should make greater use of time series analysis. Similarly, if social assistance is not to be studied simply from the perspective of the individual, it is important that the effects of the economic cycle and of such demographic factors as difficulties of access to the job market based on the size of an age group be taken into account.

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DRAFT

WELFARE DEPENDENCE IN THE WELFARE STATE: A CROSS-GENERATIONAL  
STUDY IN POST-WAR SWEDEN.

by  
Sten-Åke Stenberg

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Paper prepared for the Multidisciplinary Research Conference on Poverty and Distribution  
in Oslo November 16-17, 1992

The question to what extent different social characteristics are transferred across generations has been of major interest in the social sciences and specially in connection with the studies of poverty and welfare dependence (Murray 1984; Hill 1985; Hill and Duncan 1987; Wilson 1987; Duncan, Hill and Hoffman 1988, McLanahan 1988; McLanahan and Bumpass 1988; McLanahan, Astone and Marks 1991). How do family factors influence childrens' life as adults? Is it possible to break a self-perpetuating circle of poverty? These issues are often raised in different areas of social research concerning intergenerational relations<sup>1</sup>. Other studies focus on the patterns of family formation, e.g. the risk of becoming a single mother if one grows up in a single mother family (Duncan, Hill and Hoffman 1988; Hill 1985; McLanahan 1985; McLanahan 1988; McLanahan and Bumpass 1988; McLanahan and Booth 1989).

This paper focuses on the possible intergenerational transmission of welfare dependence, especially the effects of family structure during childhood. Welfare efficiency has been questioned both in public debate and in social research. Does the public welfare system have an effect on the total distribution of welfare or does it contribute to an exclusion of recipients from society thereby conserving dependence across generations? Murray (1984) argues that the United States welfare system is an "incentive to fail." Several empirical studies have on the other hand found a high turnover among American welfare recipients (Bane and Ellwood 1983, 1986; Duncan 1984). Recent international comparisons in fact show a short-term welfare receipt in the United States (Duncan et.al 1991). Empirical studies on intergenerational welfare dependence outside the United States are scarce.

The purpose of this study is to analyze the extent of cross generational welfare dependency in post-war Sweden, and to find explanatory factors connected to intergenerational transmission of welfare. This also will make possible a comparison between the role of needs tested welfare in an advanced welfare state like Sweden with a system more dependent on needs tested benefits, like the United States.

Studying the transmission of welfare dependence is a difficult task as feasible data are rare; not only in the United States, but also in Europe. In fact "only in the past several years have there been reliable measurements from a national sample of the simple associations between the welfare dependence of parents and their grown children" (Duncan et al. 1988).

I will be using Swedish data from Project Metropolitan, a study of a 1953 Stockholm birth cohort (Janson 1984). These data consist of a Swedish cohort born in the Stockholm metropolitan area in 1953 followed throughout three decades until 1984. These data are quite unique in that they monitor a specific cohort over a long period of time, and are also exceptionally rich and comprehensive.

#### WELFARE PERSISTENCE AND WELFARE ACROSS GENERATIONS

Poverty, allegedly recently rediscovered in America (Wilson 1991; Eggebeen and Lichter 1991), has received increased attention in the United States due to growing inequality and a rising poverty rate (Hill 1985; Smolensky, Danziger and Gottschalk 1988; Wilson 1987, 1991). Growing welfare expenditures have accompanied the increasing poverty rate which in turn has attracted research on the dynamics of welfare use. Studies of the incidence of welfare participation in America show that only a minority of recipients are persistent. Rein and Rainwater (1978) used the first seven PSID (Panel Study of Income Dynamics) years to study welfare<sup>2</sup> dependency among American women aged eighteen to fifty-four in 1968 and their families during the years 1968-1973. They found that an average of 5.5 percent of all women received welfare in a given year, and that around sixteen percent in the group of welfare dependent women received welfare all seven years. Duncan (1984) relates four studies also showing that only a minority is long-term welfare recipients, i.e., fifteen to twenty percent of participants in different needs-tested programs received help all years during a four to seven year follow-up. Duncan also presents data from a ten year follow-up of PSID data. Here 25.2 percent of the United States population was living in families receiving welfare<sup>3</sup> one or more years 1969-1978, and 8.3 percent received welfare for five years or more.

The overall degree of persistence of welfare dependence among young people in the Stockholm area 1953-1970 can be estimated with the Metropolitan data. During any one year, on the average 5.5 percent of the cohort received needs tested welfare and twenty-two percent of all individuals in the cohort had families, which had received welfare at least once during the period when the individual was nineteen years or younger.

The overall degree of intergenerational welfare dependence is reflected by the fact that more than forty percent of those receiving welfare in 1982-83 had families of origin

that had received welfare during their childhood, as compared to twenty percent of those not on welfare in this period (*table 1*).

Among the 2,640 individuals on welfare at least once during the period 1953-72 one fourth received welfare during just one of twenty years, 67 percent received welfare up to five years and thirteen percent were on welfare between ten and twenty years. The risk of becoming a welfare recipient increases in pace with the number of years the family of origin received welfare 1953-70 (*figure 1*).

Of all children raised in households receiving welfare at least during one year 1953-70, seventeen percent were on benefit 1982-83 and 6.4 percent of children growing up in families never on welfare 1953-70 received welfare 1982-83. That makes a risk almost 2.7 times higher for children from welfare homes compared to children not growing up in homes receiving welfare during the years 1953-70.

#### EXPLANATIONS OF INTERGENERATIONAL WELFARE DEPENDENCE

The Panel Study of Income Dynamics (PSID) has also been used to assess the extent to which poverty is passed on across generations. Rein and Rainwater (1978) did not find support for the hypothesis that growing up in a welfare family per se increased the likelihood of being on welfare as an adult. Children who lived living in families on welfare in 1968 and 1969 and started their own households up until year 1973, were 1.31 times as likely to go on welfare compared to children raised in non-welfare families. When parents income was controlled for the relationship disappeared. One of the most complete American studies of intergenerational transmission of welfare dependence found that women from families receiving welfare were 1.4 times more likely to receive welfare themselves in 1976 (Levy 1980). Levy based his study on PSID data and he also found that the parents' income level was a more important factor than parents welfare dependence in predicting children's own welfare dependence as adults.

An other study based on PSID data, described intergenerational transmission of dependence of Aid to Families with Dependent Children (AFDC). More than 10000 daughters whose parents' economic status was registered while the daughters were between the ages thirteen and fifteen were followed up when they were between ages twenty-one and twenty-three (Duncan, Hill and Hoffman 1988). Here also here the authors conclude that most children raised in poor homes does not "share the fate of their parents."

They observed that twenty percent of daughters with a welfare background received welfare as young adults, compared to only three percent of daughters raised in families not dependent on AFDC. In another study also based on PSID data McLanahan (1988) found that daughters raised in single-parent families at some point during adolescence had a higher risk of becoming household heads with welfare than children of two-parent families. When controlling for welfare receipt in parents home the effect of being a single-mother's daughter disappeared for white offspring. McLanahan's results conflict with other analyses of the same data (McLanahan 1988, note 8).

There are also several studies of intergenerational transmission of poverty. Hill (1985) used a PSID sample of children who had left their parental home since the study began 1968. The same children were observed in 1981 going a time span of fourteen years between the two studies. Hill found that fiftyseven percent of those who came from a family "at or near poverty" had no such experience as independent adults and Hill concludes: "This means that in an intergenerational sense as well as an intragenerational one, it is the minority rather than the majority of the poor that are mired in poverty." On the other hand, Hill's results do show that as many as fortythree percent of these children were facing poverty themselves, a very high risk compared to children raised in not poor families.

Being on welfare during childhood increases the risk of being a welfare recipient as an adult both in the United States and in Sweden. Even if the relative risk is quite high in Sweden, there is still only a minority on welfare across generations.

## THE IMPORTANCE OF FAMILY STRUCTURE

After a long period of significant increase in the well-being of America's children, the rate of poverty started to increase especially among families with children at the end of the 1960s (Huston 1991). This development has been explained as an effect of declining earnings of families with children and a substantial increase in the number of families with female-headed households (Preston 1984; Hill 1985; Ross, Danziger and Smolensky 1987; Smolensky, Danziger and Gottschalk 1988). There are several American studies dealing with the effects of family structure on poverty, especially the effects of being raised in a single mother household, and the possible reproduction of weak family bonds and poverty (Bane and Ellwood 1986; Duncan, Hill and Hoffman 1988; Hill 1985; Hill and Duncan

1987; McLanahan 1985; McLanahan 1988; McLanahan and Bumpass 1988; McLanahan and Booth 1989). Events like divorce and separation results in poor single-mother families (Hoffman and Holmes 1976; Duncan and Morgan 1981; Smeeding, Boyle, and Rein 1988; Fritzell 1990).

In a comparison between the United States and Sweden, Erikson and Fritzell (1988), did not find any major economic impairment of Swedish single mothers after a separation. They explain the difference as an effect of the divergent social welfare systems in Sweden and the United States.<sup>4</sup> In a study of economic mobility in Sweden and the United States Fritzell (1990) found a connection between family disruption and changes in economic well-being of women in both countries. This connection did however not hold for children and men. "This cross-national difference is most clearly shown in the fractions who kept their income in line with inflation in the subgroups of women and children in families where separation occurred. While the proportion was about the same (35%) for women in both countries, only 28% of the younger children in the United States kept their economic well-being in line with inflation, whereas the proportion of the corresponding Swedish children was 71%...the economic effects of marital disruption for Swedish women, first and foremost, concerned women without children. When examining the components of income for these groups, the result was strongly supportive of the view that the difference is mainly a result of social policy."

The empirical search for background factors explaining intergenerational transmission of welfare dependence has given meager results. The American studies referred to above, conclude that the intergenerational effect disappears when one controls for parents' income. My data makes it possible to control for parents' income and for childhood variables both concerning personal characteristics and relevant economic factors, as well as economic and family variables at the time of welfare receipt as an adult.

## THEORIES AND EXPLANATIONS

Why do children from welfare dependent homes have a higher risk of becoming welfare recipients as adults? The famous idea of a "culture of poverty" (Harrington 1962; Lewis 1968) constitutes one mainstream type of explanation of intergenerational transmission of welfare dependence as well as poverty. The cultural perspective sees welfare as counterproductive. Welfare hurts children's self-reliance and weakens their ambitions to

create an independent, self-sufficient life as adults.<sup>5</sup>

Contrary to cultural views, are structural arguments concerning intergenerational passing of welfare dependence. This perspective does not focus on psychological transformations or changing attitudes to children raised in welfare dependent families, but instead stresses the higher risk poor children run of ending up in the same poor environments as their parents. Their behavior is often explained as a rational response to a harsh environment containing a high rate of other families also dependent of welfare. An example of such a structural explanation is the argument that the increasing number of single mothers in the ghetto can be explained by increasing unemployment among young black men (Wilson 1987).

An other example of a structural explanation is Murray's famous critique of the welfare system (1984). He argues that welfare undermines American families by giving poor people "incentives to fail." Increasing poverty can be blamed on the expansion of welfare. Murray is skeptic to the psychological arguments often used in cultural explanations. Instead he regards poor families' behavior as quite rational according to what he argues are perverted welfare incentives (Murray 1984, chapter 12 note 1).

We know from several studies that growing up in one-parent families and in families dependent on welfare, increases the risk of being dependent on welfare as an adult. Some often expressed explanations to the higher risk, especially for children raised with single mothers, will be briefly related (McLanahan 1985; McLanahan and Bumpass 1988; McLanahan and Booth 1989).

The *economic deprivation argument* explains the low achievements of these children by their parents' low income (Becker 1985; Hill and Duncan 1987; Stafford 1987). Welfare households have less money to invest in their children's future and it is obvious that these children move into adulthood with fewer requirements than other children. Low income also might be a main factor explaining marital breakup and probably also can explain other forms of instability in family structures (McLanahan 1988). Three explanations are connected to the intergenerational effects of growing up in families with one bread-winner. The first is the *socialization or father absent effect*. Negative intergenerational consequences are attributed to the lack of a father in the family. This is thought to have negative psychological consequences on children's cognitive and emotional development, especially for boys. Also, the experience of being raised of by a

single mother may make especially daughters more willing to divorce and to live as single mothers. This hypothesis is closely related to the culture of poverty theory.

The *family stress hypothesis* emphasizes consequences of parents' separation. The effects are most serious right after the disruption and most harmful during adolescence when the child is forming its adult role. It is also claimed that remarriage may be as harmful as separation because it reorganizes relations in the family in a negative way.

Finally we have the *selection explanation* that perceives higher risk as a selection effect of bad family circumstances before family disruption. Problems as an adult may have been worse if the parents had not divorced. The divorce is than just an expression of the real background factors.

Swedish research concerning cross-generational effects of welfare dependence is rare. In a comprehensive study of 100 delinquent boys born between 1941 and 1953, Jonsson (1967) developed a theory of social heredity, "parents of delinquent boys had, during childhood, been exposed to disappointments and trials of about the same kind as those to which them in turn, exposed their sons. This might be called a social and psychological frustration covering three generations: grandparents, parents, and the boy himself." Jonsson found persistent poverty and "the antisocial grudge" (Healy 1915) to be two main variables that could sum up the difference between the control group and the group of delinquent boys. Jonsson concludes: "Two main consequences emerge. In the first case, persistent poverty in the middle of an affluent society must be regarded an external symptom in several other fields; most important for the children is probably the cultural backwardness which follows in the wake of poverty. The role of the school will therefore be a central one. In the second place, public welfare must take into consideration that assistance is not welcomed by those compelled to receive it. In other words, it is necessary to break through a barrier of distrust before the material support will have the positive psychological effect that it really should have."

Jonsson and Kälvesten (1964) expanded the group of delinquent boys with a sample of 222 ordinary Stockholm boys born between 1939 and 1946, in order to compare the two groups. Both groups were followed-up in a study in 1973, eighteen years after the first study (Anderson 1976). Anderson found that parents' income, fathers' criminal record and the family status were most important on explaining dysfunctions later in life. She also found risk factors in the boys' personalities, like bad social adjustment, being

"impulse-driven" and a low IQ. A significant correlation was observed between bad physical health and low IQ, which in turn had a negative effect on performance as adults.

I will in this analysis of the Metropolitan data test the discussed hypotheses about family structures' impact on the risk of cross generational transmission of poverty, and compare results with related results from the studies of Jonsson, Källvesten and Andersson. The results will also be discussed briefly in contrast to comparable American studies that have already been mentioned.

#### MEANS-TESTED WELFARE IN SWEDEN

In contrast to welfare in the United States means-tested welfare is in Sweden not primarily directed towards special groups, like single mothers. Any person living in Sweden who is not capable of supporting himself can apply for welfare. The welfare system is regulated by national legislation and administered municipally by social workers under the supervision of local politicians and the courts. Each town and municipality define a local basic subsistence level and there is extensive local autonomy in defining the level of generosity. Welfare is granted after a thorough means-test related to the municipal definition of basic subsistence level, where the applicant's income and income of other members in the household as well as social security benefits, and personal assets are examples of means. Benefits are mainly given in cash.

Benefits often exceed the basic subsistence level because of special circumstances in each individual case. Having children in the family is one example of a situation where the means-test is liberalized. At the same time it is interesting to note that many individuals with registered incomes below the subsistence level do not apply for help. A recent study indicates that less than half the population with incomes below the subsistence level did not receive welfare (Halleröd 1991).

The rate of welfare beneficiaries has been relatively stable throughout this century, indicating that it is an indicator of relative poverty. During the first three decades of the nineteenth century, as well as during the whole post-war era, five to six percent of the population received welfare. The proportions of different types of households on welfare has however not been stable over time (Korpi 1974; Tham 1991). During the post-war period young families with children have replaced the elderly as the largest single category of welfare recipients. Immediately after the second world war six percent of Swedish

single mothers received welfare compared to seventeen percent in the 1980s. The rate of old-age pensioners on welfare decreased from thirtyseven percent during the first post-war years to only five percent 1980-89 (Tham 1991).

## METHOD

### *Sample*

The Metropolitan project (Janson 1984)<sup>6</sup> is a longitudinal study of a Swedish birth cohort. The cohort consists of all persons born in 1953 and registered habitants of the Stockholm Metropolitan Area on November 1, 1963. The original number of cohort members was 15,117 individuals (7,719 males and 7,398 females). The Project contains longitudinal data from a large number of registers, official files and surveys.

### *Data*

All included variables are found in *table 2*. Age is controlled by definition, and race or ethnic background was not a relevant variable in 1953. Geographical mobility was very small and the mobility that did take place was mainly a move from the rest of the country into the Stockholm area. In 1982 and 1983, data from official files about reciprocity of needs-tested welfare was collected for all cohort members. The dependent variable thus measures if the individual belonged to a household that received welfare 1982-1983.

*Family structure during childhood* is registered at four separate point of time. The first information refers to the year of birth 1953 and is based on excerpts from delivery records, population registers and parish records. The next point in time is 1960 when data are taken from the census. During 1963 the individuals participated in a comprehensive survey, and data was also collected from population registers. The last information about family status are from the 1970 census. The overwhelming majority grew up in a nuclear family with married parents during all years 1953-1970. Only nine percent of the cohort members' parents had separated or divorced by 1968 (Janson 1975). By comparing information from the different years I have constructed four variables measuring changes in family structure during the following periods: 1953-1960; 1960-1963; 1963-1970. In cases where several changes take place during one period, I am only able to register the last one. Data of marital stability are however fully reliable. Official population data do not register cohabitation out of wedlock during the childhood years 1953-70. During the

studied period cohabitation out of wedlock was very rare and this is only a minor problem with the Metropolitan data.

The analysis also includes two sets of control variables. The first set consists of *factors during childhood*. In addition, the above mentioned variables family structure is measured as the number of siblings in 1963 and the mother's age at delivery dichotomized to indicate adolescent childbearing, (not older than nineteen years at delivery). The family's economic status is assessed with the pre-tax family income for 1963<sup>7</sup>. A number of variables estimate the child's intellectual capacity. IQ is measured in the school survey 1966 with a summary measure of the child's verbal, spatial, and numerical abilities (Janson 1975), and the mean of the pupil's marks in the compulsory school in 1966. One variable assesses if the individual graduated from high-school or not. Two socialization variables are part of the models. One indicate's father's criminality registered in the Swedish police files 1963. One variable measures the child's behavior in school. It consists of the child's answer 1966 on the question: "Have you been told to leave class room during a lesson because of something you did?". The variable can be considered as an indicator of if the child is "impulse-driven" (Andersson 1976).

Another set of variables measures *factors contemporary with the dependent variable*. That is cohort member's pre-tax income 1982-1983. There is no information available about a possible partner's income. The family status as measured in the census 1980 has four outcomes. The first is cohabitation, where also non married partners are registered. The second is single person and the third status is when the Metropolitan individual still lives at parent's home. The fourth is all other possible household compositions as a lodger, living with grandparents, uncles, sibling etc. or as an inmate in an institution. How many children the cohort member has is the next variable measuring the family status as an adult. Finally, three variables measure the social situation of the cohort member: 1) First working hours per year completed of the adults in the household, 2) Number of sickness days per year registered in the sickness insurance 1982-83.

## Models

Because of the by now well known problems with dichotomous dependent variables, logistic regression is applied here (Aldrich and Nelson 1984; Hosmer and Lemeshow 1989).

In *table 3* the independent single effects of welfare dependence and family status during childhood are tested. Models controlling for factors during childhood are presented in *table 4* and models with all control variables are tested in *table 5*. Finally the selection hypothesis is tested with a model in *table 6*.

## FINDINGS

As indicated above the pure effect of being raised in a family dependent on welfare increases the risk of becoming welfare dependent as adult (*table 3A*). Family status effects are related to a family with a stable couple. The single effects of family status vary during the studied periods (*table 3B-D*). During the pre-school period all family formations except disruption due to death of parent increased the risk of becoming welfare dependent. In the short middle period 1960-63 only single parent family increased this risk. During the adolescent period 1964-70 both single parent and disruption due to separation increased the risk. The effect of separation might be neutralized during the middle period 1960-63 because it is impossible to differentiate disruption due to death and due to separation. The simple effects are in line with both the socialization and family stress hypotheses. It is also clear that welfare has a single intergenerational effect.

The next step is to extend the analysis with control variables to check the validity of the single effects. Models including factors during childhood are presented in *table 4* and *table 5* includes complete models with both childhood factors and factors contemporary with the dependent variable, i.e., the beginning of the 1980s.

In all models, welfare dependency during childhood has a significant impact on the risk of being welfare dependent as adult. The effect is weaker when other factors are taken into consideration, but is not eliminated. The result does not give support to either *cultural* or *structural explanations* of intergenerational transmission of welfare dependency.

Although both personal factors like IQ and education, and structural like parents income are included, the effect of welfare is significant. It does, however, not necessarily have to be major changes in personal characteristics of the individuals that explains the transmission of welfare across generations, as the extreme version of cultural explanation claims. Welfare has to be applied for, and having parents going to the Welfare Office may decrease the threshold of applying for welfare oneself as adult. The longer period of dependence, the lower the threshold as an adult. We know that many poor households

eligible for welfare do not apply for welfare. It might simply be an effect of learning, and not, as the cultural explanation claims, a major change in the personality.

The *economic deprivation argument* does not get much support here either. The effect of being raised by a single parent is significant also when household income in 1963 is controlled. Single motherhood is the only family status that in all models increases the risk of receiving welfare as an adult except during adolescence 1963-70, when divorces also increase the risk.

The *socialization or father absent hypothesis* is supported by this effect of single mother families. Although family income and welfare during childhood is controlled for, the variable is significant.

The *family stress hypothesis* is only relevant during adolescence and then solely for disruption due to separation. The significant single effects of disruption caused by death of parent and caused by start of a new cohabitation during the years 1953-60 (table 4B) are eliminated when other variables are included in the models.

The analyses together present a complicated cross generational pattern of welfare dependence. Factors in childhood, like IQ, grades, father's criminality, being born by a teenage mother, household income and being excluded from class all have significant effects. The effects are not eliminated when variables contemporary with the dependent variable are included in the models.

Two interactions are included in the three complete models (table 5). The first is between income as adult 1982-83, and sex. In the models where only childhood variables are included (table 4) women have a significant higher risk of becoming welfare recipients than men. This is probably due to women's lower incomes. The effect is reversed in the complete models where the individual income in 1982-83 is included. Men have a higher risk than women when income is taken into consideration. This is also shown by the negative effect of the interaction between sex and income 1982-83, i.e., a man with a low income is worse off than a woman with a low income.

The effect of welfare dependence in 1953-70 does not solely increase the risk of welfare dependence in 1982-83. Being excluded from classroom during a class can be considered as an indicator of personal problems. The positive effect gives support to the supposed danger of being an "impulse driven" child (Andersson 1976). These two single effects are, however, complicated by their negative interaction effect (table 4 and 5). One

interpretation is that children with these personal problems are helped by welfare. Welfare is then not only an indicator of difficulties across generations but also helps children with personal problem to avoid welfare as adults. If welfare is taken as an indicator of family problems, an other interpretation of the interaction can simply be that "impulse-driven" children from homes not on welfare have more severe personal problems than other children.

