

- the need to match the availability of benefits and services with the shifting requirements of the various categories of dependence; and
- the role of government as adjudicator between competing claims—within a (real or perceived) shrinking economic frontier.

The demographic and economic contexts

The marked growth in expenditure on the provision of social security and welfare benefits during the 1970's has coincided with notable developments in Australian society. The ratio of welfare and social security recipients to the active labour force nearly doubled between 1971 and 1981 (from 21% to 40%); whilst the labour force participation rate of the age group 55–64 showed a substantial decline: giving rise, on well-publicised trends regarding the progressive ageing of the population, to widespread anxiety about the unconscionable taxation burden which may fall, during the coming decades, on the shoulders of the employed and the young.

These developments did not take place in an economic vacuum. Rises in relative dependence, like the decline in the labour force participation rate of persons of mature age during the 1970's, overlapped with the onset of the economic downturn which has proceeded unabated from 1974 to this day. The most optimistic reading of the economic indicators will not obscure their central message—the end of the post-War boom; and the beginning of the age of uncertainty.

Echoing recent expressions of concern in the United States, there has emerged in Australia a marked tendency to base on the relative ageing of the population of this country unwarranted arguments about the shaping of social policy. The impression of strong causal link between ageing and the taxation burden on the young and employed has been given by numerous media reports in recent years. Apart from a few exceptions these reports have failed to draw from the statistical record far more significant inferences, particularly regarding the relationship between the failure of economic policy and the increases in levels of dependence.

Between 1971 and 1981, the number of welfare recipients has increased relative to the country's population. This has been observed in each of the following categories: aged; invalid; widows and supporting parents; unemployed and sick; and service and war widows. Significantly, the largest relative increase occurred not in the aged but in the *unemployed and sick*. Another statistic, of greater long-term significance, tells us the same story: between 1971 and 1981 the number of *dependent children of welfare recipients* as a percentage of the country's population under 16 years of age has increased from just below 4% to nearly 14%. These statistics bear out inevitable inferences regarding the performance of the economic system over the previous decade; and the inability of current policy to meet the gathering challenges of the 1980's.



Towards a coherent social policy

Social policy for Australia of the 1980's must come to terms with the inheritance of the previous decade and, in particular, with the deterioration of the economic environment which has been the common lot of the market economies: the winding-down of growth and trade; persistently high levels of inflation; the massive onset of unemployment. Economic policies now in place have great potential for aggravating all of these problems. Yet, failure to bring about significant improvement can only lead to greater

dependence in this society.

There are several areas in which the opportunities for the exercise of constructive policy options seem promising:

- The target of full employment must again assume a high priority on the economic policy agenda. Policy must aim at the roots of current unemployment: structural change; technological displacement; obsolescence of skills.
- Contraction of the public sector must cease to be an essential requirement of policy. There are various examples, in the market economies of the west, of vigorous and efficient public enterprises.
- Reform of the taxation system is long overdue. The widening of the direct taxation base has become an issue of the greatest urgency in this country, as a matter of social justice and fiscal responsibility: the taxation of capital gains and the elimination of tax evasion should have a high priority in any reform of the taxation system.
- The taxation and social security systems should be linked, since they both have redistribution as their prime objective:³ the possibility of a national superannuation scheme should be considered anew, as a means to harmonise the two systems.

Above all else, the notion should be dispelled that the social security and welfare burdens can be sustained while direct taxation rates are reduced and tax evasion goes unchecked. Reliance on the 'invisible hand' of market processes has inherent and fatal dangers, which the memory of the Second World War has not yet erased. Remember the Great Depression, and remember it well.

John de Castro Lopo

Notes

1. 'The Financing of Social Security: Some Implications of the Interaction Between Social Security and Personal Income Tax', *Research Paper No. 11* (Policy Review Branch, Development Division, Department of Social Security, Canberra, December 1980), p.3.
2. 'Taxation Expenditures', Appendix II to Statement No. 4, *Budget Speech* (AGPS, Canberra 1980), p.244.
3. 'Taxation Expenditure', *Research Paper No. 17* (Policy Review Branch, Development Division, Department of Social Security, March 1982), p.2.

Legislation

SOCIAL SECURITY ACT

The *Social Services Legislation Amendment Act* 1982 was passed on 2 June 1982. It introduced the following changes to the *Social Services Act* 1947:

- The title of the Act is now the *Social Security Act* 1947.
- The Director-General and other senior officers of the Department are now entitled the Director-General (etc.) of Social Security.
- All references in the *Social Security Act* to 'child endowment' have been changed to 'family allowance' (bringing the legislation into line with DSS publicity).
- Family allowance is not to be paid (according to a new s.97) to foreign

diplomatic, consular and defence staff stationed in Australia (or their families) or to prohibited immigrants.

- The waiting period for unemployment benefit can start from the date of registration (as unemployed) with the CES, which is treated (by a new s.119A(1A)) as equivalent to the date of claiming unemployment benefit from the DSS, if that benefit is claimed within 14 days (or a 'reasonable' period) of registration with the CES.
- The waiting period for sickness benefit is removed (by a new s.119A(2A)) for any person claiming sickness benefit for an incapacity connected with a previous incapacity for which the person has previously been paid sickness benefit.

- The recovery, by the DSS, of sickness benefit payments from any subsequent compensation or damages payment is currently dealt with by s.115 of the *Social Security Act*. New sections, 115-115H, were enacted in 1979 but have not yet come into effect. The 1982 Amendment Act makes a series of changes to those new sections; but the changed sections are still not operative.

The 1982 changes to the new (1979) sections are, it seems, technical and designed to overcome 'drafting defects' or 'unintended limitations' before the new sections are proclaimed. (The *Reporter* will explore the effect of the new ss.115-115H when they come into operation.)