In order to test the *selection hypothesis* a model is specified (table 6) with marital separation during the last period 1963-70 as dependent variable. Only couples with a stable marriage 1953-1963 are included in the analysis. All factors indicating family problems before the disruption are significant. Welfare has a positive effect but interacts negatively with the other included variables. Father's criminality, being a teenage mother, and receiving welfare during the years 1953-60 increases the risk of marital disruption. The interaction terms indicate, however, that social welfare also helps teenage-mother families and families with a criminal father to decrease the risk of marital disruption.

## DISCUSSION

The question of whether there is a cross generational effect of welfare dependency has been debated both in America and Europe. This study contributes to the discussion by providing an empirical analysis of the extent of intergenerational transmission of welfare dependency in post-war Sweden. The results display a steady cross generational effect of being raised in a family dependent on welfare in all analyzed models. Welfare during childhood increases the risk of being welfare dependent as an adult.

There is, however, no straightforward explanation to this intergenerational effect. A combination of a cultural and structural explanation is proposed in the paper. Poor children run a higher risk of facing the same harsh structural circumstances as their parents. The strong social structure forces them to a life not very different from their parents'. This perspective is of course closely related to the theory of social heredity (Jonsson 1967). We also know that not all poor individuals apply for social welfare in Sweden. One reason might be that the means-test is a far too humiliating experience for many potential welfare clients. If the parents receive welfare, it is possibly easier to apply oneself as an adult, and the cross generational effect is then a simple result of learning.

Several other factors also influence the risk of receiving welfare as an adult. The

individual performance in school, like grades or accomplished education, is important. Parents' behavior and social status, as father's criminality, having a teenage mother and the household income all have impact on the risk. Early indicators of deviant behavior and difficulties controlling impulses also increase the risk. The effects of factors in direct connection with the welfare 1982-83, i.e., number of children, working-hours, income, sickness-leave and family status, had the expected impact on the risk of receiving welfare.

Family status during childhood has specially been focused in this analysis. In all tested models, being raised by a single-parent increased in all tested models the risk of becoming welfare dependent as an adult. The effect was strongest during the first years (1953-60), and significant during all analyzed periods. The only other significant family status was disruption due to separation occurring during adolescence (1963-70). This supports the *socialization* or *father absent hypothesis* and the *family stress hypothesis*.

Social welfare is a means-tested benefit in Sweden as well as in America. In Sweden, means-tested social benefits only make up a minor part of the total social security system. In the United States, they make up a substantial share of social benefits. The purpose of this article has not been to evaluate the quality of means-tested benefits. Yet it is not possible to reject the cross-generational relation of welfare dependency either in Sweden or America. The interpretation of this effect is not straightforward. One might conceive it as a "social heredity" (Jonsson 1967) where parents expose their children to the same disappointments and trials as they themselves experienced as children. It is in that case an expression of persistent poverty, and the rate of intergenerational welfare dependence is a measure of the failure of our society. Many poor families do not apply for welfare and the rate of welfare recipients is in that perspective probably too low. One can interpret the cross-generational effect as a result of learning. Poor children facing poverty as adults have learned how to handle the welfare system and are by that competent of claiming their social rights.

The main difference between Sweden and United States is the role of needs-tested welfare. The needs-tested benefits seems to have cross-generational effects both in America and Sweden.

1. Social mobility is one research area often extended to comparisons of class structure and social mobility in different nations (Erikson and Goldthorpe 1991). Success in young adulthood, measured as educational performance like high school completion, and economic variables, like income, have been penetrated in several studies (Alvin and Thornton 1984; Hauser and Daymont 1977; Hill and Duncan 1987; Krein and Beller 1988; McLanahan 1985; Stafford 1987; Haveman, Wolfe and Spaulding 1991). The study of differences in adult health status and mortality connected with differences in living conditions during childhood, is an important branch of medical sociology (Forsdahl 1977; Barker and Osmond 1986; Nyström Peck and Vågerö 1989; Lundberg 1991; Nyström Peck 1992).
2. The authors defined Welfare as "an aggregate of all forms of public assistent, both federal (AFDC, AFDC-U) and state (General Assistance).
3. Welfare was defined as "AFDC, General Assistance and other Welfare, Supplemental Security Income, and food stamps received by the head of household or wife".
4. "In Sweden, the proportion of income via public transfer for persons leaving marriages rose from 12 percent to 33 percent; the corresponding rate for those who remained married did not change". (Erikson and Fritzell 1988) The authors also made the interesting observation that the proportion of children growing up in a two-parent family has not changed very much in Sweden since 1890. "The explanaiton...lies in the fact that death of a parent was more common at the beginning of the period and the number of children born out of wedlock was greatest in the 1920s".
5. "Welfare saps the capacity of recipients for independent action, damages self-esteem, and reinforces feelings of personal inadequacy, failure and worthlessness. Since traits of autonomy, independence, ambition, and coping are supposedly not reinforced during a childhood on welfare, the welfare child is destined to become a welfare recipient" Macaulay's (1977:77) description of the theory cited from Hill and Duncan (1987).
6. Metropolitan research is published in Research Reports available from the Department of Sociology, University of Stockholm, s-106 91 Stockholm, Sweden. Janson (1984) gives an extensive presentation of the project.
7. Includes compulsory Child Allowances (at the time 550 Swedish kronas per year for each child) as well as the state guaranteed Maintenance Advances to single mothers (which was 996 Swedish kronas per year for children living with a single mother).

Table 1. Incidence of Welfare Receipt among the Metropolitan Population 1953-1972 According to Welfare Status 1982-1983. Percent.

Years on welfare	On Welfare 1982-83	Not on Welfare 1982-83	Total	N
0	57.4	80.1	78.1	9.400
1	8.9	5.1	5.5	655
2-5	16.1	8.5	9.2	1.107
6-10	9.0	4.0	4.4	532
11-20	8.7	2.3	2.8	346
Total	100.0	100.0	100.0	12.040

Table 2. Description of Variables Used in the Analysis.

	On Welfare	Not on Welfare
<i>During childhood</i>		
Sex (%)		
Female=0	50.0	51.3
Male=1	50.0	48.7
Siblings (mean)	1.5	1.3
Years on Welfare 1953-1970 (mean)	2.6	1.0
IQ (mean)	19.8	22.9
Grades 1963 (mean)	2.9	3.3
Excluded from class (%)		
Never=0	34.0	44.4
Once=1	47.6	42.6
Two or more times=3	18.4	13.0
Education (%)		
Basic (9 years)=0	85.3	64.3
More than 9 years=1	14.7	35.7
Father's criminality 1953 (%)		
No registration=0	76.9	88.0
Registered=1	23.1	12.0
Household income 1963 (mean)	19.3	24.4
Teenage-mothers (%)	6.3	3.4
Family status 1953-1960		
Stable couple	81.9	89.6
Stable one-parent	3.6	1.5
Single Parent starts cohabitation	2.2	1.3
Disruption - separation	10.1	6.0
Disruption - death of parent	2.1	1.6
Family status 1960-1963		
Stable couple	80.4	87.8
Stable one-parent	12.5	6.4
Single Parent starts cohabitation	3.3	2.6
Disruption	3.9	3.2
Family status 1963-1970		
Stable couple	66.4	79.7
Stable one-parent	14.1	8.0
Single Parent starts cohabitation	2.1	1.7
Disruption - separation	14.4	7.9
	2.9	2.8
<i>Cohort Member's Characteristics as Adult</i>		
Income 1982-1983 (mean)	45.2	66.8
Family status 1980		
Cohabitation	5.7	12.1
Single	11.5	7.3
Child	8.3	8.7
Other	18.5	8.0
Number of Children 1983 (mean)	0.8	0.8
Working-Hours		
>20 hours per week=0	69.5	88.8
<20 hours per week=1	30.5	11.2
Days on Sickness Leave 1982-1983 (mean per year)	32.9	12.6

Table 3. Logit Estimates for the Risk of Becoming Welfare Dependent. Single Effects of Welfare 1953-1972 and of Family Status 1953-1970.

A.

Variable	Logit	S.E.
Welfare 1953-70, # years	0.120**	0.007

Pseudo R2 = 0.034

B.

Variable	Logit	S.E.
Family status 1953-60		
Stable single-parent	0.940**	0.185
Parent starts cohab.	0.642**	0.228
Disruption-separation	0.617**	0.112
Disruption-death	0.408	0.230

Pseudo R2 = 0.008

C.

Variable	Logit	S.E.
Family status 1960-63		
Stable single-parent	0.751**	0.102
Parent starts cohab.	0.306	0.185
Disruption	0.283	0.171

Pseudo R2 = 0.007

D.

Variable	Logit	S.E.
Family status 1963-1970		
Stable single-parent	0.756**	0.098
Parent starts cohab.	0.420	0.229
Disruption-separation	0.783**	0.098
Disruption-death	0.225	0.195

Pseudo R2 = 0.014

Note: S.E. = standard error.

Table 4. Logit Estimates for the Risk of Becoming Welfare Dependent

1982-83.

Variable	Logit	S.E.	Logit	S.E.	Logit	S.E.
Sex	-.327**	.081	-.320**	.081	-.296**	.082
Siblings	-.007	.036	-.007	.036	-.015	.037
Years on Welfare 1953-70	.096**	.025	.100**	.024	.093**	.025
IQ	-.030**	.008	-.030**	.008	-.031**	.008
Grades 1963	-.004**	.001	-.004**	.001	-.004**	.001
Excluded from Class	.370**	.062	.368**	.062	.354**	.062
Education	-.588**	.108	-.578**	.108	-.576**	.108
Father's Criminality	.265**	.096	.261**	.096	.215*	.097
Teenage mother	.351*	.156	.370*	.155	.276	.159
Household Income 1963	-.010**	.004	-.010**	.004	-.011**	.004
Welfare 1953-70*Excluded from class	-.020	.012	-.022	.012	-.019	.012
Constant	-.965**	.249	-.945**	.248	-.929**	.249
Family status 1953-60						
Stable single-parent	.641**	.218				
Parent starts cohab.	.232	.276				
Disruption-separa.	.191	.134				
Disruption-death	.379	.257				
Family status 1960-63						
Stable single-parent			.367**	.128		
Parent starts cohab.			.040	.212		
Disruption			-.094	.195		
Family status 1963-70						
Stable single-parent					.357**	.121
Parent starts cohab.					.014	.255
Disruption-separa.					.437**	.113
Disruption-death					.132	.223
			Pseudo R2 = .082		Pseudo R2 = .081	Pseudo R2 = .084

Note: S.E. = standard error.

Table 5. Logit Estimates for the Risk of Becoming Welfare

Dependent 1982-83.

Variable	Logit	S.E.	Logit	S.E.	Logit	S.E.
Sex	1.435**	.189	1.437**	.189	1.454**	.189
Siblings	.036	.037	.037	.039	.033	.039
Years on Welfare 1953-70	.088**	.027	.092**	.027	.087**	.027
IQ	-.027**	.008	-.027**	.008	-.027**	.008
Grades 1963	-.002**	.001	-.002**	.001	-.002**	.001
Excluded from Class	.340**	.066	.338**	.066	.323**	.067
Education	-.646**	.115	-.634**	.114	-.633**	.115
Father's Criminality	.267**	.103	.257**	.102	.219*	.104
Teenage mother	.421*	.169	.438	.168	.319	.171
Household Income 1963	-.009*	.004	-.008*	.004	-.008*	.004
Welfare 1953-70* Excluded from class	-.025**	.014	-.027*	.014	-.026	.014
Income 1982-83	-.012**	.002	-.012**	.002	-.012**	.003
Family Status 1980						
Single	1.072**	.097	1.088**	.097	1.080**	.097
Child	.431*	.178	.436*	.178	.474**	.177
Other	1.007**	.142	1.045**	.141	1.022**	.141
Number of Children 1983	.173**	.048	.179**	.048	.175**	.048
Working-Hours 1980	-.521**	.103	-.538**	.102	-.563**	.103
Sickness-leave 1982-83	.010**	.001	.010**	.001	.010**	.001
Sex * Income 1982-83	-.024**	.003	-.024**	.003	-.023**	.003
Constant	-1.453**	.301	-1.442**	.301	-1.425**	.301
Family status 1953-60						
Stable single-parent	.517*	.243				
Parent starts cohab.	.017	.303				
Disruption-separa.	.157	.142				
Disruption-death	.281	.283				
Family status 1960-63						
Stable single-parent			.339*	.137		
Parent starts cohab.			-.100	.227		
Disruption			-.156	.207		
Family status 1963-70						
Stable single-parent					.295*	.131
Parent starts cohab.					.080	.268
Disruption-separa.					.367**	.122
Disruption-death					.023	.241
			Pseudo R2 = .201		Pseudo R2 = .201	
					Pseudo R2 = .204	

Note: S.E. = standard error.

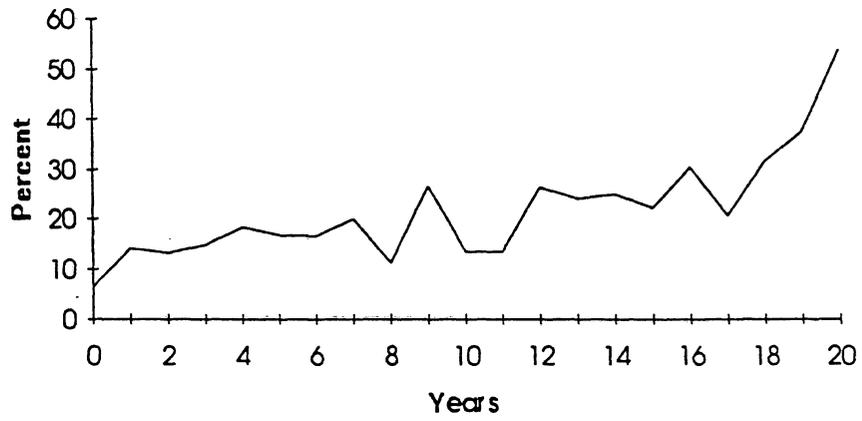
Table 6. Logit estimates for the risk of marital disruption

1963-70 among stable couples 1953-1963.

Variable	Logit	S.E.
Welfare 1953-59, # years	.413**	.023
Father's criminality 1953	.615**	.121
Teenage-mother at delivery	.801**	.186
Welfare 53-59 * Father's criminality	-.163**	.039
Welfare 53-59 * Teenage-mother	-.174*	.081
Constant	-3.136**	.051
Pseudo R2 =.073		

Note: S.E. = Standard Error.

Figure 1. Incidence of Welfare Receipt among the Population 1982-83 according to Number of Years on Welfare 1953-70



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POVERTY PRODUCED BY THE WELFARE STATE  
An Application of Longitudinal Analysis

by

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Abstract

Empirical poverty research has been revolutionized by dynamic analyses based on longitudinal data sets. The dynamic approach originated in the USA in the 1970s and 80s and is currently being taken up in Europe. This paper presents some results of the first German dynamic poverty study. The data base consists of event histories extracted from administrative files, the Bremen Longitudinal Sample of Social Assistance Records (LSA). This paper analyzes only a part of that sample (n=586 files=1570 persons).

The paper takes up two new perspectives in the explanation of poverty opened up by the dynamic approach: the shift to dynamic explanatory models that take account of changes in the causes of poverty in the course of poverty processes and also pay attention to causes of getting out of poverty; and the analysis of politico-administrative causes of poverty ("welfare-farization"/"state dependence" of welfare recipients) beyond conventional socio-economic or individual explanations. Using descriptive table analysis as well as advanced multi-episode modelling, we show that welfare state agencies shape ways into, through and out of social assistance in a complex way. The approach differs from US-research in two ways: The focus is on configurations of spells ("social assistance careers") rather than single spells; and we look at ways into (and out of) social assistance caused by higher order benefit systems (like unemployment insurance and old age pensions) rather than by social assistance itself.

## 1. New perspectives in the explanation of poverty

### 1.1. Politico-administrative vs. socio-economic explanations

Traditionally, poverty research has been concerned with economic and social causes of poverty. Labour market variables like low pay, unemployment and underemployment and family variables like single parenthood and divorce are usually investigated as to their role in bringing about poverty. 'Individual' causes of poverty, too, mostly refer to a lack of capacities on the side of the poor with regard to participation in the labour market or with regard to setting up and successfully managing a family household. In this view, public policies assume the role of *combating* poverty, either in a preventive way by intervening in the labour market and family relations to check processes of exclusion and marginalization, or in a 'curative' way by setting up programmes for the poor to improve individual capacities and inclinations to become self-sufficient.

However, the welfare state not only combats poverty arising from socio-economic factors but also produces poverty itself. Charles Murray in his "Losing Ground" summarizes his critique of the American welfare system by saying: "We tried to provide more for the poor and produced more poor instead." (1984:9). This view has a long tradition dating back to the earliest liberal critic of state welfare. Thomas Malthus held that poor relief acted as a "bounty on indolence" and promoted excessive child births. In the US-American debate of the 1980s the issue has been addressed under the label of "*welfarization*" and "*state dependence*" (Lerman 1987, Ellwood 1987, Blank 1986).

### 1.2 Dynamic vs. static explanations

Methodically research on welfarization and dependence has profited from the use of *dynamic* poverty analysis. This new approach to the empirical study of poverty that draws on longitudinal data has emerged from the late 1970s to become a major paradigm of the 1980s and 1990s in the USA and now also in Europe.<sup>1</sup> This type of studies has drawn attention to the temporal aspects of poverty. By looking at poverty as a process with a certain duration, it has opened up new perspectives on the description, the explanation, and the political administration of poverty (Leisering/Voges 1990).

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<sup>1</sup> For an overview of the US-literature s. Buhr 1991. For recent European followers see the references quoted below.

Two kinds of data base have been used in dynamic research: general survey data on household income, such as the Panel Study of Income Dynamics in the USA (PSID, data from 1968 onwards) and the German Socio-Economic Panel (SOEP, from 1984), and process-produced data collected from administrative files (social assistance case records), such as the data use in the analysis of American Welfare employment schemes (Wiseman 1991) and the Bremen Longitudinal Sample of Social Assistance Files (LSA) for Germany. This article draws on analyses of the LSA carried out in the research project "Social Assistance Careers" at Bremen University, Germany, which was the first German project to undertake dynamic poverty analyses (Buhr et al. 1989, 1990).<sup>2</sup> Process-produced data have particular advantage over the survey data: They are better suited to tracing the impact of institutional factors such as the social assistance authorities or the labour exchange on processes of impoverishment and marginalization. The Analyses presented in this paper could not have been carried out using the Socio-Economic Panel.

One of the conclusions to be drawn from the growing body of literature on dynamic aspects of poverty is a revision of the concept of *causality* in poverty research. Traditionally, 'causes' of poverty has referred to factors that explain why people fall into poverty. By contrast, dynamic analyses have directed our attention to the factors by which people get out of poverty (see e.g. Ellwood 1986). If poverty is seen as a phenomenon in time, i.e. as a situation of individuals with a certain duration - and not as a stable status or even a residual class in society, as conventionally held - then poverty can only be fully explained by investigating the causes both of the beginning and the end of a poverty spell. Since many people have several episodes in poverty or on social assistance resp., with periods out of poverty in between, further intermediate causes have to be considered. The cause for starting the first poverty spell may just be the first step in a sequence of other spells caused by other factors (Buhr/Voges 1991). This is also crucial to the analysis of state-produced poverty. We have to remind critics of the welfare state that the welfare state not only produces poverty, but also terminates phases of poverty.

Looking at US-research, however, we find that the debate on welfarization and state dependence focusses not on state-induced ways *into* or *out of* but rather on ways *through* social assistance. The prime concern is as to whether receipt of social assistance (or "welfare" in American usage) generates a momentum of dependence on external aid that keeps people longer on assistance

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<sup>2</sup> Other researchers beside the authors of this paper include Petra Buhr, Monika Ludwig, Michael Zwick; Stephan Leibfried and Wolfgang Voges head the project.

than their socio-economic situation would justify.<sup>3</sup>

The reasons for entering and leaving assistance are mostly analyzed in conventional terms, emphasizing labour market, family and related factors. The approach proposed in this paper is wider and different: We are more interested in welfare state factors leading into or out of assistance, i.e. factors which are located beyond social assistance in the wider system of public monetary transfers such as unemployment benefits, old age pensions or students' allowances.

This shift of emphasis is not just a matter of choosing a different topic. Looking at welfarization within and by social assistance is a highly relevant question in welfare states with large systems of poor relief and a less pronounced higher echelon of insurance-based benefits. Such countries like the USA and Britain are usually referred to as having adopted a "poverty approach". By contrast, in 'dualist' welfare states like Germany with a sharp dividing line between a massive, near-universal insurance system and rather marginal institutions of poor relief (social assistance) investigating ways *into* poor relief assumes a particular relevance, because they can be interpreted as a failure of the higher echelon systems. More generally speaking, with increasing institutional complexity and universality of welfare state provisions, we have to reckon with more secondary effects.

### 1.3 From spell analysis to poverty "careers"

There is another difference, regarding method, to US-research. The American studies have been criticized for taking single spells as units of analysis rather than *configurations* or *patterns* of spells (Leisering/Voges 1990, Ashworth/Hill/Walker 1992). The analysis of spells remains a methodological advance of the dynamic approach compared to traditional approaches that treat poverty as an attribute of persons without specified duration. But spell analysis has to be incorporated into an analysis of the entire poverty process which includes phases out of poverty and links between multiple spells of one person. In our quantitative analysis this perspective of poverty "careers" or social assistance careers resp., as we call it, is reflected in the use of complex multi-episode modelling (see section 2). In our qualitative research, which is not presented in this paper, the new approach is reflected in the use of open biographical interviews and an action-theoretical conceptualization of 'careers'.

The concept of career has been developed in the sociology of deviance to expose the dynamic

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<sup>3</sup> For an analysis of this literature, which has hardly been received in Germany (for an exception see Strang 1985:68-71), see Leisering/Voges (1992, section II.2)

character of social problems like delinquency or mental illness. Whereas some proponents of the labeling approach have used the concept to denote the overwhelming impact of external factors – social reactions to alleged deviance by institutional agents, e.g. in Goffman's "The moral career of the mental patient" (1959) – other studies have modelled such processes as the interplay of institutional factors and individual action. We adopt the latter approach (Ludwig 1992). While maintaining that welfare state agencies induce dynamic processes of poverty, we do not think of this influence in a deterministic way. There is always scope for individual action in attempts at not getting into or at getting out of poverty. In particular, the concept of career is not meant to support assumptions of unidirectional and irreversible paths into marginality so popular among the poverty lobby.

The dynamic approach neither implies a restriction of research to the long-term poor, who are, e.g., the subject of the ongoing study "Long-term recipients of social assistance in the Nordic countries" (see e.g. Halvorsen 1992). Careers can be short. It was one of the most striking findings of dynamic poverty studies in Germany and other countries that the bulk of the people in poverty or on social assistance resp. stay only for a short time. As will be shown in the empirical part of this paper, there is even a special kind of welfare state produced short-term poverty. Although short-term effects as such could also be identified by a conventional static analysis, their significance compared to other types of poverty careers can only be captured in a dynamic analysis.

It can only be briefly mentioned here that the problem of poverty production by the welfare state is only one aspect of the wider issue of the production of social problems in general by the welfare state and the even more general issue of unintended effects of welfare state development on the structure of society.<sup>4</sup> The welfare state not only solves problems but also creates new ones (and exacerbates old ones resp.). Theories which have touched upon this issue include policy analysis, functional analysis, macro-sociology of the welfare state, class theory, theories of social services and professions and, last but not least, the 'theory of social problems', especially the labeling approach already mentioned in the context of the career concept. These theories or analyses have taken account of the temporal aspects of welfare state effects to varying degrees. Another crucial problem of method has been covered even less sufficiently in the relevant studies, namely the linkage of macro effects (structural effect of welfare policies e.g. on the labour market) and micro effect at the level of individual case dynamics (interaction of

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<sup>4</sup> For a full discussion and literature review of these issues see Leisering/Voges (1992, section I).

clients and welfare institutions).

## 2. Empirical findings: the dynamics of state-produced "social assistance careers"<sup>5</sup>

This analysis is based on the Bremen Longitudinal Sample of Social Assistance Files (LSA), namely by "poverty" we always mean receipt of social assistance. The LSA is a 10% random sample of social assistance files (case-records) and related files in the city of Bremen. It covers all applicants from 1983 to the present day, and sampling continues. In this article we only draw on a part of the whole sample, i.e. those recipients who first applied for assistance in 1983 (n = 586 files, corresponding to 1570 persons).<sup>6</sup> The 1983 application cohort has been followed through to 1989. Data contained in the files have been collected by way of special 'questionnaires' that cover a broad range of variables. Almost all data have been collected as event histories recording any change that occurred between 1983 and 1989.

We distinguish three types of poverty produced by the welfare state. A social assistance spell is said to be produced by the welfare state, if it falls into one or more of the following three categories:

- The applicant is waiting for benefits other than social assistance, e.g. unemployment benefits or old age pensions which he has applied for but which have not yet been paid out. We call these 'wait'-cases *frictional poverty*.

We speak of *transfer poverty* in the case of persons who fall into social assistance, because they receive insufficient benefits from other monetary transfer systems.

*Status poverty* refers to persons who are in a special state of deprivation produced by the state but not addressed by the welfare state, such as release from prison or refugees who are not allowed to work.

For technical reasons we often distinguish only between "waiting" clients (frictional poverty) and "non-waiting" clients. The latter category mostly consists of "transfer poor". As an abbreviation we refer to these two categories of recipients as WAIT and NON-WAIT. The category of "status poor" is not examined more closely, because numbers are small. Based on this typology

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<sup>5</sup> This section is a shortened version of Leisering/Voges (1992, section III).

<sup>6</sup> We only look at persons who receive "Hilfe zum Lebensunterhalt" (maintenance benefits), excluding "Hilfe in besonderen Lebenslagen" (benefits for persons in special needs), because the former type of benefits best reflects the meaning of poverty.

we analyze three aspects of poverty processes: Welfare state produced ways into social assistance (first spell, beginning of a social assistance career); welfare state produced ways into and out of social assistance (relating to single spells); and social assistance careers as shaped by the welfare state (multiple spells).

### 2.1. Welfare state produced ways into social assistance (first spell)

It turns out that a considerable proportion of first spells on social assistance is produced by the welfare state. The overall proportion is 55%. These cases cut across conventional poverty types defined by socio-economic variables like old age or unemployment. In those categories where we would expect frictional poverty, namely in the case of unemployment and old age, frictional poverty amounts to more than half of the poverty produced of the welfare state. With regard to all first spells it amounts to 37%. This situation arises especially if the unemployment authorities are overwhelmed by a massive and sudden increase in unemployment due to mass lay-offs in big ship-building industries, e.g. in the case of lay-offs in the industry at Bremen that occurred in those years. Such frictional poor mostly stay on assistance only for a short time.

Table 1: Causes of ways into social assistance (first spell) with proportion of state-induced cases

cause	total		state induced cases		in each group	
	N	%	N	%	N	%
unemployment	328	56	218	67	187	57
family	64	11	-	-	-	-
education/training	44	8	28	64	5	11
immigration, refugees	28	5	11	39	-	-
social problems	17	3	4	24	-	-
old age pensions	24	4	23	96	11	46
illness	13	2	-	-	-	-
employment	14	2	-	-	-	-
others	54	9	-	-	-	-
<b>total</b>	<b>586</b>	<b>100</b>	<b>321</b>	<b>55</b>	<b>219</b>	<b>37</b>

Data base: Bremen Longitudinal Sample of Social Assistance Files (LSA, 1983 applicants cohort), Department of Youth and Social Affairs and Center for Social Policy Research

But the welfare state not only causes ways into social assistance but also may account for peoples' leaving social assistance between 1983 and 1989. 30% of all recipients (174 cases) get out of assistance, because they receive other benefits. 21% (124 cases) leave because they take up work or their wage has risen above the social assistance line. 30% of recipients leave for other reasons (176 cases) while 19% (112 cases) still receive assistance after 6 years.

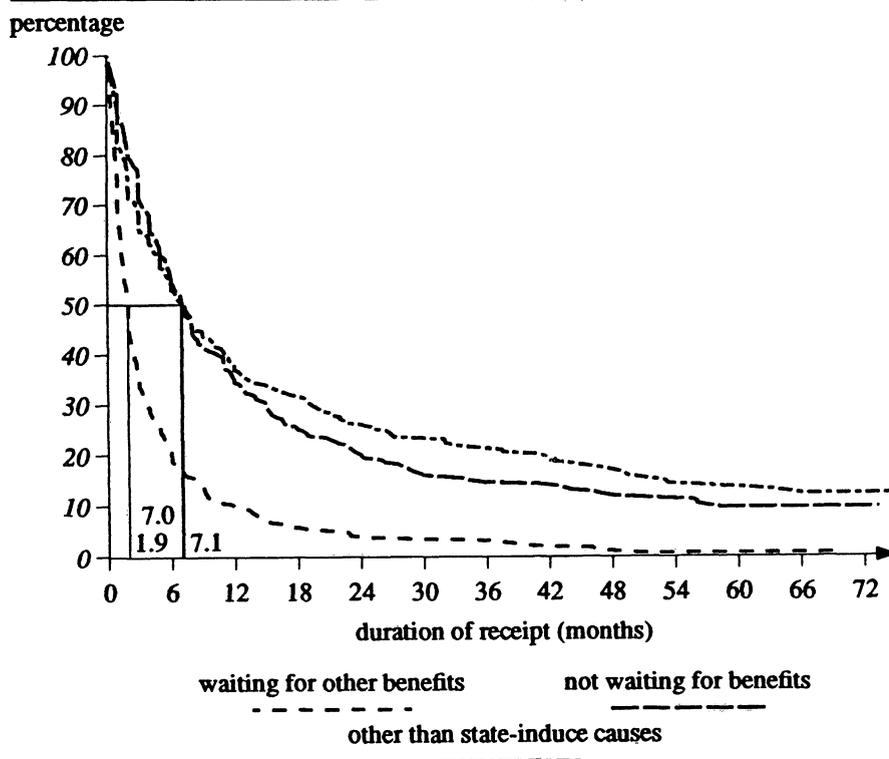
If we compare the causes of ways into assistance (first spell) with the causes of ways out of assistance (last spell), we find that most people get out because the reason they got in has been reversed. This simple comparison, however, hides long and complicated chains of spells of receipt of assistance and non-receipt. Therefore, strictly speaking, it does not make sense to compare the entry cause of the first spells with the exit cause of the last spell, because a whole range of other causes may have intervened. To tackle the structure of social assistance careers we first look at single spells, i.e. at first and later spells without regard for their connections.

## **2.2. Welfare state produced ways into and out of social assistance (single spells)**

In some cases people start their first spell because they are "waiting", but start a second spell later for other reasons, or the other way round. For this reason the cause of the first way into assistance only has a limited potential of explaining the total duration of receipt. The causes for each single spell promise to have much more explanatory power. We therefore proceed to look at spells with regard to duration and causation independent of the situation at the beginning of the first spell.

By spell we mean a continuous time of receipt with no interruptions of more than one month. The median duration of a spell caused by waiting for other transfers is 1.9 months, whereas it is 7.1 months in other cases produced by the welfare state. All other spells (not produced by the welfare state) have a similar duration as the latter category. Apart from the median duration of receipt in each category there are obviously big differences in duration. This can be illustrated by use of survival functions. Figure 1 shows the survival function for each of the three groups (WAIT, NON-WAIT, non welfare state causes). We see that most WAIT cases leave assistance very quickly. After two years they can hardly be found in the sample. In the other two categories receipt lasts very short in a few cases but a considerable part of all recipients stays on for a longer time.

Figure 1: Receipt of social assistance induced by the welfare state (survival function)



Medians computed according to the product-limit method.

Source: Bremer Longitudinal Social Assistance Sample (LSA), cohort beginning receipt in 1983, Senator for Youth, Social Services and Health, and Centre for Social Policy Research.

Up to this point we have assumed that the duration of a spell is determined by the starting cause of the spell. But it is also important to look at the chances and options in each case to leave social assistance. For this reason we have to relate causes of entry to causes of exit. In this way we can identify "pure" WAIT cases, i.e. cases who fall onto social assistance because they wait for other transfers and actually leave assistance soon when these transfers are paid. Table 2 shows how spell duration is influenced by the causes of beginning and ending a spell. As expected those WAIT cases have the shortest spells who leave because they receive other benefits. This way of leaving also shortens spell duration in NON-WAIT cases, although obviously much fewer people in this category leave in this way. This is a first hint that recipients of insufficient other transfers (who are the bulk of the NON WAIT category) have less opportunities of leaving assistance. But the table also shows that around a third of all WAIT spells are finished for other reasons than receipt of other transfers. Conversely, one sixth of the people who fell onto assistance for other reasons left by way of other transfers, i.e. their poverty was terminated by the welfare state.

Table 2: Duration of social assistance spells by role of welfare state in beginning and ending

cause for ending a spell	cause for beginning a spell								
	induced by welfare state			other causes					
	Transfers	WAIT		Transfers	NON-WAIT		duration	N	%
	duration	N	%	duration	N	%	duration	N	%
receipt of other transfers	1,4	248	62	3,0	58	17	4,9	41	15
finding a job	1,9	30	8	6,3	75	21	5,0	28	10
others	4,3	107	27	6,9	170	49	5,0	162	57
spell not terminated		12	3		47	13		52	18

duration: median duration of receipt in months  
 N = number of spells with this combination of causes

Data base: Bremen Longitudinal Sample of Social Assistance Files (LSA, 1983 applicants cohort), Department of Youth and Social Affairs and Center for Social Policy Research

What are the determinants of ending a social assistance spell? The welfare state not only produces poverty, but also terminates spells on assistance. The chances of leaving assistance through other benefits are a crucial aspect of the production of poverty by the welfare state. These chances are not evenly distributed. Different people have different access to alternative welfare state benefits. To clarify this issue it is important to notice that causes of receiving assistance change over time – even within a spell. Some recipients, e.g., try to escape assistance by taking up work or claiming other benefits. To identify and explain such processes we have to model the chance of leaving as transition rate determined by time variable covariates within spells. By transition rate we mean the conditional probability of terminating receipt in time  $t$ , unless it has already been terminated earlier. Covariates are incorporated into the model by splitting all episodes into time intervals of one month length.

Table 3 shows the results of the estimation of an exponential model ("piecewise-constant model") for the different ways of terminating a social assistance spell. Among others the results show that women have considerably fewer chances than men of terminating receipt through other benefits or taking up work. Receipt of other transfers *during* a spell generally decreases the chances of leaving assistance. *We conclude that insufficient welfare state transfers are a cul-de-sac because higher or other transfers are unlikely.* If the labour market situation is tense, the transition rate is influenced negatively, among other reasons due to the overload of the unemployment authorities in handling claims for unemployment benefits.

Table 3: Determinants of leaving social assistance (in state-induced and other cases), related to three (state and non-state) options of leaving

Variable	receipt of other benefits	finding a job	other options
women	-0,984** (7,459)	-0,497** (3,551)	-0,137 (1,158)
foreigner	-0,077 (0,451)	-0,220 (1,200)	-0,042 (0,255)
children	-0,754** (4,181)	0,144 (0,829)	-0,401** (2,447)
elderly	-0,535** (2,304)	-1,010** (3,233)	-0,483** (2,237)
household size	-0,141** (2,475)	0,024 (0,456)	-0,048
age	0,002 (0,443)	-0,012** (2,271)	-0,006 (1,413)
NON-WAIT	-1,791** (11,045)	0,578** (4,209)	-0,089 (0,751)
other benefits	-1,488** (7,351)	-0,442** (3,109)	-0,318** (2,459)
labour market	-0,313** (5,549)	-0,112* (1,716)	-0,381** (6,489)
constant	-0,762	-5,213	-0,869
Log-likelihood		-6.904,971	
Chi <sup>2</sup> (df)		781,89 (29)	
number of spells		12.197	
number of events		910	

This model is an Exponential-Model with spell-splitting. Significance  $p < 0,05$ : \*\*,  $p < 0,10$ : \*;  $t$ -values in brackets. Likelihood-Ratio-Test (Chi<sup>2</sup>) with regard to Exponential-Model without covariats. Reference groups: men, German, no children in household, no elderly in household, household size = 1, starting cause "WAIT", no receipt of other benefits. Children, elderly, household size, age (integer), benefits, and labour market situation were measured at the beginning of the split. Maximum-Likelihood-estimation of the coefficients by programme TDA (Rohwer 1991). Data base: Bremen Longitudinal Sample of Social Assistance Files (LSA, 1983 applicants cohort, Department of Youth and Social Affairs and Center for Social Policy Research

*We conclude that poverty is produced by the welfare state also insofar as the welfare state provides no choices for certain groups to become independent of assistance. This also applies to persons whose way into assistance was not caused by the welfare state. If other transfers were paid during receipt, this led to a prolongation of receipt und decreased chances of becoming independent of assistance. We now switch from single spells to an analysis of configurations of spells, i.e. social assistance careers.*

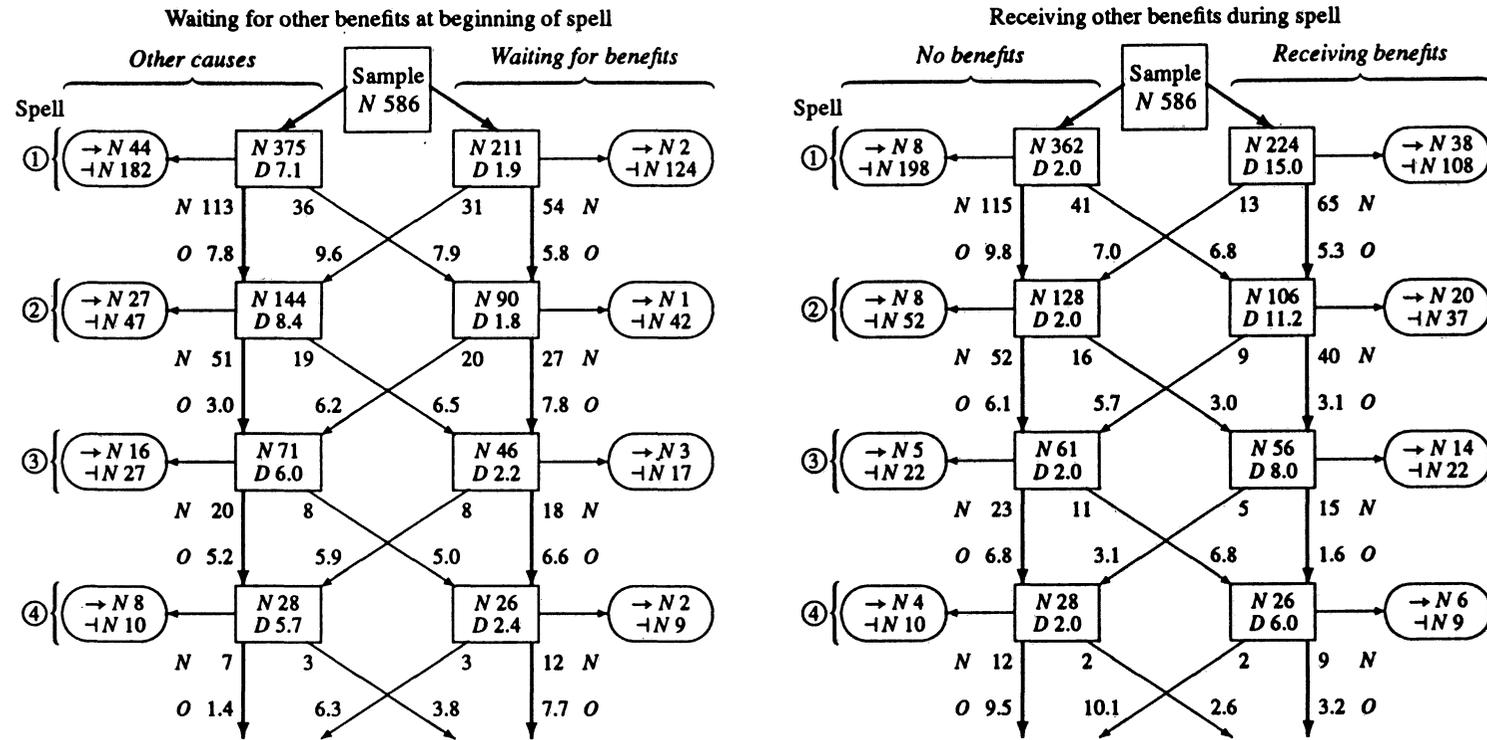
### 2.3. Social assistance careers

Is there a relationship between causes of beginning a spell and causes of beginning later spells? This can, e.g., point at specific problems of social policy: If somebody waits for other transfers repeatedly this may be due to administrative problems of handling mass unemployment, but it can also indicate instable, discontinuous employment careers at a low level of income. In the latter case, people can never save enough money to bridge short times without income while waiting for unemployment benefit being paid out. If we look at changes in the causes of receipt in the course of social assistance careers, we can find out in which cases waiting for other transfers is the beginning of a longer social assistance career. In some cases people wait for benefits that are too low to allow them to leave when they are paid. This applies to one seventh of all WAIT cases. In other cases, after some time without assistance, they fall back on assistance, this time maybe for other reasons.

Figure 2 shows for two pairs of causes how causes of receipt can change from one spell to another; in the first case the first spell begins by waiting for other transfers versus other causes, in the second case the first spell begins with insufficient transfers versus no transfers. Let us turn to the first case: In the first spell the 586 cases of the whole sample either fall into the category of WAIT or NON-WAIT. In the sequel there are four possibilities: (1) The client leaves social assistance for good after the first spell. (2) The client still receives benefits at the point of sampling (1989), i.e. it is a censored case. (3) The client starts a new spell for the same reason as the first spell. (4) The client starts a new spell for a different reason.

In a way only those WAIT cases which leave assistance for good after the first spell are "pure" WAIT cases, disregarding possible changes of causes during the first spell. For the others, the WAIT status is the beginning of a longer social assistance careers with interruptions of receipt. This could be people who fall on social assistance again and again because of waiting. In another paper we have characterized this type of recipient as "multiple bridger" (Buhr/Voges 1991). In figure 2 this type can be identified by a sequence of vertical arrows. In other cases the

Figure 2: Social assistance careers of persons waiting for or receiving other benefits respectively



*N* Number of social assistance cases in spell *t*.  
 → Cases in receipt in this spell (censored duration).

← Cases terminating social assistance within this spell.

Source: Bremer Longitudinal Social Assistance Sample (LSA), cohort beginning receipt in 1983, Senator for Youth, Social Services and Health, and Centre for Social Policy Research.

*D* Mean of social assistance spell.

*O* Mean of time out of social assistance within observation period (1.1.1983–31.3.1989).

Duration in months. Medians computed according to the product-limit method.

second spell can be caused by different reasons. This case is represented by a diagonal arrow in the figure.

We may conclude that the influence of welfare state factors changes over time. By modelling transition rates we can clarify the different effects of monetary transfers in the course of social assistance careers, including an analysis of the different chances of social groups of leaving assistance. In such a model the probability of leaving social assistance is estimated on the basis of all previous spells as well as the intermediate periods without receipt of benefits.

Table 4 shows that women have a low chance of ending receipt for good during the first and second spells. For the third spell, however, this effect is no longer significant. In the case of foreigners it is the other way round. From the third spell onwards, there is a positive effect of nationality on the transition rate. This may be due to the fact that foreigners who have more than one episode are not normally refugees applying for asylum but other types of foreigners. Households with children or elderly have lower chances of leaving assistance, but this applies only to the first and second spells. Family size as such has only a small negative effect in the first spell. From the third spell onwards these factors no longer influence transition rates. A reverse effect shows for the age of the earner in the household. With an increasing duration of the social assistance career older applicants have lower chances of leaving.

Table 4: Determinants of leaving social assistance (in state-induced and other cases) at different stages of social assistance careers

Variable	1. spell		2. spell		3. spell	
women	-0,392**	(4,126)	-0,626**	(3,779)	-0,408	(1,619)
foreigner	-0,114	(0,909)	-0,025	(0,114)	1,139**	(3,245)
children	-0,238*	(1,870)	-0,707**	(3,316)	-0,258	(0,779)
elderly	-0,633**	(2,993)	-0,804*	(1,878)	-0,781	(1,567)
household size	-0,070*	(1,663)	-0,013	(0,199)	-0,021	(0,231)
age	-0,002	(0,637)	-0,012**	(2,031)	-0,033**	(3,173)
NON-WAIT	-0,356**	(3,819)	-0,403**	(2,602)	-0,730**	(3,265)
other benefits	-0,636**	(5,441)	-0,675**	(3,853)	-0,209	(0,895)
labour market	-0,664**	(11,989)	-0,326**	(3,484)	-0,255	(1,463)
no receipt			0,007	(1,194)	0,028**	(2,669)
constant	3,912		0,251		0,269	
Log-likelihood			-5.530,394			
Chi <sup>2</sup> (df)			582,43	(31)		
number of sub-spells			10.811			
number of events			837			

cf. annotations in table 3. Periods without receipt were measured at the beginning of a spell. Data base: Bremen Longitudinal Sample of Social Assistance Files (LSA, 1983 applicants cohort, Department of Youth and Social Affairs and Center for Social Policy Research

With the increase of the number of spells on assistance the negative effects of other reasons than 'waiting for transfers' increase, whereas the negative impact of insufficient transfers decreases. From the third spell the latter factor becomes relevant. With an increasing duration of the social assistance career the impact of local labour market factors also decreases. It is also interesting to see that intermediate phases without receipt have a positive effect on the transition rate for the next spell from the second spell onwards. This may be seen as evidence of our assumption that people use the time out of assistance to collect entitlements to unemployment benefits or other transfers which enable them to start the next episode on assistance under more favourable conditions.

All in all we may conclude that structural gaps in social security provisions have a considerable impact on social assistance careers. Analyzed from a dynamic point of view the production of poverty by the welfare state turns out to be a complex phenomenon: Social security benefits other than social assistance do not only influence ways *into* but also ways *out of* and above all ways *through* social assistance (with and without interruptions of receipt). In each phase of a social assistance career the welfare state offers positive options to certain social groups while discriminating others.

### 3. Conclusion

Do our findings suggest that the production of social problems by the welfare state has come to dominate the function traditionally ascribed to the welfare state, namely to tackle and solve social problems? From a static point of view, this seems to be the case. In our study most cases in the sample entered social assistance due to welfare state factors. A dynamic point of view, however, leads to a more differentiated picture. The longitudinal analysis of receipt of assistance has shown that the institutions of social security unleash complex dynamics of social problem careers. The concept of career which stems from an action theoretical background has been used in this study precisely to highlight the contingency of poverty processes and not, as often in everyday language of politics and public morality, to denote irreversible downward movements and marginalization. The welfare state also creates chances of leaving social assistance. In particular, it helps that most recipients stay on receipt only for a short while. The chances of escaping and regaining autonomy are unevenly distributed, however, a finding which can hardly come as a surprise. In so far the welfare state shapes structure of poverty and inequality.

We should add that our qualitative analysis which we could not present in this paper has shown that receipt of social assistance does not only mean financial scarcity, dependence and stigma,

but, for certain types of recipients, can also support attempts at gaining or regaining individual autonomy. This applies to biographical "passages", especially in the lives of young people leaving home, or in the case of separation or divorce from a partner or raising a child as a single mother.

Dynamic analysis seems to be a promising approach to the analysis of social problems. It is a task for future research to develop technics of quantitative analysis and to link quantitative longitudinal analysis to qualitative biographical research. Both types of analysis have reached a fairly high standard, but they have mostly be pursued apart from each other. Another methodological and theoretical problem deserves special attention in future research, the problem of different social levels. A full dynamic theory has to link social change at the macro level of society to the dynamics of individual cases at the micro level. In this paper we have incorporated the labour market as a structural variable into our quantitative modelling of social assistance careers. In the next stage of the research project from which this paper is taken we aim to analyze a later applicant cohort than the 1983 cohort to identify the impact of further structural variables and to look for changes in the patterns of individual case dynamics over time.

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**ASSESSING THE IMPACT OF ANTI-POVERTY POLICIES:  
- THE AUSTRALIAN EXPERIENCE**

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**ASSESSING THE IMPACT OF ANTI-POVERTY POLICIES:  
- THE AUSTRALIAN EXPERIENCE**

**ABSTRACT**

For most of the past decade, the Australian Government has operated a consensual incomes policy which has led to a fall in the real average earnings of Australian workers. Until 1990, the employed workforce grew at nearly the fastest rate of all OECD countries, and female labour force participation increased markedly. At the same time, there were constraints on public expenditure, under which eligibility for social security payments was restricted. This was accompanied by targeted increases in benefits for low income families with children, as part of an explicit programme to reduce child poverty. Using a microanalytic simulation model developed at the Social Policy Research Centre at the University of New South Wales, it is estimated that these and other changes resulted in a reduction in income inequality in Australia between 1983 and 1990. However, the most commonly used measure of poverty in Australia suggests that over this period there was either stability or a small increase in the extent of relative poverty, although "absolute" poverty fell. It was also found that the increase in employment had only a small impact on measured poverty. This paper explores the reasons for these results. The microanalytic simulation approach offers insights into the impact of population and labour market changes and social policies on the situation of low income groups. The paper draws out the broader implications of this particular example for the measurement of poverty and the evaluation of the impact of government social programmes.

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## ASSESSING THE IMPACT OF ANTI-POVERTY POLICIES: – THE AUSTRALIAN EXPERIENCE

### 1. INTRODUCTION <sup>1</sup>

This paper is concerned with questions about the meaning of poverty and the most effective ways of reducing poverty in a rich society, Australia, that has for most of the last decade had a Labor Party government, ostensibly committed to reducing poverty and inequality. These thoughts are partly prompted by the experience of living for the past twenty months in a rich society, Britain, which for thirteen years has had a Conservative government. While this government would argue that its policies have reduced poverty measured in "absolute" terms, it has accepted (or even encouraged) a widening of income inequalities virtually unparalleled in any developed society in the last half century.

Despite the wide divergence between the political stances of these governments, critics of the Australian government have argued that their policies closely resemble those espoused in Britain. If this is the case, it would constitute a damning indictment of the policies of the Australian Labor Government since 1983. A commitment to reducing inequality is often taken as the distinguishing feature of reformist political parties. Their records when in government – whether they succeed in carrying out their stated intentions – may be taken as tests of whether those commitments are genuine.

In the past in Australia, the opportunity to test this commitment has been lacking. The federal government elected to office in March 1983 was only the second national Labor government in thirty years. The former Prime Minister, Bob Hawke, subsequently became the longest-serving and most electorally successful Labor Prime Minister in Australian political history, although he has recently been succeeded by Paul Keating, his former Treasurer. The Australian experience since 1983 offers an opportunity to assess the extent to which an avowedly reformist government can introduce policies to reduce social and economic inequalities.

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<sup>1</sup> As background to the discussion that follows, Appendix Table 1 contains a range of comparative statistics for Australia, Norway, the United Kingdom, and the OECD as a whole.

This paper presents the results of several interrelated studies of trends in the distribution of income in Australia in the 1980s. It is hoped that these results will be of interest not only to those concerned with Australian trends. Part of the critique mentioned above is that the policies of the Labor Government in Australia have followed international political and economic trends. These critics have largely come from the Left wing of the Labor movement or the independent Left.<sup>2</sup> Their criticisms suggest that the choices apparently open to national governments may be closed by the pressures of international decisions or developments. A second strand of this critique is that there is no real difference between the Labor party and the conservatives. This is known in Australia as the "Tweedledum or Tweedledee" thesis (Catley and McFarlane, 1974). This issue is also relevant to the question of whether political reform is possible (Ringen, 1987). Such questions are relevant not only in considering what has happened in Australia over the 1980s, but what are the prospects for progressive governments in the 1990s and beyond.

The methodology used in the paper considers the effects of a wide range of policy instruments. It also allows for analysis that identifies the relative contribution of these different policy areas to changes in living standards, inequality and poverty. It is hoped therefore that this paper will also be of wider relevance in reflecting on the relative effectiveness of different social policies, albeit within the context of a specific country and a specific period.

The period of analysis should be noted. The analysis stops around 1989–90, just before a substantial increase in unemployment from around six per cent to its current level of around 11 per cent of the labour force.<sup>3</sup> Thus the picture the paper gives of levels of disposable incomes, of poverty and of inequality in Australia are undoubtedly over-favourable. This represents a serious limitation on the types of judgements that can be made about the overall record of the Labor government, particularly should it lose office in the next election.

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<sup>2</sup> Right wing critics have generally been concerned with economic growth, rather than poverty or income inequality.

<sup>3</sup> Unemployment figures in Australia and in this paper are consistent with standard ILO definitions.

However, this limitation does not invalidate conclusions reached about the criticisms mentioned above, since all the authors to be referred to were writing before 1990. Finally, the results to be discussed illustrate the distributional impact of a set of policies and changes within the context of a country enjoying a period of sustained and rapid employment growth. Should OECD countries (hopefully) return to this situation in future years, then the Australian experience in the 1980s may be of continuing relevance.

The paper is structured as follows. Part Two provides an overview of Australian poverty research and summarises some recent comparative literature on poverty in Australia. Some of this literature overlaps with the material covered in the main part of the paper, and some of the conclusions reached may seem to contradict later analysis. This reflects differences in timing and some important variations in methodology. Nevertheless, the description of past poverty research in Australia provides a background for the more detailed analysis following. Part Three outlines the critics' view of Labor Party policy. Part Four discusses methodological issues in the measurement of trends in living standards, poverty and inequality. Part Five outlines some of the main changes affecting the level and distribution of income in Australia in the 1980s and describes trends in the most important factors taken into account in the modelling. These include changes in employment and unemployment, changes in the social security system, and changes to income taxes. Part Six presents the results of this analysis. Part Seven concludes with a discussion of the limitations and the advantages of microsimulation analysis. The conclusion discusses whether the record of the Labor Government in Australia can be regarded as similar in impact to that of the Conservative Government in the United Kingdom. It then considers the implications of this analysis for poverty research and the development of anti-poverty policies.

One final point should be emphasised. This paper reviews a body of research carried out in various places, but mainly at the Social Policy Research Centre (SPRC) at the University of New South Wales in Sydney. The author was involved in the early stages of this modelling work and the first presentation of results (Bradbury, Doyle and Whiteford, 1990), but has not made any positive contribution to this since coming to Britain. The work reported on has

However, this limitation does not invalidate conclusions reached about the criticisms mentioned above, since all the authors to be referred to were writing before 1990. Finally, the results to be discussed illustrate the distributional impact of a set of policies and changes within the context of a country enjoying a period of sustained and rapid employment growth. Should OECD countries (hopefully) return to this situation in future years, then the Australian experience in the 1980s may be of continuing relevance.

The paper is structured as follows. Part Two provides an overview of Australian poverty research and summarises some recent comparative literature on poverty in Australia. Some of this literature overlaps with the material covered in the main part of the paper, and some of the conclusions reached may seem to contradict later analysis. This reflects differences in timing and some important variations in methodology. Nevertheless, the description of past poverty research in Australia provides a background for the more detailed analysis following. Part Three outlines the critics' view of Labor Party policy. Part Four discusses methodological issues in the measurement of trends in living standards, poverty and inequality. Part Five outlines some of the main changes affecting the level and distribution of income in Australia in the 1980s and describes trends in the most important factors taken into account in the modelling. These include changes in employment and unemployment, changes in the social security system, and changes to income taxes. Part Six presents the results of this analysis. Part Seven concludes with a discussion of the limitations and the advantages of microsimulation analysis. The conclusion discusses whether the record of the Labor Government in Australia can be regarded as similar in impact to that of the Conservative Government in the United Kingdom. It then considers the implications of this analysis for poverty research and the development of anti-poverty policies.

One final point should be emphasised. This paper reviews a body of research carried out in various places, but mainly at the Social Policy Research Centre (SPRC) at the University of New South Wales in Sydney. The author was involved in the early stages of this modelling work and the first presentation of results (Bradbury, Doyle and Whiteford, 1990), but has not made any positive contribution to this since coming to Britain. The work reported on has

largely been undertaken by Bruce Bradbury and Jennifer Doyle at the SPRC, with contributions from Peter Saunders and George Matheson.

## **2. POVERTY RESEARCH IN AUSTRALIA**

Australia has no official poverty line, but for the last 25 years one approach to the measurement of poverty has dominated academic inquiry and political debate. This measure is known as the Henderson poverty line, and was first used with a University survey of poverty in Melbourne in 1966 (Harper, 1967; Henderson, Harcourt and Harper, 1970). Professor Henderson, who was co-director of the Melbourne survey was appointed to head the Commission of Inquiry into Poverty in Australia by the conservative government, shortly before they lost office in 1972. As the Commission of Inquiry into Poverty used the Henderson line as the basis of its estimates of poverty in 1973, the Henderson line became the benchmark by which developments in poverty were subsequently assessed. The wide acceptance of the Henderson line by welfare lobby groups was encouraged by the fact that the Institute of Applied Social and Economic Research (IAESR) in Melbourne regularly updated the poverty line, so it was convenient to compare with rates of social security benefits.

The initial formulation of the Henderson poverty line was arbitrary. In the 1966 Melbourne survey it was assumed that the "standard family" of a man working, with a wife at home and two dependent children would be said to be in poverty if their family income was less than the then basic wage plus child endowment (child benefit) for two children. The equivalence scales used were derived from the 1954 "Family Budget Standards" of the Budget Standard Service of the Community Council of Greater New York. These scales are very detailed, differing by household size, the age and sex of adults and children, whether the household head lives alone or with other people, and the labour force activity of adults. In addition, housing cost standards are separately identified, so it is possible to measure poverty before and after paying for housing.

The Henderson poverty line and equivalence scales were derived without reference to the incomes or actual costs of Australian families. The researchers defended their original choice

of poverty benchmark by arguing that it was "... a definition of poverty so austere as, we believe, to make it unchallengeable. No one can seriously argue that those we define as poor are not so" (Henderson, Harcourt, and Harper, 1970, p.1). The researchers justified the choice of equivalence scales by reference to the lack of Australian research on this issue.

It was not necessary to update the poverty line until the time of the Poverty Inquiry (1972 to 1975). It was then argued that the poverty line should be thought of as a relative concept, and updated in line with movements in seasonally adjusted average weekly earnings. The LAESR subsequently published the updated poverty line quarterly. After criticisms of this method of updating<sup>4</sup> (Stanton, 1980; Saunders, 1980), the LAESR responded by changing the updating index to movements in seasonally adjusted household income per capita (HDIPC).

While the Henderson poverty line was updated quarterly, information on trends in poverty were available much less regularly. The 1966 Melbourne Survey was followed by the 1966-68 Survey of Consumer Finances and Expenditures carried out by Macquarie University in Sydney. A series of official government income surveys did not commence until 1968-69, followed by the income survey for the Poverty Inquiry in 1972-73, with income surveys subsequently being held in 1973-74, 1978-79, 1981-82, 1985-86 and 1989-90. In addition, there have been Household Expenditure Surveys in 1974-75, 1975-76, 1984, and 1988-89.

Because the expenditure surveys contain less detailed income data, the first mentioned series of income surveys have provided the basis for most poverty studies in Australia. Most of these have simply used headcount measures of poverty (i.e. the number of income units with annual incomes less than the poverty line). Some studies have provided limited sensitivity analysis by looking at incomes less than 100 or 120 per cent of the poverty line. Studies of poverty before and after housing costs have been more common. It is also usual practice to exclude the self-employed from the population and also to exclude "juvenile" income units (income units under 21 years of age, neither married nor with dependent children).

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<sup>4</sup> The main criticism was that average earnings was a gross (before tax) income concept, while the poverty line was a disposable income concept.

Until the 1980s the results of these surveys were publicly available only in the form of printed cross-tabulations.<sup>5</sup> While these tables were detailed, analysis of poverty was limited because the poverty lines for different family types fell within the published income ranges. Poverty estimates therefore were based on interpolated distributions within ranges. The analysis of poverty in Australia took a great leap forward when the Australian Bureau of Statistics made the results of these surveys publicly available in the form of detailed unit record tapes. The first survey to be available in this form was the 1981-82 Income Survey.

Table 1 shows estimates of trends in poverty using the Henderson line. The estimates suggest that poverty before housing was roughly stable between the early 1970s and early 1980s, but increased significantly between the early and mid-1980s, declining slightly thereafter. After-housing poverty is uniformly lower than before-housing poverty, but increased to a greater extent in the 1970s, although remaining broadly stable between the early and mid-1980s. The estimated increase in poverty among children is much greater than for the population as a whole, more than doubling between the early 1970s and early 1980s, and continuing to increase thereafter. While after-housing poverty is lower than before-housing poverty for children, the difference is not as great as for adult income units.

The increase in child poverty was largely associated with the increase in lone parenthood in the population, as most lone parents are reliant on the social security system. In addition, in the early 1980s there was a large increase in unemployment particularly, among families with children. Between 1980 and 1983, the total number of unemployed increased by around 65 per cent, while the number of children in families where the chief wage-earner was unemployed increased by 144 per cent (Whiteford, 1987). The increase in the number of children estimated to be living in poverty was offset by an apparently substantial fall in poverty among single elderly income units (Social Welfare Policy Secretariat, 1981, p.176), so that the overall proportion of the population in poverty was broadly stable.

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<sup>5</sup> The Australia Bureau of Statistics did analyse the original computer tapes for government departments and the Poverty Inquiry.

**Table 1: Estimates of poverty in Australia using the Henderson poverty line, 1972-73 to 1989-90**

Year	All adult income units (before housing)	All income units (after housing)	Children (before housing)	Children (after housing)
1972-73	10.2	6.7	7.9	7.2
1973-74	11.1	n.a.	n.a.	n.a.
1978-79	9.3	n.a.	11.4	n.a.
1981-82	11.6	10.7	17.0	15.6
1985-86	15.9	11.2	20.7	17.5
1989-90	15.5	n.a.	n.a.	n.a.

Note: n.a.: not available

Sources: King, 1987; Edwards and Whiteford, 1988; Johnson, 1988; Bradbury and Doyle, 1992.

Table 2 presents estimates of Henderson poverty by family type between the early 1970s and 1990. The most notable feature of these estimates for 1990 is the high level of estimated poverty among lone parents and the single elderly, with non-elderly single person income units then having the next highest poverty rate. On this measure, poverty among the single elderly apparently declined substantially in the 1970s and then increased back to a high level. Poverty among the single elderly is also apparently much higher than among elderly couples.

In assessing these results, several caveats should be borne in mind. One of the most important relates to the impact of housing arrangements on the distribution of income. Public provision for housing is low in Australia. Only around 5 per cent of households are renting from the government, with nearly 20 per cent renting privately. A further 40 per cent own their homes outright, and just over 25 per cent are purchasers. Home ownership has been a long-standing feature in Australia, and around 75 per cent of aged single person units and 80 per cent of aged couples own their home outright. This has a major impact on income distribution. Yates (1991) estimates that imputed income from owner-occupied housing wealth contributes an average of 7 per cent extra to gross household income for the

population as a whole, but nearly 50 per cent to the bottom income decile and 25 per cent to the second decile (Yates, 1991, pp. 31–33). Bradbury, Rossiter and Vipond (1986) estimated that in 1981–82, Henderson poverty for single elderly income units fell from around 11 per cent before housing costs to 5 per cent after housing costs.

**Table 2: Estimated Henderson poverty rates by income unit type, 1973–74, 1978–79, and 1990**

Family Type	1973–74	1978–79	1990
Single person, less than 25 years of age	n.a.	n.a.	16.0
Single person, 25 to 64 years	8.9	11.2	15.0
Single person, over 65 years	36.4	9.7	35.3
Couple, head over 65 years	6.5	7.7	7.6
Couple, no children, head less than 65 years	3.4	4.0	4.6
Couple with children	6.8	7.4	8.8
Lone parent	36.8	36.3	54.1
All income units	11.1	9.3	15.5

Note: Excludes the self employed.

Source: Social Welfare Policy Secretariat, 1981; Bradbury and Doyle, 1992.

A second question relates to the use of the Henderson poverty line and equivalence scales. Despite the wide acceptance of the Henderson line, there are major problems with this measure. Whiteford, Bradbury and Saunders (1988) show that the expenditure patterns implicit in the Henderson equivalence scales bear little resemblance to the actual expenditure patterns of low income Australian families in the 1980s.<sup>6</sup> This is important because

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estimates of the proportion of income units below the Henderson poverty line are sensitive to the choice of equivalence scale.<sup>7</sup>

Some of the first sensitivity analysis was undertaken by the Social Welfare Policy Secretariat (1981) and subsequently by Gallagher (1985). In the first case, this was more an exercise in suggesting that poverty should be measured with different equivalence scales derived from Australian expenditure data. The most detailed sensitivity analysis has been undertaken by Bradbury and Saunders (1990), who present estimates of Henderson poverty according to differences in equivalence scales, updating methods and levels of the poverty line. Their main finding is that poverty estimates for the elderly and for lone parents are sensitive to the precise choice of measure. This is because high proportions of these two groups receive social security payments as their main source of income. Because the Australian social security system provides flat-rate means-tested benefits, there is a high degree of clustering around the pension level in the income distribution for these groups. Small changes in the level of the poverty line can result in large changes in estimated poverty rates. This is apparent in Table 2, where the large decline and then large increase in poverty among the single elderly is mainly related to small changes in the relationship between the poverty line and the pension level.<sup>8</sup> This degree of sensitivity also reflects the use of headcount measures of poverty, suggesting that poverty gap measures may be useful.

In addition, the Henderson line represents many conceptual compromises. Initially, the poverty line was arbitrary, and it was defended on the grounds that it was particularly austere. This argument has been substantially undercut by the later decision to consider the poverty line as a relative income measure, and adjust it in line with average earnings and then household disposable income per capita. HDIPC increased by around 20 per cent in real terms between 1973 and 1989. Clearly the poverty line is now less austere than it used to

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<sup>7</sup> There has been a growing Australian literature on equivalence scales, their derivation and application. See Whiteford (1985) and Bradbury (1992).

<sup>8</sup> For example, Whiteford (1985) estimated that the apparent decline in poverty among the single elderly is largely explained by the fact that the basic pension level was about \$1.00 per week below the poverty line in 1973-74 and \$1.50 above the line in 1978-79.

be. This would not necessarily be a problem if the poverty line represented a coherent relative poverty measure. As it is, the poverty line for the standard family of a head working, wife not working, and two dependent children is now set at 129 per cent of seasonally adjusted HDIPC.<sup>9</sup> While this is undoubtedly a low income, there is no compelling reason to regard it as an appropriate measure of poverty or relative low income.

There has recently been a considerable expansion in the Australian poverty literature. Some of this has been based on the Henderson approach, but has extended it in various ways. For example, Saunders and Whiteford (1987) estimate poverty gaps in a study of the impact of government initiatives on child poverty. Ross and Whiteford (1992) merge information from the 1986 Census and the 1985–86 Income Distribution Survey to estimate levels of Henderson poverty among Aboriginal families with children.<sup>10</sup> Johnson (1988, 1991) proposes and uses a new index of poverty, that is sensitive to changes in the proportion of the population who are poor, the poverty gap, and the degree of inequality among the poor. The income levels and equivalence scales used in the Johnson index come directly from the Henderson poverty line, however.

A number of researchers have advocated or explored alternative measures unrelated to the Henderson approach. For example, Richardson and Travers have adapted the methodology of the Level of Living Surveys (Erikson and Uusitalo, 1985) to measure poverty directly. Whiteford (1991) uses Townsend's concept of "relative deprivation" (Townsend, 1979) and data from the 1984 Household Expenditure Survey to observe "deprivation" among families with children.<sup>11</sup> This approach suggests the extent of deprivation is much less than the extent of poverty measured using the Henderson line. The overall level of deprivation among

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<sup>9</sup> Given that HDIPC in Norway in 1991 was 84,396 Kroner, the Australian poverty line for the standard family would have been equivalent to 108,871 Kroner in 1991.

<sup>10</sup> Because Aboriginals make up only 1.3 per cent of the Australian population, it has not been generally possible to estimate their poverty rates from the standard income surveys, which sample about one-sixth of one per cent of the Australian population. Ross and Whiteford estimate that Henderson poverty is between 2.1 and 2.9 times as high among Aboriginal children than among non-Aboriginal children, depending upon the level of the poverty line chosen.

<sup>11</sup> This approach is similar to that of Hutton (1991).

families with children was 5.1 per cent, compared to a Henderson poverty rate of 20.9 per cent (1991, pp. 62–65). However, more than a quarter of lone parents receiving benefits were estimated to experience very high deprivation.

A further alternative has been implemented by Saunders and Bradbury (1991) and Saunders and Matheson (1992), which is based on the consensual poverty line method developed by Goedhardt et al (1977). Using survey responses to the "minimum income question", Saunders and Matheson (1992) estimate that "consensual poverty" was somewhat greater than Henderson poverty in Australia in 1988. This was associated with higher poverty among income units without children, and substantially lower levels among families with children than was estimated using the Henderson approach. Despite this difference, "consensual poverty" is still higher among lone parents and single elderly people than it is among other income units.

### **International Comparisons**

For many years, there was a widely held view that Australia enjoyed a relatively equal distribution of income. This appeared to be supported by overseas research. For example, Lydall (1968) concluded that among non-communist countries, Australia and New Zealand had the lowest degree of dispersion in pre-tax employment income. In work for the OECD, Sawyer (1976) also found that the distribution of income in Australia was more equal than in many other countries.

The basis for this view was the low degree of dispersion in earnings in Australia, and the relatively low unemployment rate between the 1950s and the 1970s. More recently, there has been an accumulating body of evidence to suggest that this view was or is now mistaken. One of the first comparative poverty studies was carried out by Beckerman (1979) for the ILO. This was a comparative study of Australia, Belgium, Great Britain and Norway in 1973. Beckerman found that family poverty rates in Australia were much higher than in the other

countries studied, being 24.9 per cent in Australia compared to 9.1 per cent in Belgium, 13.4 per cent in Britain, and 10.2 per cent in Norway (1979, p.25).<sup>12</sup>

More recently the availability of comparable income data through the Luxembourg Income Study (LIS) has led to a considerable expansion in the number and sophistication of international studies of poverty and income distribution. Australian data have been included in both the first and second waves of surveys held as part of LIS. Table 3 compares the results of several studies which have, *inter alia*, estimated the extent of poverty in Australia. Most of these studies have used a poverty line set at 50 per cent of equivalent median income. There is a good deal of variation in their results. The estimated poverty rate for the elderly ranges from around 5 per cent to 22 per cent, while that for lone parents ranges from around 40 per cent to 65 per cent. Poverty rates for the overall population vary between 11 per cent and 18 per cent. Most of this variation reflects the choice of equivalence scales, as can be seen in the results of Buhmann et al., who test the sensitivity of various results to the choice of equivalence scales.

Despite this variety of estimates some general results are robust. When poverty is measured in income terms, high proportions of lone parents in Australia are poor. Poverty rates for the elderly are sensitive to technical judgements, however. While the overall poverty rates can vary widely, Australia's ranking varies little. In nearly all these studies, the poverty rate in Australia is higher than in European countries and is usually only exceeded by the USA and Canada, and sometimes the USA alone. In Smeeding's 1988 study poverty rates were also higher in Israel and Switzerland, but these two countries are included in fewer comparisons. Australia and Canada are close and often change ranks. Having said this, in terms of overall poverty rates, the USA is consistently the poorest performer by far. Its poverty rate is sometimes as far above Australia's or Canada's as either of these countries are above the

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<sup>12</sup> The poverty line for each country was set at 100 per cent of personal disposable income per head in each country, adjusted by the equivalence scales implicit in the then British Supplementary Benefit scale rates. It might also be noted that the survey period for Australia immediately preceded very large increases in benefit levels in the social security system – most benefits were increased by around 25 per cent in real terms over the two years immediately after the ILO survey.

*Assessing the impact of anti-poverty policies*

**Table 3: Comparison of estimates of poverty in Australia from LIS studies**

Study	Poverty line as % of median	Year	Poverty Rate (%) for Elderly	Poverty rate (%) for Lone Parents	Total Poverty Rate (%)	Rank for total poverty rate
Coder, Smeeding and Torrey, 1990	50 %	1982	6.3	n.a.	11.1	1/3
		1986	7.9	n.a.	11.0	1/3
Smeeding, Torrey and Rein, 1987	50 %	1982	15.7	63.5	12.2	6/8
Smeeding, 1988	50 %	1982	14.9	n.a.	11.4	5/8
OECD, 1988a	50 %	1982	5.3	59.0	10.9	6/8
Buhmann et al, 1988	50 %	1982	1. 5.1-58.8	1. 39.8-48.8	11.7	7/10
			2. 5.0-63.5	2. 61.2-65.3	to	to
			3. 7.1-37.8		18.0	9/10
Rainwater, 1990	50 %	1982	22.5	61.6	13.1	8/10
Mitchell, 1990	50 %	1982	1. 3.8	39.5	10.3	7/10
			2. 6.9			
Smeeding, 1991, 1992	40 %	1982	2.8	n.a.	6.2	6/8
	40 %	1986	4.0	n.a.	6.7	6/8
	50 %	1986	7.9	n.a.	n.a.	7/8
Rainwater, 1992	50 %	1986	21.0	58.9	13.8	12/13
Smeeding, Saunders et al, 1992	50 %	1982				
	Income Resources		46.1/8.2 7.7/4.9	54.4 21.0	15.1 7.4	6/7 6/7

Notes: The figures from Buhmann et al. for the elderly refer to (1.) Single men, (2) Single women, (3) Couples; for lone parents, the figures refer to (1) those with 1 child, (2) those with 2 or more children. The figures from Mitchell for the elderly refer to (1) the single elderly and (2) couples. The figures from Smeeding, Saunders et al. for the elderly refer first to the single elderly and second to couples. For sources, see references.

lowest poverty rates in Europe. In this sense, Australia and Canada are at the high end of a range of poverty estimates, while the United States is a clear outlier belonging to a different "world".

Use of a broader measure of resources than income will change the results. This can be seen in the final study cited in the table – Smeeding, Saunders et al. (1992) impute the value of non-cash benefits (health and education) to the LIS data and find that poverty falls substantially. Relatively speaking, the falls in estimated poverty were greatest for the USA, Australia, Canada and Great Britain, although the usual ranking of countries was not altered. Once again, however, the USA remained with by far the highest poverty rate. For example, Sweden and the United Kingdom had the lowest adjusted poverty rates in this study (4.3 per cent), while the poverty rate in Canada was 7.2 per cent and 7.4 per cent in Australia. The poverty rate in the USA was 12.1 per cent. In addition, these estimates do not incorporate the value of owner-occupied housing, which could be expected to narrow the differences further. In summary, poverty research in Australia over the past 25 years has been dominated by one approach to poverty measurement, even though that approach can be shown to be problematic in all its features. Despite these measurement problems, there is broad agreement in Australia that the extent of poverty as a "real phenomenon" has increased over this period, although the extent to which this has occurred is unclear. In recent years there has been a substantial increase in the number of comparative poverty studies. It seems likely that the level of relative low income in Australia is high when compared with the situation in other countries, although not so high as in the United States.

A final point about Australian discussion of poverty is its empiricist bias. In a comprehensive bibliography of Australian research on poverty, Encel (1988) reviewed nearly 600 articles and books dealing with poverty between 1963 and 1987. Of these studies about 30 per cent were concerned either with measurement issues or reported quantitative or survey results. This empiricist tradition has both its supporters and its critics. The critics have argued that the empiricist tradition has strengthened the selective approach to social security in Australia (Harris, 1989) and has encouraged the marginalisation of the poor, by separating out the issue

of poverty from the social, political, and economic environment in which poverty is created (Bryson, 1977; Jamrozik, 1989).

Nevertheless, the quantitative approach to measuring poverty is still powerfully influential, as indicated by the quarterly publication of the Henderson poverty line and the public interest that surrounds any new poverty research. The perspective of poverty research is also influential in policy analysis.

### **3. POVERTY, INEQUALITY AND THE LABOR PARTY**

Senator Peter Walsh, later to be Minister for Finance in the Hawke government, said in 1980, "On balance, there are no votes in poverty relief, but a Labor Party which fails to ameliorate poverty repudiates its fundamental moral beliefs" (Walsh, 1989, p. 345). The issue of social justice figures prominently in the Australian Government's rhetoric. Since 1988, it has released annual **Social Justice Statements**, which set out its social policy achievements. These **Statements**, which accompany the annual Budget, have argued that:

The Government's social justice strategy is about making a "fair go for all" a reality and redressing inequities in Australian society. ... the Government has, since 1983, progressively put in place a wide range of programs that are making Australia a fairer, more compassionate society that provides better life chances for all Australians, particularly the most disadvantaged. These programs reflect the Government's unique approach to decision making in which economic policy and social justice objectives are equal partners and implemented in a co-ordinated, integrated way, particularly through the Prices and Incomes Accord. (Hawke and Howe, 1989, p.3)

#### **The Prices and Incomes Accord**

The starting-point for any analysis of the relationship between social and economic policies since 1983 must be the Prices and Incomes Accord between the ALP and the Australian Council of Trade Unions (ACTU). Centralised wage-fixing arrangements were introduced in Australia around the beginning of the twentieth century. Between the mid-1960s and the early 1970s there was a gradual shift towards a decentralised system, but this trend was reversed in 1974-75. A centralised system with partial wage indexation was in place until 1981-82. There was a return to a decentralised system in 1981-82, which was accompanied

by accelerating wage increases, despite restrictive monetary and fiscal policy. Unemployment rose rapidly, and the conservative government imposed a wages freeze. Just before the 1983 election, the ALP and the ACTU reached their Accord. Under this agreement, the ACTU agreed to moderate wage demands in return for improvements in the "social wage".

Since 1983 the Accord has been subject to renegotiation and has changed in response to changing economic priorities. Nevertheless, the Accord framework has survived for nearly ten years. It is still a fundamental component of the policies of the Labor government, and significant social policy changes have been introduced as part of this process. These include the reintroduction of the health insurance system, large-scale reform of the taxation system, improvements to family assistance, and the expansion and mandating of a much broader system of occupational superannuation.

Perhaps the most controversial aspect of this policy framework relates to trends in the living standards of the population. In the Accord, it was agreed that the living standards of the population would be maintained. In fact, there has been a substantial decline in real average earnings in Australia, particularly since 1985. From their peak, the decline for all persons has been about 8 percentage points. In part this is related to the increasing prevalence of part-time work, but it also reflects less than full indexation of award wages. For full-time adults, the overall decline has been around 6 percentage points, and average real full-time earnings were about the same in 1990 as they had been in 1981. The critics of the Labor Government, as well as its political opponents, have used these sorts of figures to argue that living standards have fallen in the 1980s. In responding, the Labor Government has argued that this wage restraint has contributed to the growth in employment in Australia since the end of the 1983 recession.

Australian social policy over this period has also been significantly affected by other factors. Within its first year in office, the government abolished exchange controls and floated the exchange rate. This has tended to mean that the value of the currency has been affected by market views about government fiscal policy, and government fiscal policy has been affected by market views. There was also a severe deterioration in Australia's trade position due to

the fall in world commodity prices in the mid-1980s. The terms of trade fell by 14 per cent between 1983 and 1986, although recovering since then (Sieper and Wells, 1991). These factors were associated with tighter fiscal policies. As part of the Accord, the government was also committed to providing tax cuts to offset the impact of falling real wages on living standards. In the 1984 federal election<sup>13</sup>, the Prime Minister promised there would be no increase in tax revenue or government expenditure as a proportion of GDP over the life of the next Parliament. He also promised that the nominal budget deficit would be cut in 1985-86, and as a proportion of GDP over the period of the next Parliament. In fact, the government moved from a budget deficit of around 4 per cent of GDP in 1983-84 to a surplus of around 2 per cent of GDP in 1989-90, although assisted by strong economic growth (Sieper and Wells, 1991). Within this context, there were severe restrictions on public spending, including social welfare spending. This was achieved through a rigorous review of existing programmes and of new spending proposals, coordinated through the Expenditure Review Committee, a subcommittee of senior Cabinet Ministers.

At the same time, there were improvements in some areas of social spending. One particular priority has been child care provision. The number of places funded by the government has been increased from 46 thousand in 1983 to 114 thousand in 1989 (and will be increased by a further 50 thousand by 1995). As part of this scheme, the government provides income-related fee relief to eligible families. Overall, spending on child care has increased threefold in real terms since 1983-84. There were also increases in unemployment benefits as a priority very shortly after the 1983 election, and increases in assistance to pensioners and beneficiaries with children.

A framework for social security reform was established with the announcement in December 1985 that the Minister for Social Security, Brian Howe, was setting up a Social Security Review. This was chaired by an independent academic, Bettina Cass, supported by the Department of Social Security and some contract research. The objectives of the Review

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<sup>13</sup> The federal electoral term is a maximum of just over three years, but governments can call elections (or have them forced on them) more frequently. The election next year will be the tenth since 1972.

were to provide a longer term perspective on priorities for the social security system, and to identify steps that could be taken in the shorter term to improve the effectiveness of the system. The Review was limited to policies administered by the Department of Social Security, but as it was independently reporting to the Minister for Social Security, its proposals did not have to be cleared by other government departments. Implementation of proposals did of course go through the normal processes of government. Action was probably facilitated because the Minister for Social Security was a member of the Expenditure Review Committee, and also the leader of the Left faction in the Parliamentary Labour Party, and later Deputy Prime Minister.

The Social Security Review consulted widely and published many Background/Discussion Papers, as well as Issues Papers setting out approaches to reform. These Issues Papers covered assistance for families with children (Cass, 1986b), assistance for the older unemployed (Crompton, 1986), assistance for lone parents (Raymond, 1987), the unemployed (Cass, 1988), assistance for people with disabilities (Cass, Gibson, and Tito, 1988), and retirement incomes (Foster, 1988). The recommendations of the Review influenced many subsequent policy decisions, although not all its proposals were implemented, and some changes went against the Review's proposals (Saunders and Whiteford, 1991).

In addition, the analysis and recommendations of the Review were in the empiricist, pragmatic tradition of Australian poverty research. For example, in a paper setting out the objectives of the Review, Cass noted:

In choosing a set of first principles on which to base the objectives of the review, I look to poverty research and the perspective which explains powerfully the extent and composition of the population most affected by inadequate income, and resources (1986a,p.12).

This perspective appears to be shared by many in the Labor government. The strongest commitment to improvements in social benefits was made as part of the 1987 election campaign, when the Prime Minister promised "that by 1990 no Australian child will need to live in poverty". Whatever one thinks of the feasibility of this objective, it seems fair to say

that it is one of the most ambitious anti-poverty statements by any government since the U.S. "War on Poverty" in the 1960s. The major component of this child poverty programme was the introduction of the Family Allowance Supplement (FAS) in December 1987. FAS provided increased assistance to low income families with children, and extended benefits to more working low income families. It was also promised that these payments would be set at fixed proportions of the married rate of pension and benefit. Since these are indexed, this child payments also became indexed against inflation for the first time.

These reforms have since been extended and supplemented by other initiatives to help lone parents into employment and to increase the level and coverage of child maintenance paid to lone parents. The first assessment of this strategy estimated that the social security initiatives would reduce the number of children in pensioner and beneficiary families in Henderson poverty by around 20 per cent and narrow the poverty gap by around 45 per cent (Saunders and Whiteford, 1987). A more comprehensive estimate by Brownlee and King (1989) found that these reforms could be expected to reduce the number of families (working and not-working) in Henderson poverty by around 30 per cent, and the total poverty gap by around 40 per cent.

There is a considerable degree of scepticism in Australia, however, not only about the results of the policies pursued by the Labor government, but also with the objectives of those policies. Indeed, the government has been characterised in some circles as pursuing a "New Right" agenda, and its policies have been compared (unfavourably) with those of the Conservative government in Britain. Some of the flavour of this critique is captured in the following quotations.

Economic policy under the Labor Government has concentrated on promoting the economic recovery of the business sector and thereby generating more employment. The Government has been concerned to present this policy as being informed by a concern for equity. Yet under Labor there has been a deterioration in the standard of living in real terms for the majority of Australians. (Rosewarne, 1988, p.61)

For six years now, the Hawke Labor Government has occupied the terrain of political and policy discourses reworked in the 1970s by a resurgent ideology of economic rationalism. ... The Labor Government has presided over a debacle, in which those

elements of our political culture which favoured moderate reform, favoured by a sense of justice and commitment to equity, have been cajoled, counselled or coerced into silence. It has misled its natural supporters, misrepresented its achievements, and striven vainly to mask its awesome failures. Its record is that of a New Right Government even as its rhetoric has been shamelessly borrowed from the egalitarian corporatism of Northern Europe. (Watts, 1989, p. 181)

Hawke gladly presided over an economy in which the fortunes of our richest people rose and fell by hundreds of millions of dollars and entrepreneurs made millions in **overnight** deals, real wages continued to decline, poverty traps closed sharply over the unemployed and the employed poor and propertyless pensioners despaired over an inadequate subsidy. (Maddox, 1989, p.183)

... the Hawke Government has presided over a very rapid redistribution of income in favour of the already rich; ... earlier improvements in welfare were cancelled out by fiscal restraint after 1985; ... its one clear positive achievement has been the re-introduction of a universal health insurance scheme (which, however, has become a "massive tax-funded rort" for the medical profession); and ... poverty has increased. It could be added that so has wealth, all the available statistics showing that the ownership of wealth in the country has become much more unequal over the last decade and particularly over the past few years. A similar trend is clear in most of the developed economies as deregulation has allowed freer rein to market forces, effective taxation of the rich has been reduced, and welfare expenditures have stagnated in real terms. (Stilwell, 1989, p.49)

If any recent government has turned the welfarist tide, this dubious distinction must go to the Hawke government. The stated purpose of the Accord was to resuscitate equity for the working class; its more ambitious advocates also hoped it would do rather more. Its actual performance was another matter, for the Accord has combined not only to erode the living standards of ordinary workers, but also to freeze out labourism's dispossessed. (Beilharz, 1989, p.145)

The general tendency evident in the Hawke government's social expenditures was for modest increases between 1983 and 1985, followed by a major attempt to rein in those expenditures. On any kind of comparison ... [the record suggests] a spotty commitment to maintaining social expenditures and *no commitment whatever to egalitarian-redistributive objectives*. ... It is certainly no matter for self-congratulation by this government that since gaining office, no category of benefit recipient has improved their position vis-a-vis the poverty line. It is safe to assume that, with unemployment benefits set at a level below the poverty line, receipt of unemployment benefit guarantees an income below this line. Poverty has increased under Hawke. (Watts, 1989a, pp. 116, 123-125).

...the number of millionaires has increased four-fold in Australia under Labour, the number of poor has doubled. ... the redistributive impact of the Hawke/Keating strategy has been even more radical than in the U.K. In Britain while the rich have got much richer due to tax cuts and a rising share of national income, average income earners, in work, have increased their standard of living even after allowing for cuts in the social wage. Only the poor, the old and the unemployed are worse off under Thatcher, and of course their numbers have grown substantially. In Australia not only has the number of poor grown considerably, but the standard of living of the average household remains well below that when Labour took office. In contrast the rich have done well out of the Labour Government. There are now 30,000 millionaires, and one tenth of the population owns 60 per cent of the wealth.

There are major similarities in trends in social policy. ... The main elements of this process are a reduction in state expenditure; redistribution from the public to the private, and from the working class to the rich; privatisation of state assets; increased selectivity and residualisation of social services; and shifting remaining state services to more explicitly meet the needs of the market economy.  
(Carson and Kerr, 1988, pp. 71,73,81)

These criticisms are strong and, if accurate, would constitute a decisive condemnation of the Labor government's record. Most of the substance of these criticisms can be reduced to three straightforward arguments. First, that average living standards have fallen; second, that inequality has increased; and, third, that poverty has increased, perhaps substantially.

One striking feature of these criticisms is how much they differ from the claims of the government. These are not simply differences of emphasis, but fundamental disagreement about the direction of change. Watts notes that "such a divergent perspective raises sharply the question of the extent to which talk of social justice is merely rhetoric" (1990, p.100). Alternatively, such divergence may be considered to raise the question of how accurate are these characterisations of the effects of the Labor government's policies.

#### **4. METHODOLOGICAL ISSUES**

Initially, it might be asked why there is any contentiousness about trends in the distribution of income under the Labor government. Presumably all that is required is an analysis of the distribution of income before the government was first elected in 1983 and currently. This straightforward method of analysis was not available in Australia, however, which unlike

Britain and some other countries, does not have annual income and expenditure surveys. In fact, the Income Distribution Surveys which are the main source of information were carried out by the Australian Bureau of Statistics in 1982 and 1986.<sup>14</sup>

While it might appear reasonable to use the 1982 survey as the base from which to assess trends under the Hawke government, their election in March 1983 came when unemployment was rising rapidly. The unemployment rate rose from an average of 6.1 per cent for the 1981–82 financial year (for which the income data were collected) to 10.1 per cent in March 1983 (on a seasonally adjusted basis). It would clearly be inappropriate to use 1981–82 as the base year. This would implicitly make the Hawke government responsible for the increased unemployment they inherited,<sup>15</sup> and which was the main focus of their economic and social policies for many years. In addition, the previous Liberal–National government introduced income tax cuts and some increases in social security benefits in their last Budget, which did not come fully into effect until after they lost office.

The 1985–86 survey was also not a good endpoint for assessing the Labor government's record, since many of its major initiatives came after the survey was conducted. These include cuts to the top marginal income tax rate, not fully implemented until 1987–88, and cuts to lower rates of tax in 1989–90. A major social policy initiative came with the introduction of the "family package", providing increased assistance to low income working families and social security recipients with children in December 1987. There have also been major economic changes since 1985–86, with the unemployment rate falling from around 8 per cent in that year to around 6 per cent in 1990, but rising since then to around 11 per cent.

Given the available income data cannot be used to assess the distributional consequences of the government's policies, it is necessary to consider alternatives. One such approach is what is described as the method of the "hypothetical or model family" (Bradshaw and Piachaud,

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<sup>14</sup> A further survey was carried out in 1990, but the results were not available when this research was first undertaken. Household Expenditure Surveys were also conducted in 1984 and 1989, but the income data from these sources is not as detailed as in the Income Surveys.

<sup>15</sup> And which was one of the main reasons for their election.

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1980). This involves taking different families or households at set income levels, such as proportions of average earnings or persons receiving government benefits. Real disposable incomes are estimated by taking account of tax liabilities and payments such as child benefit and family credit, and the impact of inflation. Examples of this approach include the studies of the tax-benefit position of the "average production worker" in OECD countries and studies by Bolderson (1988), Bolderson and Mabbett (1991), and Bradshaw, Ditch, Holmes and Whiteford (1992).<sup>16</sup>

This is a standard component of many studies seeking to evaluate the impact of government taxation and transfer policies. In Australia, this method is commonly used in political debates about living standards. It is also implicit in many of the critical statements given previously; for example, Watts' (1989) statement that poverty has increased under Labor because unemployment benefit has fallen compared to the poverty line. This approach is useful, indeed more useful than is often acknowledged, but it does have important limitations. The most important of these is that this method can provide no more than an indication of the likely **nominal** impact of government policies and cannot show **actual** distributional outcomes. This is because the method only takes account of whatever policies are used in the calculations, usually only income tax and social security policies. It is usually assumed that people are taking up their benefit entitlements, or are not avoiding or evading income tax, and that these factors do not change over the period analysed.

In addition, the relevance of the results is limited by the representativeness of the model families chosen, and the results cannot give a picture of the overall number or position of such families within the total income distribution. For example, one detailed Australian analysis of this type (Moore and Whiteford, 1986) shows that between the mid-1970s and the mid-1980s the real disposable incomes of single age, invalid and widow pensioners rose by around 6 per cent. In contrast, the real disposable incomes of lone parent pensioners with four or more children fell by around 6 per cent. There are few lone parents with four or more

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<sup>16</sup> An extension of this approach to encompass the effects of other aspects of government spending, such as education, health and community services, is provided by Norris (1985, 1990).

children and many single age and other pensioners. Without downplaying the importance of this result for large lone parent families, the increase for the single aged is likely to have had a greater impact on the distribution of income and on poverty.

The method of presentation of these hypothetical families may lead to misleading conclusions about changes in income shares, unless additional information is provided on the number and proportion of families who fall into different groups. What this means is that this method can only be used for statements of particular sorts – that government policies have **tended** to either increase or decrease inequality, not that they have actually done so. This distinction is critical, but is commonly overlooked.

Most importantly, the method does not take account at all of changes in sources of income apart from earnings or social security benefits. It also does not deal with changes in status, either increases or falls in unemployment, changing numbers of sole parents, the ageing of the population, the growth in part-time employment or the increasing number of two-income families. It would clearly be absurd to argue that living standards had increased because unemployment benefits were raised, without taking account of any increase in the number of unemployed. Similarly, it is not meaningful to make positive statements that poverty has increased because benefits have fallen compared to the poverty line <sup>17</sup>, without considering changes in the number of people receiving benefits.

This paper uses a statistical model developed at the Social Policy Research Centre at the University of New South Wales (Bradbury, Doyle and Whiteford, 1990) to overcome many – but not all – of the problems identified above and to produce estimates of trends in living standards and inequality more representative of likely changes under the Hawke government. The method is called microanalytic simulation. It involves using the unit record tape of the 1985–86 Income Survey, which contains detailed demographic, labour market and income and housing information at the individual, income unit and household level for a sample of more.

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<sup>17</sup> It might be noted that Watts' (1989) statement that unemployment benefits fell relative to the poverty line between March 1983 and March 1986 is not correct in any case, as the poverty line was subsequently revised.

than 8,000 households. Each person and family in the unit record file is given a "weight", so users can generalise to the national population. The weights give the estimated numbers of persons in the population represented by the individual in the survey, with the weights differing between individuals according to demographic and labour force characteristics. Essentially this method involves adjusting these weights according to changes in the labour force status and demographic composition of the population from other official data published by the Australian Bureau of Statistics.

The 1985–86 Income Survey was adjusted both backwards to 1982–83 and forwards to 1989–90. The income variables recorded on the file were then adjusted in line with changes in these components. For example, social security rates were changed in line with actual changes, earnings adjusted in line with trends from earnings surveys, and unearned income adjusted in line with information from the National Accounts. The income tax system was modelled for each year, and a model to estimate changes in housing costs was developed. The process was much more complicated than is desirable to specify in this paper (see Bradbury, Doyle and Whiteford, 1990 and Bradbury, 1991), and many important judgements are implicit in the technical decisions made. The procedure is similar in important respects to that used by the Institute of Fiscal Studies in the British context to assess the distributional consequences of the Thatcher government (Johnson and Stark, 1989).

## **5. TRENDS IN THE DETERMINANTS OF LIVING STANDARDS**

### **Employment and unemployment**

Table 4 shows trends in employment and unemployment over the period 1982 to 1989. Employment fell between 1982 and 1983, although this was made up in subsequent years. Nearly 1.5 million people gained employment between 1983 and 1989. This rate of employment growth (19 per cent) was the fastest of all OECD countries. Nearly two-thirds of these jobs were full-time, with male full-time employment accounting for around 37 per cent of total job growth. Increased male part-time employment was around 7 per cent of the total growth, with the balance being split roughly evenly between full and part-time employment for women.

*Assessing the impact of anti-poverty policies*

The increase in employment was particularly large for young men (from 77.7 to 81.3 per cent for men aged 20 to 24 years) and for single women aged 35 to 54. For married women aged 20 to 54 years, the increase in employment was more than 10 per cent of the total population. While these increases in employment are impressive, the reduction in unemployment was less substantial. This is due to the increase in labour force participation and the increase in the size of the population of labour force age, which grew by around 1.3 million persons between 1982–83 and 1989–90. Much of this increase was due to population growth, but there also was a high level of immigration over this period. Nevertheless, the unemployment rate in June 1989 was below its level in June 1982 (although, as noted, it has increased substantially since then).

The final part of the table shows trends in the number of employed persons in couples. The number of couples with neither partner employed has fallen only slightly as a proportion of all families, although this includes couples where both adults are retired. There has been a large fall in the number and proportion of single earner families and an increase in the number of two earner families.

The causes of the growth in the labour force in Australia are contested. Possible factors include demographic trends associated with Australia's high level of population growth, cyclical effects arising from the recovery from the 1983 recession, and social factors, such as the trend to increased female labour force participation, a trend already experienced in other countries. The main institutional factor is the Prices and Incomes Accord. In a survey of econometric models, Chapman, Dowrick and Junankar (1991) estimate that the Accord decreased Australian wage inflation by 3 percentage points per year between 1983 and 1989, and real wages by ten per cent over this period. They then sought to answer the question of what employment outcomes would have been without wage restraint. Their conclusion was that the Accord was associated with at least 300,000 jobs, in addition to those that would have been created if there had been no change to institutional arrangements. The figure could be as high as 500,000 (Chapman, Dowrick, and Junankar, 1991, pp. 41–43).

*Assessing the impact of anti-poverty policies*

**Table 4: Employment and unemployment trends, 1982 to 1989**

	June 1982	June 1983	June 1989	Change 1983 to 1989	
				(000)	(%)
<b>Males (000)</b>					
<i>Employed</i>					
Full time	3,846.1	3,684.3	4,222.4	538.1	146
Part time	231.3	240.2	348.2	108.0	450
Total	4,077.4	3,924.5	4,570.6	646.1	165
<i>Unemployed</i>	240.6	424.5	260.5	-164.0	-38.6
<i>Unemployment rate (%)</i>	5.6	9.8	5.4	-	-
<b>Married females (000)</b>					
<i>Employed</i>					
Full time	768.4	756.0	1,013.7	257.7	341
Part time	617.3	636.1	892.2	256.1	403
Total	1,385.7	1,392.0	1,906.0	514.0	369
<i>Unemployed</i>	77.0	105.5	90.0	-15.5	-14.7
<i>Unemployment rate (%)</i>	5.3	7.0	4.5	-	-
<b>All females (000)</b>					
<i>Employed</i>					
Full time	1,526.1	1,489.0	1,902.9	413.9	278
Part time	823.2	853.0	1,246.9	393.9	462
Total	2,349.3	2,342.0	3,149.9	807.9	345
<i>Unemployed</i>	211.0	268.7	216.9	-51.8	-19.3
<i>Unemployment rate (%)</i>	8.2	10.3	6.4	-	-
<b>Persons (000)</b>					
<i>Employed</i>					
Full time	5,357.1	5,173.3	6,125.3	952.0	184
Part time	1,057.1	1,093.2	1,595.1	501.9	459
Total	6,414.3	6,266.5	7,720.5	1,454.0	232
<i>Unemployed</i>	451.6	693.2	477.4	-215.8	-31.1
<i>Unemployment rate (%)</i>	6.6	10.0	5.8	-	-
<b>Married couple families</b>					
None employed	(000) 610.4	(000) 665.3	(000) 718.9	53.6	8
	(%) 17.6	(%) 19.4	(%) 19.3	-	-
One employed	(000) 1,220.8	(000) 1,209.1	(000) 999.8	-209.3	-173
	(%) 35.2	(%) 35.3	(%) 26.8	-	-
Two or more employed	(000) 1,635.2	(000) 1,554.8	(000) 2,010.4	455.6	293
	(%) 47.2	(%) 45.3	(%) 53.9	-	-
Total families	(000) 3,466.4	(000) 3,429.2	(000) 3,729.0	299.8	87

Source: Saunders, 1990, pp.11,15,19.

### **The social security system**

Public spending in Australia is comparatively low. Total social spending was around 18 per cent of GDP in 1985, compared to an average of 26 per cent in the EC (excluding Luxembourg). Spending on social security transfers is also low, being 8.6 per cent of GDP or 47 per cent of total social spending in 1985. This compares to an average of 13.2 per cent of GDP (57 per cent of total social spending) for the OECD as a whole.

In part, this low spending level reflects some "favourable" factors. Australia has fewer elderly. In 1980, 9.6 per cent of the population were 65 years of age or more, compared to an OECD average of 12.2 per cent, and levels of around 15 per cent for Norway and the United Kingdom. Until 1977, standardised unemployment rates in Australia were below the OECD average, but they were above average between 1977 and 1980, and again between 1983 and 1988 and since 1990 (OECD, 1992). On the unfavourable other hand, relative benefit levels for the aged, for example, are below the OECD average<sup>18</sup>. These comparisons may be affected by the fact that there is probably less "churning" of benefits and taxes in Australia. Pensioners and beneficiaries with no income apart from these transfers are not liable for any income tax, and broad-based consumption taxes are at a relatively low level.<sup>19</sup>

Because of this relatively low public provision, private provision in various forms is important. For example, occupational pensions accounted for about 20 per cent of total pension expenditure in Australia in 1980, a level about twice as high as in the United Kingdom, which had the highest occupational pension share of any EC country. Private or quasi-private arrangements are also important in other areas of Australian social policy,

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<sup>18</sup> In 1980, the relative level of pensions for the elderly were about three-quarters the OECD average, where relative pension levels are calculated by dividing the proportion of GDP devoted to government retirement pensions by the proportion of the population aged 65 years or over. On this basis, the level of pensions in Norway was only slightly higher than in Australia, and both were about 20 per cent higher than the level in the United Kingdom.

<sup>19</sup> It is interesting to note that in 1985 the Australian government proposed (but did not go ahead with) the introduction of a VAT. As part of the compensation package associated with this proposal, social security spending would have risen by more than 10 per cent or by about 1 per cent of GDP. Most of this increased spending would have been compensation for the higher level of indirect taxes, rather than a more generous benefit level. The same point applies to comparisons across countries with differing indirect tax levels.

notably in benefits for short-term sickness and workers' compensation, which are primarily provided under industrial awards.

The Australian social security system differs markedly from that in many other developed countries – apart from New Zealand – in that it has no social insurance features. Benefits are paid out of general taxation revenue, and are flat-rate, but graduated according to incomes and assets. Responsibility for social security policy lies almost entirely at the Federal level, and as a result, social security benefits have uniform rates and eligibility conditions across the country.

Broadly speaking, social security benefits in Australia are of three main types. "Pensions" for the aged, veterans, invalids, lone parents and carers are subject to relatively generous means-tests, and are effectively closer to a type of negative income tax than to traditional social assistance payments. "Benefits" for the unemployed, the sick, and those who fall outside any other category are paid under conditions broadly similar to income support in the United Kingdom.

There is also a wide range of supplementary payments including payments to families with children. The most important of these programs is the Family Allowance, which was introduced in 1976 to replace a previous cash payment to families with children and child tax allowances. Family allowances are non-taxable, but became subject to an income test in 1987. This income test does not start to affect families until joint incomes are around twice average earnings. Around 85 per cent of families with children continue to receive this assistance. Also, in contrast to the UK where child benefit is deducted from income support, family allowances are paid in addition to the means-tested payments to low income families.

Additional payments are made to low income families with children through the Family Allowance Supplement (FAS) scheme, which was introduced in 1987 to replace the previous Family Income Supplement (introduced in 1983). The FAS provides higher levels of means-tested, non-taxable assistance to low income working families with children, although pensioners and beneficiaries with children receive the same child-related assistance through

payments added to their basic benefits. The income test for FAS starts to cut-in at family incomes of around half total average male earnings, but the exemption level increases with the number of children and the withdrawal rate is 50 per cent. This means that families with three or more children may continue to receive some assistance when their incomes exceed average male earnings. Just over 10 per cent of all children are in families receiving FAS payments, and a further 15 to 20 per cent are in pensioner or beneficiary families receiving similar levels of assistance.

Finally, there are smaller, non means-tested programs that offer assistance to families with children with disabilities, and for multiple births. There are also child-related supplements in housing assistance for low income families renting privately. There are no tax allowances for children, per se, but lone parents receive an extra tax credit, and couples with children receive a higher tax credit than do couples without children.

Nearly all social security payments are now indexed in line with movements in prices. For basic payments, this is done twice a year and for most additional payments indexation is annual. There were substantial real increases in benefit levels between 1969 and 1975, when the indexation arrangements were introduced for basic pension payments, but not for additional payments for children, for example. There have been several small, discretionary increases above the inflation rate for basic payments under the Labor Government.<sup>20</sup> The additional payments received much larger real increases and then effectively became subject to indexation in 1987.

There is a high degree of equality in pension and benefit rates. Age pensioner couples, invalid pensioner couples and unemployment and sickness beneficiary couples are all paid at the same rate. Lone parents, the single elderly and invalids and the unemployed and sick 60 years of age and over are paid at the same basic rate, with the same additional payments.

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<sup>20</sup> Given the fall in real average earnings described above, indexation to prices is more favourable than indexation to wages.

Additional payments for children of pensioners and beneficiaries are set at the same rate as the Family Allowance Supplement paid to low income working families with children.

The exceptions to this equal treatment are the single unemployed and sick, who receive benefits for adults set at 92 per cent of payments for a single pensioner. Sixteen and 17 year olds and 18–20 year olds receive lower assistance again. As an indication of benefit levels, the single age pension is currently \$A153.05 per week and the combined married rate is \$A255.30 per week. Adjusted by purchasing power parities, these figures are equivalent to £68.90 and £115.00 per week or NKr1,107 and NKr1,847 per week, respectively. A sixteen or seventeen year old unemployed youth (with no work history) can receive a payment of around \$63 per week (£28 or NKr455), providing his or her parents have low incomes.

Because nearly all benefits are means-tested, the Australian system of social security has often been characterised as epitomising a residual approach to social welfare. Esping-Andersen (1990) has recently proposed that welfare systems can be described as belonging to three different "worlds". These are divided according to the extent to which the nexus between attachment to the labour market and survival has been broken (the level of 'de-commodification' of labour). The first such group comprises systems based on the principle of need, developed in the poor-law and social assistance tradition, and is characterised by means-testing. According to Esping-Andersen:

One type of system, historically most pronounced in the Anglo-Saxon nations, builds entitlements around demonstrable and abject need. With its mainspring in the poor-law tradition... these systems do not properly extend citizen rights. The main examples of this tradition are the early pension schemes in Scandinavia, the British scheme of supplementary benefits, the American SSI, and virtually the entire Australian welfare system.

This description is very misleading. It is true that means tests are applied to the combined income of husbands and wives. These do not include children or other persons living in the same household, unless they are regarded as living together as a man and wife. Entitlements and payments, however, are made individually, so each partner in a couple receives half the assessed rate of pension in their own right. In addition, there are virtually no discretionary

elements in the social security system, benefits being legal entitlements of those eligible, and the system has well developed internal and external appeal arrangements.

The means tests in much of the Australian system are primarily designed to exclude fairly well-off individuals, not to concentrate benefits on a residual group. The crucial fact about the Australian system is that there are no social insurance programmes at all. In contrast, income support in the United Kingdom and SSI in the United States co-exist with well developed contributory systems. They (IS and SSI) may be residual public systems in that a better or comparable deal is on offer from the contributory programmes catering for the better-off<sup>21</sup>, but in Australia there is no alternative form of direct public provision. A system that was only residual would probably be unsustainable, politically and socially.

Because of the 50 per cent taper applying to pensions for the elderly (and veterans, those with disabilities, and lone parents), most persons in the eligible groups receive some payment. In 1989, nearly 80 per cent of those eligible were receiving an age or service pension.<sup>22</sup> The cut-out point for the married rate of pension exceeds average weekly earnings. The assets test applied to pensions is structured to exclude those with substantial wealth, not to restrict payments to those in abject and demonstrable need. For example, for a couple who own their home, allowable additional assets before pension starts to be reduced were A\$147,500 in 1991, or about £68,100 or NKr1.5 million. For non-homeowners, the figure is nearly 50 per cent higher.

Given these factors, it is more accurate to see the Australian system as effectively providing a form of negative income tax for the elderly and some other groups. The unemployed and the sick, however, receive payments under conditions similar to those applying under income support in the United Kingdom. It is the special benefit that fulfils the last resort, residual

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<sup>21</sup> It is in this sense that the income support system in the UK differs from means-tested programmes in the United States, because IS actually offers higher levels of benefit than the contributory benefits.

<sup>22</sup> In addition, the government provides special tax rebates to those receiving pensions, so that by 1995 it is intended that no aged person receiving any age pension at all will be paying income tax.

function, although persons receiving this payment account for just under 1 per cent of all recipients.

The social security policies of the Labor government represent a compromise between improvements in the adequacy of payments and restrictions on eligibility. Table 5 shows broad trends in the number of people receiving social security payments over the 1980s and in aggregate expenditures on social security payments.<sup>23</sup> Between 1980 and 1984 there was an increase both in the number of recipients and in social security spending as a proportion of GDP. This was largely a consequence of the recession. This was followed by a fall in these ratios up to 1990, particularly in the ratio of recipients to the labour force, mainly because of the decline in unemployment. Between 1990 and 1991 there was a recession related increase in social security spending and in the number of beneficiaries. The proportion of dependent children in families receiving benefits continued to increase until 1988, before declining slightly and then increasing to a new high.<sup>24</sup>

While the trends in Table 5 are partly a consequence of the improvements in employment and reductions in unemployment, they also reflect measures to reduce eligibility and tighten administration. The initiatives of Labor in this regard were wide ranging, and only some of the most important can be mentioned. (See Saunders and Whiteford, 1991 and Bradbury and Doyle, 1992 for a detailed discussion.) It can be roughly estimated that spending by the Department of Social Security would have been about \$1,400 million or 6 per cent higher in 1990–91 if not for the combination of tightened income and assets tests, increased surveillance of beneficiaries and reductions in eligibility. Of this total saving about 45 per cent resulted from the introduction of a special income test on age pensioners previously receiving a universal pension when they reached 70 years of age, the imposition of the pensions assets test, and the family allowance income test. That is, these savings were achieved at the expense of relatively well-off older persons and families.

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<sup>23</sup> These figures include payments made by the Department of Veterans' Affairs.

<sup>24</sup> This figure does not include children in low income working families receiving assistance under the Family Allowance Supplement (FAS).

*Assessing the impact of anti-poverty policies*

**Table 5: Trends in the social security system, 1980 to 1991\***

	1980	1982	1984	1988	1990	1991
DSS Pensioners and Beneficiaries as % of total population **	17.7	18.7	20.8	19.5	18.7	20.6
DSS Pensioners and Beneficiaries per 100 persons in the Labour Force**	39.0	41.4	45.5	40.6	37.8	42.1
Dependent children of Pensioners and Beneficiaries as % of population under 16	12.3	14.6	17.8	18.0	17.5	20.9
Expenditure on social security as % of:						
GDP	7.2	7.4	7.4	6.0	5.7	6.5
Budget Outlays	27.7	27.6	24.8	23.0	24.1	25.7

Notes: \* Numbers of recipients are at 30 June each year and expenditures are for the year ending 30 June.

\*\* Includes spouses of beneficiaries and pensioners.

Source: Cass and Freeland, 1992.

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About one-third of the total saving was achieved by increased administrative surveillance of social security recipients, mainly the unemployed, but including other groups as well. In 1988-89 there were more than 1,000,000 people whose social security entitlements were reviewed. Of these about 8 per cent had their payments cancelled, 8 per cent had payments reduced, while 7 per cent had payments increased (Saunders and Whiteford, 1991, p. 142). The remaining savings were made by tightening eligibility for payments in various ways. Entitlement to family allowances were withdrawn for children aged 18 to 24 years in families not receiving pensions or benefits. The waiting period for unemployment benefits was increased, and eligibility for unemployment benefit was deferred until annual leave entitlements were exhausted.

In addition, the government adopted the policy of targeting additional resources to those "in need", by selective increases in payment rates for those with children and those renting privately. Table 6 shows real changes in benefit levels between 1982-83 and 1989-90. Two sets of figures are shown to distinguish between real changes and real changes if the health and medical costs component of the price index is included. This second set of figures is more appropriate. One effect of the introduction of the national health insurance system in 1984 was a fall in the Consumer Price Index. However, most social security recipients did not benefit directly from the introduction of Medicare, because they received free medical care already.

These sorts of figures can vary if a different starting-point is taken for the comparison. The Labor Government produces a more favourable impression by using March 1983 (when they were elected) as the basis for their comparisons. In addition, figures of this sort are affected by the lag between the indexation increase and the period taken into account in the indexation formula. Because inflation has generally been declining over this period, the increase in social security payments is somewhat greater than the exactly contemporaneous inflation rate.

Table 6 shows there have been modest real increases in basic pension payments since 1982-83, but substantial real increases in additional payments for children and assistance for private renters. These increases were mainly a consequence of the Government's anti-child poverty

strategy since 1987. As part of this strategy, there was also a substantial relaxation of the income test applying to the Family Allowance Supplement, which replaced the previous FIS scheme. The number of children in families receiving this assistance increased from 93,000 in 1987 to 456 thousand in 1991, or from around 2 per cent of all children under 16 to around 12 per cent of all children.

Payments for young unemployment and sickness beneficiaries have fallen in real terms. The larger falls for the sick results from an alignment of their assistance with benefits for the unemployed, where previously sickness beneficiaries had received assistance comparable to that for pensioners. The reduced payments for unemployed youth are a consequence of the alignment of their assistance with payments for secondary and tertiary students, who received a large real increase in assistance. This approach to reducing social security expenditure contrasts with the record of the previous conservative government, whose expenditure savings were mainly achieved by not indexing unemployment benefit or child payments (Cass and Whiteford, 1989). The effect of this policy was to reduce the real value of payments to the unemployed and to low income families with children, with the poorest being the most affected. In contrast, it can be argued that the savings achieved by Labor were more equitable as they were achieved mainly by reducing assistance to better-off client groups. The exceptions to this are the restructuring of assistance to youth and some of the restrictions on eligibility.

### **Taxation changes**

Australia is a low tax country, with total taxes accounting for 30.8 per cent of GDP in 1988, compared to an average of 40.8 per cent for the European Economic Community and around 47 per cent for Norway. In Australia, a large part of this revenue comes from personal income taxes, which account for 46 per cent of total revenue, compared to an average for the EEC of around 27 per cent. There are no social security contributions levied on employees or employers.<sup>25</sup>

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<sup>25</sup> There is a small levy (1.25 per cent of taxable income) to contribute to the national health insurance system, Medicare.

**Table 6: Real changes in social security payments, 1982-83 to 1989-90**

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Standard/married pension married benefit	+5.8	(+3.9)*
Single unemployment benefit		
16-17 years	-11.9	(-13.5)*
18-20 years	-1.5	(-3.2)*
adult	+20.5	(+18.4)*
Single sickness benefit		
16-17 years	-12.0	(-13.5)*
18-20 years	-19.5	(-20.9)*
adult	-1.5	(-3.2)*
Additional pension/benefit for children/ family allowance supplement		
Less than 13 years	+47.3	(+44.7)*
13 to 15 years	+112.4	(+108.6)*
Rent assistance		
no children	+18.7	(+16.6)*
with children**	+51.5	(+48.8)*
	+66.6	(+63.7)*
Family allowances		
one child	+17.9	(+15.8)
two children	-1.0	(-2.7)
Secondary assistance scheme	+81.0	(+77.8)*
Tertiary assistance scheme	+17.1	(+15.1)*

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**Notes:** \* Estimated using the CPI net of health and medical costs.

\*\* The range given reflects higher increases for those with three or more children.

**Source:** Bradbury, Doyle and Whiteford, 1990, p.18.

Another distinctive feature of the Australian system is that there is no VAT, although there is a wholesale sales tax with varying rates on a wide range of goods, but not food. It can be estimated that this tax is roughly equivalent to a VAT on all goods and services of around seven per cent. Put another way, in 1988 general consumption taxes raised revenue equivalent to 2.8 per cent of GDP in Australia, 6.1 per cent in the United Kingdom, and 9.5 per cent of GDP in Norway (OECD, 1990). Taxes on specific goods such as petrol, tobacco and alcohol are close to the OECD average as a percentage of GDP, but are slightly more important as a per cent of total tax revenue.

Taxation reform has been one of the most contentious areas of policy debate in the 1980s. Because personal income tax is a high proportion of total revenue, changes in income tax are salient. The Government has introduced a wide range of measures over its term of office. This is mainly as a result of White Paper on Reform of the Taxation System in 1985 and the subsequent "Tax Summit", which brought together representatives of business, the unions, State governments, and community groups.

The central plank of the Government's proposals was a substantial shift in the tax mix, with the proposed introduction of a VAT, a broadening of the tax base, and large cuts in income tax. In the event, a VAT was not introduced, although there has been a good deal of rationalisation of indirect tax arrangements. The tax base was broadened through the introduction of a capital gains tax and a tax on fringe benefits. A number of tax concessions were discontinued, and attempts were made to reduce tax avoidance and evasion. Income taxes were cut, although not to the extent originally envisaged. The top marginal tax rate was cut from 60 per cent to just under 50 per cent and the first rate (above the threshold) was reduced from 30 to 21 per cent.

In addition to these active taxation reforms, the distribution of income tax liabilities has been affected by "passive" government decisions. The income tax system is not indexed to inflation, but is generally subject to adjustments to the scales, usually presented as tax cuts even when they do not fully compensate for the effects of inflation. Thus, while marginal

tax rates have been cut, the tax threshold fell by about 28 per cent in real terms between 1983 and 1990. The level at which the top marginal tax rate cuts in effectively fell by nearly 40 per cent. The Opposition parties have been critical of the consequent increase in tax rates around average earnings. This appears to have affected single income families with children, because of the fall in the real value of the dependent spouse rebate and family allowances.

In assessing the distributional impact of changes to the personal income tax scale, it is first necessary to take account of the effects of inflation. The appropriate benchmark is the pattern of tax liabilities that would be in effect if the personal tax scale inherited from the previous government had been fully indexed. Table 7 shows the effects of changes to the personal income tax system using this benchmark and including the effects of changes in transfers to families with children. The table controls for inflation by estimating these effects as the difference between the tax liabilities under the 1989–90 tax scale and a fully indexed 1982–83 tax scale. The results are estimated on the assumption of constant real incomes. In fact real average earnings have fallen. There has also been a fall in the number of single income couples in the population and an increase in the number of two income couples. This table therefore abstracts away from these changes and shows the impact of personal income tax changes alone.

The effects of changes to the tax rate scale are most easily seen in the results for single taxpayers, where tax liabilities have increased at very low income levels leading to a fall in disposable incomes. At low to average incomes, taxes have fallen, and above this level they have risen slightly. At high income levels, taxes have been cut substantially because of the cut in the top marginal rate. For families with children, there have been large increases in disposable incomes at low income levels, because of the increases in family assistance. Two income couples show different patterns. The illustrative patterns shown in this table reflect the fact that two earner families are taxed as individuals, but receive benefits as families. This means the combined income of the couple is subject to the patterns for single people, varying according to the separate incomes of each partner.

**Table 7: Effects of changes in income tax and family payments on real disposable incomes of different family types, 1982-83 to 1989-90**

Taxable Income (1989-90) \$ pa	Single person	Single income* couple, two children	Two income couple**	
			no children	two children
10,000	-2.1	+19.8	-1.2	+19.8
15,000	+2.3	+13.8	-3.3	+9.8
20,000	+3.6	+10.9	-2.1	+7.4
25,000	+1.2	-0.7	+0.4	+0.4
30,000	-0.7	-2.1	+2.2	+2.1
35,000	-0.1	-1.3	+2.6	+2.5
50,000***	-0.4	-1.4	+1.1	+1.1
70,000***	+2.5	-0.6	-0.2	-2.0
100,000***	+8.5	+5.8	-0.3	-1.6

**Notes:** \* One spouse is assumed to have no taxable income

\*\* Income is assumed to be received in the ratio 60:40.

\*\*\* Does not take account of the effects of base broadening.

**Source:** Bradbury, Doyle and Whiteford, 1990, p.23.

These results are nominal rather than real. They assume that individuals pay tax in line with their liabilities and receive benefits in line with their entitlements. It is effectively assumed there are no problems of tax avoidance or low take-up of benefits. Nevertheless, this table shows the structural effects of taxation changes and is the basis of the modelling of the tax system that produced the microsimulation results.

In assessing whether these tax changes are progressive or not several points can be noted. The gains to low income families from improved assistance are not as great as shown here because actual spending on FAS in 1989-90 is only about 60 per cent of estimated total entitlements (Bradbury, Doyle and Whiteford, 1990). Nevertheless, the evidence suggests that it is those with low entitlements who are least likely to claim FAS.

The increase in tax rates for single people at low incomes will not have affected individuals receiving social security payments, because there is a special system of additional tax rebates which protects them from paying tax. In fact, the unemployed would have paid tax previously and now do not because of the introduction of these rebates and the exemption from tax of some additional payments. That is, the people most affected by the fall in the real value of the tax threshold are part-time workers.

The impact of the cut in the top marginal rate is also less regressive than it appears from these figures. This is because more than 90 per cent of all units in the top income ranges shown in this table are two income couples, who have in fact experienced tax increases not tax cuts. Thus, some high income *individuals* have enjoyed very large tax cuts, but most of the high income *group* have not, because their individual incomes are in the ranges where taxes have risen rather than fallen. Finally, these figures can take no account of the broadening of the tax base through the introduction of the capital gains or fringe benefit taxes. These taxes undoubtedly have the greatest impact at high income levels. In the Statement on *The Reform of the Australian Taxation System* (Keating, 1985, p.80) it was estimated that a "representative" taxpayer at upper income levels affected by base broadening, would face small increases in tax rather than substantial cuts.

It should also be noted that despite the reduction in the progressivity of the income tax scale, Australia has one of the most progressive tax *structures* of all OECD countries. This is because of the high reliance on income taxes, the effective absence of social security contributions, and the low weight given to consumption taxes. It can be calculated that an individual with 1.5 times average earnings will pay 2.15 times as much in income tax/social security contributions in Australia as someone with an income of half average earnings. The corresponding ratio for Norway is 1.73 and for the United Kingdom is 1.58. If employer social security contributions are considered to be incident on wages, then Australia has an even more pronounced degree of nominal progressivity. This finding is also supported in analysis based on the Luxembourg Income Study. Bishop, Formby and Thistle (1990) compare tax and transfer progressivity in the US, Canada, Sweden and Australia, and conclude that the distribution of taxes and transfers in Australia is never less *progressive* than

in the other countries analysed. Of course, the low levels of taxes and public expenditure in Australia will tend to make the overall spending and taxing mix less *redistributive*.

## 6. RESULTS

The previous sections have described only some of the complex factors used in the simulation and that go into the determination of income levels of different groups, and thus into the degree of inequality and the level of poverty. The microsimulation model takes account of some aspects of these influences, but there are many factors left out. On the one hand, it is not possible to model the impact of changes to capital gains or fringe benefits taxes, because the information required for this is not included in the basic income surveys. Nor is it possible to model the effects of restricting eligibility to benefits, nor the impact of the assets test on pensions. The results are not ideal, but it can be argued that they represent a significant advance over earlier studies.

Table 8 shows percentage changes in real disposable incomes at different points in the income distribution for different types of families. Overall, this table suggests that real disposable incomes have risen by more for the lowest 50 per cent of the population than they have at the upper end of the distribution, except for the richest 1 per cent. Lone parents have enjoyed the largest increases, particularly low income lone parents, although from a very low base income level.<sup>26</sup> Among those with incomes less than the median for their family type, only single people less than 25 years have experienced falls in real disposable income.

The last three rows of the table show that the results are sensitive to some of basic choices of measure. When incomes are measured after taking account of housing costs, the percentage increases are less at all income levels. This mainly reflects the impact of increased property values over this period, plus higher real interest rates. This effect is strongest between the 25th and 75th percentile, primarily because the lowest income groups and the higher income groups are more likely to own their homes outright than are middle-income families.

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<sup>26</sup> Appendix Table 4 contains the estimated income levels corresponding to the figures in Table 8.

The table also shows that the percentage increases in disposable incomes are much less if farmers are excluded from the population. The rationale for excluding farmers is that 1982–83 was an unrepresentatively bad year for farm incomes, due to a drought that broke shortly after the election of the Labor government. Appendix Table 2 shows that there was a real increase in farm incomes of 766 per cent between 1982–83 and 1989–90. If the average of farm incomes in 1981–82 and 1983–84 had been used as the base, the real change would have been a fall of 4 per cent.

The final panel of the table shows the estimated change if 1983–84 employment patterns had been used in the simulation rather than 1982–83. The rationale for this is that unemployment continued to increase until 1984, so this is a better indicator of the effect of Labor economic policies. The effect of using this base is that the incomes of lower income groups grow by more, while those of higher income groups are unaffected, because they do not experience unemployment.

Table 9 shows estimated changes in quintile shares. These results suggest there has been a reduction in inequality within all family types, except the elderly, where high income groups have gained from an increase in asset incomes. The conclusion that inequality has been reduced should be qualified by the observation it is likely that the Lorenz curves for the two years intersect towards the top of the income distribution.

Table 10 shows estimates of the proportion of the population experiencing Henderson poverty. Two alternatives are shown. In the first case, the 1982–83 poverty line is adjusted in line with movements in household disposable income per capita, and thus provides a "relative" measure. In the second case the poverty line is adjusted by movements in prices, and can thus be thought of as an "absolute" measure.<sup>27</sup> Relative poverty increased for all groups

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<sup>27</sup> This poverty line is of course a hybrid of originally relative concepts and an absolute updating mechanism.

**Table 8: Percentage changes in real disposable incomes by percentiles within each income unit type, 1982-83 to 1989-90**

Income unit type in	Percentile						Number 1989-90 (million)
	10	25	50	75	90	99	
<hr/>							
Single person							
- Less than 25	2.5	-0.5	1.0	1.8	0.5	7.2	1.27
- 25 to 64	7.6	5.6	2.6	-2.1	-3.2	5.6	1.41
- 65 and over	3.9	4.1	3.8	4.1	3.7	16.1	.75
Couple, without children							
- Head less than 65	8.0	11.3	9.6	4.9	2.9	12.8	1.26
- Head 65 and over	3.9	4.1	4.4	4.5	7.1	5.1	.59
Couple, with children	19.1	5.5	2.1	3.7	3.4	8.6	2.02
Sole parent	15.0	13.0	11.5	13.3	-2.6	-5.0	.27
All income units	5.9	6.9	6.5	3.6	4.2	13.4	7.57
All income units (after housing costs)	4.6	3.9	1.5	1.0	2.6	11.2	-
All income units (excluding farmers)	4.7	3.8	3.3	1.4	1.8	4.0	-
All income units (1983-84 employment rates)	6.1	8.0	6.8	3.6	4.3	13.4	-

Source: Bradbury, Doyle and Whiteford, 1990, pp. 33, 38, 39.

**Table 9: Quintile shares of disposable income by income unit type, 1982-83 and 1989-90**

Quintile	1982-83		Income unit type					All	Equivalent income
	1+0 <25	1+0 25-64	1+0 65+	2+0 <65	2+0 65+	2+	1+		
Lowest	5.55	5.78	12.77	6.75	11.55	8.70	7.57	5.22	6.68
Second	13.86	11.05	15.17	13.32	14.21	15.34	12.63	10.75	12.21
Third	19.98	19.54	16.23	18.84	15.89	19.08	15.82	17.00	17.77
Fourth	25.52	25.79	19.23	24.55	19.31	23.01	23.12	25.26	24.26
Highest	35.09	37.84	36.60	36.54	39.04	33.85	40.87	41.75	39.08
Gini coefficient	0.300	0.336	0.228	0.302	0.263	0.249	0.328	0.372	0.328
<b>1989-90</b>									
Lowest	6.05	6.25	12.78	7.18	11.36	9.68	8.44	5.55	7.34
Second	14.08	12.01	15.13	13.38	14.08	15.16	13.31	11.15	12.34
Third	20.09	19.88	16.18	19.01	15.76	18.61	16.89	16.98	17.54
Fourth	25.41	24.97	19.07	24.28	19.05	22.68	24.24	24.61	24.01
Highest	34.34	36.90	36.85	36.16	39.73	33.86	37.10	41.71	38.77
Gini coefficient	0.288	0.318	0.231	0.294	0.270	0.241	0.290	0.365	0.319

\* Distribution of net equivalent income unit income among quintiles of person; the equivalence scales (used in LIS research) give a value of 0.5 to the first person in the income unit, a value of 0.25 to each person from the second to the ninth, and set the scale at 3.0 for all units with ten or more members.

Source: Simulated 1982-83 and 1989-90 income distributions, Social Policy Research Centre.

except lone parents, for whom it fell slightly. Given the real increases in the incomes of people below median incomes and the reduction in inequality shown earlier, this is a surprising result. Part of the explanation for this is technical. In terms of the overall increase in relative poverty, the apparent increase among the single elderly is significant, because this is a relatively large population group and because the increase in relative poverty is so large. It should be remembered that the basic pension levels for both the single elderly and elderly couples increased by the same amount over this period. This suggests that this particular result is a consequence of the difference between the equivalence scales implicit in the pension system and those used with the Henderson poverty line.

More importantly, the HDIPC figure used to adjust the poverty line is exogenous (as is the poverty line, for that matter). The HDIPC figure is based on the National Accounts and includes components not covered in the Income Surveys, such as imputed dwelling rents and the earnings of superannuation funds. Thus real HDIPC grew by around 12.7 per cent over the period covered by the simulation, while real median family incomes in the simulation increased by 6.5 per cent. This is a major factor contributing to the increase in relative poverty. The question of the appropriate measure of trends in disposable incomes is a moot point, but it seems reasonable to say that strong conclusions about trends in relative poverty should be regarded with caution. In a further development of the simulation methodology, Bradbury and Doyle (1992) found that relative poverty increased only slightly from 11.3 to 11.4 per cent of income units between 1983–84 and 1989–90, when the Henderson poverty line is adjusted by the change in average incomes in the simulations. This can be compared with the more substantial increase from 8.9 to 11.6 per cent shown in Table 10.

This problem does not only apply to the simulated income distributions. Since the base income surveys do not include all components of HDIPC, the same problem occurs. That is, changes in average incomes used to adjust the poverty line differ from the change in average incomes measured in the surveys. The ideal solution to this would be the broadening of the income concepts measured in the surveys. This may not be practicable. An alternative would be to use poverty measures that arise from within the income surveys, for example, fractions of median income.

**Table 10: Estimates of proportion of income units in poverty, 1982-83 and 1989-90**

Income unit type	1982-83	Percentage below poverty line*:	
		Relative	Absolute
1989-90			
<i>Non-aged</i>			
Single	9.8	11.8	7.9
Sole parents	46.4	44.2	33.1
Couples, no children	2.2	2.7	1.9
Couples, with children	7.0	7.2	4.1
<i>Aged</i>			
Single	9.8	23.5	5.8
Couples	3.2	4.3	3.3
<i>Total</i>			
Income units	8.9	11.6	6.5
Persons	9.5	10.9	6.7
Adults	7.6	9.5	5.4
- Non-aged	7.9	8.7	5.7
- Aged	6.1	12.7	4.4
Children	14.4	14.8	10.1

\* The poverty standard used is the 'Henderson poverty line'; the relative line is updated by movements in household disposable income per head, while the absolute line is the same 1982-83 standard updated by movements in the consumer price index.

Source: Saunders, 1990, p.35.

The inclusion of a measure of poverty held constant in real terms is intended to complement the relative poverty measure, and not supplant it. Not unexpectedly, the picture this gives of trends in poverty differs markedly. "Absolute" poverty falls for all groups except elderly couples, for whom it apparently increased marginally. Proportionately, the fall was greatest for the single elderly and couples with children (around 40 per cent), followed by lone parents, and children (around 30 per cent).

The model has been used several times to explore the effects of different economic and policy changes on measured poverty and the distribution of income. This is one of the advantages of the simulation methodology. Any income component that is modelled can also be held constant. It is therefore possible to generate a wide range of counterfactual income distributions. This means that one determinant of the distribution is isolated from other factors in order to estimate its impact. The results given in Table 8 offer two counterfactuals through the exclusion of farmers and the results that are based on 1983–84 employment rates rather than 1982–83 rates. In addition, the original work offered two alternative sets of results, which differed according to the way the employment changes of husbands and wives were modelled.

Saunders (1990) provides estimates of poverty in 1989–90 assuming the employment levels of 1982–83 had remained unchanged. This paper found that the rapid employment growth apparently had little impact on poverty, measured in either relative or absolute terms. Assuming unchanged labour market conditions, relative poverty among non-aged income units would have been 10.4 per cent rather than 11.1 per cent. "Absolute" poverty would have been 5.5 per cent among this group, rather than 7.4 per cent. Saunders (1990) argued that these were not substantial effects, given that Australia enjoyed the highest employment growth in the OECD over this period. The main reason for the limited impact on poverty is that unemployment did not fall to the extent that might have been expected, given the size of the increase in employment. Much of the increase in employment was among married women, particularly among those with working husbands, where poverty rates could be expected to be low anyway.

The most detailed analysis of a set of counterfactual assumptions undertaken on these simulations is that by Bradbury and Doyle (1992). The period covered differs from that discussed in this paper, as their starting point was 1983–84, on the grounds that this was the worst period of the recession. They produce counterfactual estimates of changes in real disposable incomes, income shares and relative and absolute poverty rates. These depend upon different assumptions about unemployment rates; the labour force participation of wives; unemployment, participation, and full-time/part-time employment ratios; social security benefit rates; wage rates; income from interest, dividends, and self-employment; income taxation; and everything. That is, they estimate what poverty would be if each of these separate factors had not changed in the way it did, but everything else had.

### *Assessing the impact of anti-poverty policies*

The estimated impact of these counterfactuals is shown in Table 11. Labour market changes had the strongest impact on income levels, which would have been lower but for the reduction in unemployment and the increase in wives' labour force participation. Bradbury and Doyle (1992) also estimate that absolute poverty for the total population would have been about 1.9 percentage points higher (11.3 per cent rather than 9.4 per cent) if nothing at all had changed between 1983–84 and 1989–90. If unemployment had stayed constant, poverty would have been 0.9 percentage points higher. If social security rates were set back to their real 1983–84 level, poverty would have been 1.2 percentage points higher. Poverty would have been slightly lower if wage rates had stayed at their 1983–84 level and if the income tax changes had not taken place. "Absolute" poverty would have been slightly higher if asset incomes had not increased in the way that they did.

These figures are also expressed in relative percentage terms. For example, the 0.9 percentage point increase in poverty associated with the 1983–84 levels of unemployment would have been equivalent to a level of poverty nearly ten per cent higher, given that "absolute" poverty was 9.4 per cent. Although not shown in Table 11, these changes also can be broken down by different family groups and by different poverty lines (80, 100, 120 and 140 per cent of the Henderson line). The strongest effect was the impact of pension rates on poverty among lone parents, where it was estimated that poverty would have been 10.5 percentage points higher (about 32 per cent) if real benefits had not been increased.

Table 11 shows relative poverty levels on the same counterfactual assumptions. What is most obvious is that reductions in unemployment have little impact on relative poverty, presumably because the jobs gained by the poor are offset by the higher poverty line associated with higher employment. The increasing labour force participation of wives appears to have a strong impact on relative poverty, increasing it because many wives were in families already above the poverty line. Social security increases have a less strong but still substantial opposing effect, while wage rate changes have a weak effect.

*Assessing the impact of anti-poverty policies*

**Table 11: Changes in income levels, poverty rates, and income shares between 1983-84 and 1989-90 under different counterfactual assumptions**

Factor held constant:	Mean incomes	"Absolute" poverty:		"Relative" poverty:		Bottom decile: %	Middle quintile: %	Top decile: %
		% age point	%	% age point	%			
Unemployment	-2.0	0.9	9.6	0.0	0.0	-4.0	-1.3	1.4
Wives' LF participation	-1.6	-0.0	-0.0	-1.5	-13.2	2.2	1.9	-0.6
Unemployment, participation & ft/pt rate	-3.6	0.8	8.5	-1.7	-14.9	-1.7	1.0	0.6
Social security rates	-0.6	1.2	12.8	1.0	8.8	-1.4	-0.3	0.7
Wage rates	0.4	-0.3	-3.2	-0.1	-0.9	0.7	0.6	-1.2
Self-employment and unearned income	-1.6	0.5	5.3	0.4	3.5	0.5	-0.1	-0.3
Income taxation	-0.7	-0.2	2.1	-0.6	-5.3	1.5	-0.4	-1.3
Everything	-4.5	1.9	20.2	-0.1	-0.9	-2.7	1.0	-3.0

Note: Figures exclude the self-employed population.

Source: Bradbury and Doyle, 1992, pp. 37, 48, 52-55, 60-61.

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**Table 11: Changes in income levels, poverty rates, and income shares between 1983-84 and 1989-90 under different counterfactual assumptions**

Factor held constant:	Mean incomes	"Absolute" poverty:		"Relative" poverty:		Bottom decile:	Middle quintile:	Top decile:
		% age point	%	% age point	%	%	%	%
Unemployment	-2.0	0.9	9.6	0.0	0.0	-4.0	-1.3	1.4
Wives' LF participation	-1.6	-0.0	-0.0	-1.5	-13.2	2.2	1.9	-0.6
Unemployment, participation & f/pt rate	-3.6	0.8	8.5	-1.7	-14.9	-1.7	1.0	0.6
Social security rates	-0.6	1.2	12.8	1.0	8.8	-1.4	-0.3	0.7
Wage rates	0.4	-0.3	-3.2	-0.1	-0.9	0.7	0.6	-1.2
Self-employment and unearned income	-1.6	0.5	5.3	0.4	3.5	0.5	-0.1	-0.3
Income taxation	-0.7	-0.2	2.1	-0.6	-5.3	1.5	-0.4	-1.3
Everything	-4.5	1.9	20.2	-0.1	-0.9	-2.7	1.0	-3.0

Note: Figures exclude the self-employed population.

Source: Bradbury and Doyle, 1992, pp. 37, 48, 52-55, 60-61.

The changes in income shares at different points in the distribution are broadly consistent with the previous results. The income share of the bottom decile would have been smaller if not for the reduction in unemployment and the increase in social security benefits. This share would have been larger if wives' labour force participation, wage rates, unearned income and income taxation had not been changed. The middle quintile would have had a slightly larger income share under the 1983–84 counterfactual. In contrast, the top decile would have had a smaller income share, with the main factors contributing to their "actual" higher share being increased inequality in wages and the (modelled) changes to the income tax system. The reduction in unemployment and changes to social security arrangements tended to have reduced the shares of the top decile.

## **7. CONCLUSIONS**

### **Limitations of the analysis**

The major limitations of the analysis in this paper should be readily apparent from this discussion, and it is important to understand these limitations. The simulation produces two artificial income distributions for the years specified. The information is detailed, but should not be taken as equivalent to what income surveys conducted in those years would have produced. The results are not "real", even in the sense that the results of actual surveys are. They are simulations, which should be thought of in the same way as the results of the hypothetical or model family approach. That is, they show the likely nominal impact of the changes in the variables explicitly addressed in the modelling procedure.

The model is limited to those variables included in the Income Survey. The survey does not include any direct information on wealth, and so it is not possible to model changes in the distribution of wealth. On the taxation side, the paper only covers the impact of changes in personal income taxation and does not include any assessment of the impact of changes in indirect taxes or the introduction of the capital gains tax. The survey does not include employment-related fringe benefits, and so cannot be used to assess changes in their incidence or the impact of the fringe benefits tax. The paper cannot deal with income tax avoidance or evasion, an area of major attention from the government and the Australian Tax Office in the period of analysis. (It might be noted that the actual Income Surveys cannot deal with these factors either, since they do not collect information on these questions.)

Nor does the paper deal with the widening superannuation coverage over this period, even though this extension of superannuation was an explicit trade-off against wage increases, and changes in superannuation tax arrangements have been a major government initiative. While the paper does include the effects of changes in the costs of housing, it does not include the complement of this – the increase in housing wealth of many owner-occupiers. The Bureau of Statistics does not commonly impute income from owner-occupied housing, so the income concept used in the analysis does not include this component.

Moreover, the modelling has been limited in some cases by what is initially technically feasible. The most important omission is that the increase in the proportion of the workforce who are employed part-time has not been **directly** modelled. This is less serious than it first appears. The increase in the proportion of the workforce employed part-time is largely due to increasing employment among groups who initially were more likely to work part-time – married women and young people. The changing employment status of these groups was directly modelled.

#### **Advantages of the analysis**

This list of limitations could be extended. Nevertheless, the results are likely to be more accurate than any method of analysis not based on an actual income survey. The simulation methodology encompasses a far wider range of economic and social policy changes than can normally be addressed in the model family approach or its even simpler variants. The approach also provides a consistent basis for assessing the impact of such changes, and by basing the results on an actual income survey, it weights the policy inputs in a reasonably appropriate way. The results are far from perfect, but they are likely to be far more accurate than any of the simpler approaches discussed earlier. Their main strength is that they take account of many more of the most important factors influencing the distribution of income, including the level of employment and unemployment and income from a much wider range of sources. And they do this in a coherent and consistent fashion, which is set within the matrix of an actual income survey, which results in more appropriate weighting of the effects of policy changes on different groups.

The fact that the results are modelled brings to the forefront the recognition that studies of this sort reflect the assumptions made in the analysis. This is as true of income surveys as microsimulation.

There is perhaps a greater temptation with surveys to think that the observed trends capture all the major changes over a period, when of course surveys can only reflect what is measured. Microsimulation highlights the complex determinants of trends in poverty and income distribution. It also shows that trends in outcomes reflect a wide range of inputs, that may have contradictory impacts. This suggests that any analysis of trends in income distribution over time, or any comparisons across countries, whether based on simulations or actual surveys, should ask what factors have been left out of the analysis.

### **Has Australia had a "New Right" Government?**

In terms of the criticisms of the Australian Government policy in the 1980s, the conclusion of this paper is that trends in poverty and inequality have probably been in the opposite direction from the claims quoted earlier. Rather than substantial increases in poverty, falls in living standards, and increases in inequality, there have been modest increases in living standards and probable slight reductions in poverty and inequality. If poverty is measured by reference to a constant real poverty line, then poverty has fallen substantially.

This record is in strong contrast to that of the British Conservative Government, with whom the Australian Government has been unfavourably compared. Precise comparisons are difficult. The official *Households Below Average Income* statistics published by the Department of Social Security estimate that between 1979 and 1988–89, the median income of the fifth decile of UK households increased by 19 per cent in real terms before housing costs and 20 per cent after housing costs. The median of the lowest decile increased by 2 per cent in real terms before housing costs, and fell by 6 per cent after housing costs. The median of the second decile increased by 5 per cent before housing costs and 2 per cent after housing costs (DSS, 1992, p.62).

In contrast, the results in Table 8 estimate that real income for the median family in Australia rose by 6.5 per cent, while that for the family at the tenth percentile rose by 5.9 per cent. After housing costs, lower income families did relatively better, the median income increasing by 1.5 per cent, while that of the tenth percentile increased by 4.6 per cent. The differences for high income groups are even more striking. In a Parliamentary response to M. Madden, M.P. it was revealed that the top decile in Britain enjoyed a 46 per cent real increase in their incomes between 1979 and 1988–

89. Table 8 shows that between 1982-83 and 1989-90 the increase at the 90th percentile in Australia was less than at the median (4.2 per cent), and was 13.4 per cent for the top 1 per cent of the population. Most of this was due to the recovery of farm incomes from the drought in 1982-83.

The UK figures suggest that lower income groups fell significantly behind the average over this period. This is confirmed by analysis of income shares. The HBAI figures suggest that the share of the bottom 20 per cent of the population fell from 9.9 per cent of total income to 7.9 per cent of total income between 1979 and 1988-89 (DSS, 1992, p.64). For Australia, Table 9 suggests an increase in the income share of the bottom quintile from 6.7 to 7.3 per cent. Other comparisons are even stronger. The 25th percentile of lone parents in the UK experienced real income increases before housing costs about one-fifth of that of the median income for the population, and after housing costs, these increases disappeared entirely (DSS, 1992, p.65). In Australia, the 25th percentile of lone parents enjoyed real income increases twice that of the average for the whole population. After housing costs, the real increase for this group was 21.1 per cent, compared to an increase of 0.5 per cent for the population as a whole (Bradbury, Doyle and Whiteford, 1990, p.52).

Several points can be noted about these comparisons. Most importantly, the figures are not precisely comparable, with differences between household units and income units, and between medians of decile groups and percentile points. Incomes are measured annually for Australia, and on a current basis for the UK, which will tend to make the UK look slightly more unequal. The equivalence scales used in the income share analysis differ, and will probably tend to make Australia look substantially more unequal than the UK.<sup>28</sup> It is also interesting to note that even

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<sup>28</sup> The equivalence scales used in the UK analysis are derived from the work of McClements, while those used in Table 9 are scales commonly used in conjunction with the Luxembourg Income Study. The scales are as follows:

	1 person	1 adult, 1 child	2 adults	2 adults, 1 child	2 adults, 4 children
UK	0.61	0.84	1.00	1.23	1.92
Australia	0.67	1.00	1.00	1.33	2.33

It can be seen that the scales used for Australia will uniformly require higher relative incomes for all families in comparison with the standard family.

while the income share of the bottom quintile in the UK has declined, it is still estimated to be greater than that of the bottom quintile in Australia. This will also be substantially affected by the equivalence scales used, but it suggests that in 1979 the UK income distribution was probably more equal than that in Australia, but that this may no longer be the case.

The other interesting feature of these comparisons is how much greater has been the increase in median incomes in the UK than in Australia. This partly reflects the longer period of analysis and the possibility that real incomes in the UK around 1980 were lower than in Australia (adjusted by purchasing power parities). Nevertheless, the large increase in real "average" incomes in the UK probably does much to explain the electoral success of the Conservative Party over this period.

Whatever the caveats that must be attached to these comparisons, it is difficult to accept that the records of these governments are similar. The UK figures suggest a dramatic widening in income inequality. The Australian figures suggest a slight narrowing in income inequality. It is true there is a gap between the rhetoric of the Australian Government and their actual achievements, but this is not a conclusion that any student of political parties would find surprising. To my mind, there is a similar if not larger gap between some of the critics' claims and the results of this analysis. Why is this? It may be that the results of this analysis are wrong. Clearly, many important trends have not been incorporated in the microsimulation, and the results are therefore partial. It also should not be thought that all social and economic developments under a particular government are entirely the responsibility of that government. Demographic ageing, for example, is outside the sphere of government control. The Labor government cannot take all the credit for the growth in employment, but some of this growth is related to their policies. Taxation and social security changes can be said to reflect government policy decisions.

While this analysis is partial, it is significantly more comprehensive than that of the critics of the Labor government's record. An alternative interpretation is that the critics quoted earlier have not been fair in their discussion of the impact of Labor policies. This is particularly true of Carson and Kerr (1988). For example, they refer to supposed major similarities between the privatisation policies of the Hawke and the Thatcher Governments (1988, p. 81). According to Stevens (1992), between 1979 and 1991, the Conservative Government in Britain privatised assets equivalent to 12

per cent of average annual GDP, which was the second highest level of privatisation in the OECD. In contrast, Stevens noted that in Australia (among other countries) so little had been privatised to date that no specific discussion of their record was warranted. The most unjustified comment made by Carson and Kerr is that poverty doubled in Australia under the Labor Government (1988, p.71). They cite no source for this extraordinary statement, and provide no evidence to support it.<sup>29</sup>

Other comments are based on evidence that could be interpreted in different ways. Carter (1992, p.3) argues that the tax system under Labor was inequitable and gave tax cuts to the better-off. She cites figures that in 1983-84 the top 6.4 per cent of taxpayers held 16 per cent of taxable income, but by 1988-89 the top 4.3 per cent of taxpayers accounted for 16 per cent of taxable income. Some may interpret this as an indicator of the notion that the "rich have got richer". Alternatively, these figures could be taken as showing that the tax system has become more progressive through the widening of the income tax base, so better-off groups are now forced to declare more of their income.

Overall, many of the Labor Party's critics have considered only part of what has happened over the period since 1983. For example, the quotations given earlier largely ignore the impact of employment growth on income distribution, but concentrate on falls in the level of unemployment benefits relative to household disposable income per capita. Others point to the cuts in the top marginal tax rate, without referring to the broadening of the income tax base. It is the partial nature of such analysis that leads to misleading conclusions.

The claim that the policies of the Labor Government have been like those of the Conservative Government in Britain appears unsustainable. This does not mean that more should not have been done to reduce poverty and inequality. Indeed, it can be argued that a government in office for the best part of a decade could be expected to achieve more than a slight reduction in inequality and rough stability in relative poverty. There are also other grounds for criticising the Labor approach to social policy. For example, Bryson (1988) rehearses the arguments for universal social

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<sup>29</sup> Mishra (1990, p.120) cites another article by Carson and Kerr as evidence of the similarity of social policies in Australia and Britain. Given the degree of exaggeration in their 1988 article, I would doubt any conclusion they reach.

provisions and criticises the Labor government for its "retreat" from universality involved in the income-testing of family allowances. In making such criticisms, however, it is important that the basis of the critique be clear and accurate. Income-testing family allowances while cutting marginal income tax rates may in some perspectives be regarded as logically incoherent, but it is difficult to argue that it disadvantages the poor.

### **Assessing poverty measurement and anti-poverty policies**

The example of Australia suggests that considerable care is needed when assessing trends in poverty and the impact of specific policies on the distribution of income. The experience of Australia also suggests that the appropriate definition and measurement of poverty needs to be thought through, so that the results of policy interventions can be accurately identified. In much poverty research, there is a tendency to look only at single, simple indicators of overall outcomes, particularly poverty headcounts. If the poverty headcount has increased, it is then common to speak of policy failure, as if policy was one seamless web. In any country and any period, there will be forces (demographic or economic) that will tend to increase poverty and there will be other forces operating simultaneously to reduce poverty. There will also be various social programmes that have differential levels of effectiveness in reducing poverty. Governments may also have programmes to reduce poverty, while at the same time following other policies that tend to increase poverty. Inconsistency results because there is more than one objective for social and economic policy. What is needed from policy analysis is the identification of which programmes are more effective and why.

Considerable care should be taken in interpreting the results of the analysis in this paper. The simulation and the use of counterfactuals suggests that employment growth in Australia in the 1980s had little if any impact on poverty. It should be noted that the counterfactual must be treated with caution. In particular, if employment growth had been much less, then it would probably have been associated with a different pattern of changes in income distribution. It has been argued that a substantial part of the increased employment was a consequence of falls in real wages. If average real wages had risen rather than fallen, then inequality between the employed and unemployed may have been greater and relative poverty could be higher. It can also be asked whether those increases in benefit rates that were introduced would have happened if employment growth had not

occurred or had been substantially less. At the same time, indexation of benefits to prices, as is the case in Australia, in the long run will probably lead to a widening of the gap between those who are retired and families of workforce age. On the other hand, in a situation where the main factor associated with income growth is the increase in wives' employment, it is difficult to envisage a simple indexation mechanism that could consistently parallel trends in average incomes.

Judgements about the effectiveness of anti-poverty policies will depend on the nature of what different actors mean by "poverty". As Veit-Wilson (1992) argues in a paper at this conference, there is a need for a reconsideration and clarification of the definition of poverty and of poverty lines. This is true of the measurement of poverty in Australia. The Henderson line is an unconvincing hybrid of relative and absolute elements, and where there is no reason to regard it as of any relevance to Australian social conditions, or as representing any commonly used international measure of relative poverty. Its continued use largely reflects the fact that it has commonly been used in the past, and that it is useful to welfare lobby groups.

In fact, the interests of welfare groups in a "poverty line" that can be used regularly to assess the adequacy of social security benefits may be inconsistent with its application to survey data on income distribution. This is because the Henderson line is exogenous to any income distribution survey. This in turn reflects its origin as an "absolute" measure of poverty, and its gradual transformation into a relative measure. Significantly, the Henderson line is relative to an income measure (HDIPC) that is not the same as the income measures in social surveys. This paper has shown that the Henderson line has not only grown in real terms, but has increased more than average incomes in the simulation or the surveys. This must create a problem of meaningfulness, and raises doubts about the status of the Henderson poverty line as a *consistent* measure of relative poverty. Welfare groups have an understandable and legitimate interest in maintaining pressure on government to improve social provisions. However, discussions of poverty become problematic if there are marked differences in the interpretation of the impact of anti-poverty policies, particularly if the impact of policy is misrepresented by the way in which poverty is measured.

In the case of child poverty in Australia, the government's initiatives after 1987 clearly did not "end the need" for such poverty. Indeed, the commitment was so strong that it was probably

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unachievable from the start. Nevertheless, a progressive government could expect to have its real achievements recognised, when it introduced a set of programmes that extended assistance to a further 10 per cent of all children, increased those payments by 50 per cent in real terms, and guaranteed the maintenance of the real value of these more generous benefit levels through indexation. Instead, public opinion polls suggested that a majority of the population thought that child poverty had increased in this period. That is, by putting child poverty on the political agenda and addressing it, the Labor government was considered to have made the problem worse rather than better. This is not an argument for a pragmatic or an uncritical reaction to policies, simply because they are intended to do good. Nevertheless, it is essential that poverty measurement should provide an accurate assessment of trends, of comparisons across countries, and of what makes poverty better or worse. The Henderson poverty line is particularly defective in this regard, but other unidimensional measures such as headcounts are also potentially misleading.

There is also an important issue relating to the measurement of the appropriate time period over which to estimate the distributional impact of social and economic policies. The paper has shown that results may differ depending upon specific choices of the starting period. It can also be argued that economic trends should be measured from trough to trough or peak to peak, rather than trough to peak as is done here. On the other hand, if governments introduce policies that are effective in increasing the rate of economic recovery, they should be given credit for that.

Finally, in discussing the distributional consequences of the Socialist government's policies in France, Kessler and Masson (1985) note that short-term changes in economic conditions may not accurately reflect the actual distributional consequences of macroeconomic and social policies. It is important to determine whether the effects of policies are transitory or permanent, and more generally to analyse lifetime income distributions. This is easier said than done. But it is a reminder that the effects of government policy decisions<sup>30</sup> – whether negative or positive in their impact on inequality – can outlive the governments that make those decisions and may not even be measurable until many years later.

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<sup>30</sup> Examples include the increasing educational participation of youth in Australia, the increasing labour force participation of women, the increasing coverage of occupational superannuation, and changes in the affordability of housing and the level and distribution of housing wealth.

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**Appendix Table 1: Comparative statistics for Australia, Norway and the United Kingdom and the OECD**

	<b>Australia</b>	<b>Norway</b>	<b>United Kingdom</b>	<b>OECD average</b>
Population (million) 1990p	17,100	4,242	57,236	-
Average annual rate of population change (%) 1980 to 1990	1.62	0.38	0.19	0.74
Birth rate per 1000 population (1990)	15.4	14.4	13.9	-
No. of children per woman (1990)	1.93	1.93	1.84	-
Per cent 65 years + 1960	8.5	11.1	11.7	9.7
1986	10.5	16.0	15.3	12.7
Unemployment rate				
1970	1.6	1.6	3.0	3.1
1975	4.8	2.3	4.3	5.2
1980	6.0	1.6	6.4	6.4
1985	8.2	2.6	11.2	10.9
1990	6.9	5.2	6.8	6.1
1992	10.3	5.8	10.2	7.2

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Total employment (average annual change)				
1970 to 1980	1.6	1.8	0.2	1.0
1980 to 1985	0.9	0.7	-1.1	0.5
1985 to 1990	3.6	0.2	2.0	1.8
1990 to 1992	-2.0	-1.5	-2.5	-1.0
Female Labour Force Participation *				
1960	34.1	36.3	46.1	45.8
1980	52.1	62.3	58.3	53.4
1985	54.9	68.0	60.5	55.7
1990	62.3	71.2	65.1	59.3
Government employment as % of total				
1968	23.8	15.4	17.5	13.1
1980	26.0	23.2	21.1	14.9
1985	26.7	25.2	21.7	15.3
1990	22.8	27.7	19.2	14.8
GDP per head adjusted by PPPs 1985				
	£6,670	£7,890	£6,200	£6,980
Purchasing power parities (PPPs)				
1991	2.17	15.41	1.00	-
1992c	2.09	15.12	1.00	-

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<b>Consumer prices</b>				
1985	100.0	100.0	100.0	100.0
1990	146.5	135.4	133.4	124.1
1992	152.3	143.3	147.3	135.7
<b>Change in real hourly earnings in manufacturing 1985 to 1992</b>				
	-8.7	+13.0	+14.7	-5.7
<b>Total outlays of government as % of GDP</b>				
1970	26.8	41.0	38.8	32.3
1980	33.8	48.3	44.7	39.4
1985	38.7	45.6	46.1	40.7
1989	34.8	54.6	40.9	39.7
<b>Social expenditure as % of GDP (1985)</b>				
18.4	23.5	20.9	24.6	
<b>of which (%):</b>				
Education	31.0	23.8	23.9	21.5
Health	26.6	26.4	24.9	22.8
Pensions	26.6	34.0	32.1	36.2
Unemployment	7.1	3.0	8.6	7.3

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Total taxation as % of GDP (1988)	30.8	46.9	37.3	38.4
of which (%):				
Personal income tax	45.9	27.9	26.6	30.8
Employees' soc security	-	7.3	8.5	/
Employers' " "	-	17.3	9.5	28.2 /
General consumption	9.2	20.2	16.5	16.4
Specific consumption	14.9	15.8	13.1	12.0
Average tax rate single APW**				
1982	22.8	34.5	32.5	-
1985	22.9	32.8	31.3	-
1989	23.5	33.8	27.4	-
Old age, survivors and disability transfers per person 65 and over				
1960	53	33	43	48
1970	71	95	62	86
1980	123	139	87	140
1984	123	145	100	155
Relative pension generosity (1980)***	51.0	53.4	42.3	67.2

Notes: \* As a proportion of the female population aged 15 to 64 years. \*\* Average production worker.

\*\*\* Calculated as the the proportion of GDP devoted to pensions divided by the proportion of the population 65 years and over. Sources: OECD, 1988a,1988b,1988c,1990,1992. Varley, 1986.

**Appendix Table 2: Real changes in income components, 1982-83 to 1989-90**

	Percentage change	
Household disposable income per capita	+12.7	
Farm, unincorporated enterprise	+765.8	(-4.0)*
Non-farm, unincorporated enterprise	+19.6	
Interest	+26.2	
Dividends	+21.5	
Average weekly earnings	-4.8	
Wage rates:		
Male, full-time	-1.9	
Male, part-time	-22.1	
Female, full-time	+2.1	
Female, part-time	+1.7	

**Note:** \* The bracketed figure is the estimated real change using the average of the 1981-82 and 1983-84 years as the base.

**Source:** Bradbury, Doyle and Whiteford, 1990, pp.15-18.

**Appendix Table 3: Trends in housing and related costs, 1982-83 to 1989-90**

	Change (%)		
Consumer Price Index (CPI)	63.15		
CPI (excluding housing)	61.82		
Private rents	83.47		
Government rents	50.74		
Local government rates	67.63		
Real median house prices			
- Australia	+37.0		
- Sydney	+70.0		
Average real mortgage repayments	+50.0		
	1982-83	1989-90	
Home loan interest rates			
Savings banks loans before 3 April 1986	12.5	13.5 (5/43/30)	
Other loans	12.5	17.0	
	Change %		
Change in real total housing costs by gross income quintile	1989-90 \$ pw	Expenditure	Income
1	5	10	8
2	10	14	3
3	13	17	3
4	16	18	3
5	25	22	3
All	14	17	4

**Note:** \* The bracketed numbers indicate the estimated proportion of different groups with protected status in 1989-90; ie 5 per cent of income units with heads less than 30 years of age, 43 per cent of households with heads aged 50 to 64 years, and 30 per cent of households overall had protected status in 1989-90.

**Source:** Bradbury, Doyle and Whiteford, 1990.

**Appendix Table 4: Real disposable incomes, 1982-83 and 1989-90 (1989-90 \$000 per year)**

Income unit type	Percentiles					
	10	25	50	75	90	99
<b>Single person</b>						
- Less than 25						
1982-83	4.0	7.7	12.3	16.6	20.1	30.4
1989-90	4.1	7.7	12.5	16.9	20.3	32.6
- 25 to 64						
1982-83	6.1	7.9	17.3	23.9	29.7	51.8
1989-90	6.5	8.3	17.7	23.4	28.7	54.7
- 65 and over						
1982-83	6.5	6.9	7.4	9.2	13.6	29.4
1989-90	6.8	7.1	7.7	9.6	14.1	34.2
<b>Couple, no children</b>						
- Head, less than 65						
1982-83	11.6	18.2	28.8	39.9	51.0	87.1
1989-90	12.3	19.4	30.4	41.1	51.6	97.1
- Head, 65 and over						
1982-83	11.1	11.6	13.4	17.5	28.4	64.8
1989-90	11.6	12.1	14.0	18.2	30.1	68.1
<b>Couple with children</b>						
1982-83	14.9	23.0	30.8	39.1	48.7	90.9
1989-90	17.5	23.7	30.8	39.5	48.9	97.6
<b>Sole parent</b>						
1982-83	6.0	8.2	10.9	17.7	27.4	41.9
1989-90	6.9	9.3	12.1	20.0	26.7	39.0
<b>All families</b>						
1982-83	6.7	10.4	18.2	29.8	41.2	68.9
1989-90	7.1	11.1	19.1	30.3	42.0	75.0
<b>All families excluding self-employed</b>						
1982-83	6.7	9.9	17.1	28.2	38.6	59.1
1989-90	7.0	10.2	17.5	27.7	38.6	57.9

Source: Bradbury, Doyle and Whiteford, 1990, p.32.

