

## **AUSTRALIA Country Summary**

### **Introduction and Overview**

Some observers emphasize Australia's membership in the Anglo-American group, its preference for market solutions, its residual approach to social provision, its heavy reliance on means-testing and-for most social services-on the voluntary sector. It is one of the relatively rich countries with a large child and family poverty population.

On the other hand, according to Eardley, an Australian expert, "the Australian social security system differs markedly from that in many other 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 are graduated according to income and assets.... However...it would be a mistake to consider that Australian arrangements are similar to the social assistance schemes common in many other countries. They are mainstream rather than residual payments" (Eardley, et. al, 1996).

Australia, which occupies an entire continent, is geographically the third largest OECD country after the Canada and the U.S., but its population of 19 million (late 1990s) is exceeded by many. Like Canada and Iceland its population density is very low.

Australia is a federation of six states and two territories. Responsibility for almost all income transfers resides in the Commonwealth government. The states offer social services on a limited basis and local government plays a small social service role, if any. It is the non-governmental (largely not-for-profit) sector, which is the important social service provider. This sector is heavily subsidized by grants from various government departments, mostly federal. Nonetheless, overall social spending is modest and this affects most sectors.

Among OECD's 30 countries, Australia now ranks tenth in GDP per capita (in purchasing power parities) in a recent analysis, showing steady improvement in relative position (OECD, 2002b, p. 12). While not quite as low as Japan, but similar to the U.S., Australia as a government does not collect as large a portion of the GDP in revenue or expend as large a portion as do other industrialized OECD countries. The personal income tax and corporate income tax are (comparatively) important in Australia, but there are no social security contributions at all, which is something that can also be said only of New Zealand in the OECD world.

### **Government Agencies**

Most social security (income transfer) payments are made by the Department of Family and Community Services. There are administrative sub-units for specific programs. The Department of Veteran Affairs handles payments to veterans. The Department of Education makes a wide range of income-related payments to secondary school and tertiary students. The Commonwealth Youth Bureau has the lead on prevention activities and services. In general, education (and ECEC) is a state function and income transfers a Commonwealth function. May of the 750 local governments are also involved in provision of ECEC.

## **Demographic and Other Social Trends**

Australia's under-15 (21 percent) and over-65 (12 percent) population proportions are both close to the OECD average and the prospects are for an aging population, like that of Europe, moderated by the now accelerated immigration. The culture still reflects its recent "young population" experience. The country has also experienced a large fertility decline since the 1970s, is now (1999) on a level with several of the higher-ranking major European countries in total fertility (1.9), but below the U.S., which is at the critical replacement rate (2.1). However, having ended its "white Australia policy" in the 1960s and its immigration constraints on all but Europeans, Australia now has a significant flow of young Asian immigrants and immigrants account for half of births. Its population includes a small percentage of Aborigines, and they are socially and economically disadvantaged. The country is increasingly multicultural.

Australia has a significant youth population, the 15-19s (1.3 million) and the 20-24s (1.4 million) constituting 15 percent of the population in 1996 but projected to fall to 12 percent. Of the 15-19s, 86 percent were living with parents and 77 percent were in full-time or part-time study. Some 32 percent of full-time job commitments were to apprenticeships. Australia's 52 percent was among the OECD's highest employment rates for 15-19s. During the late 1990s, Australia's male and female under-25s unemployment rates were below rates for some of the leading industrialized OECD countries, but not U.S. and U.K.

Australia shares high divorce and separation trends with Europe and the U.S. and saw an increase in lone mothers with dependent children from 13 to 21 percent of families between 1988 and 1999. Marriages tend to be late, as is child bearing. Half of all couples cohabit before marriage.

Of children in Australia (late 1990s), 14.1 percent were in lone-parent families, placing Australia with Canada, the Nordic countries, the U.K., and the U.S. and well above other European and other OECD members (UNICEF, 2000, Figure 3).

Although Australia has the lowest rate of lone-parent employment among the English-speaking countries; it also has the lowest child poverty rates in the group—the result of relatively generous family benefits and good child-support collections. Moreover, employment of single mothers is increasing. Full-time work by lone mothers has been decreasing and the part-time component growing (OECD, 2002b, p.12). Almost seventy percent of women are in some kind of paid work, part-time or full-time, more like U.K. than the Nordic countries, but less part-time than Netherlands and Switzerland. In 2000, nearly 45 percent of mothers of children under age 3 and 63.5 percent of children ages 3-6 had mothers in the labor force, the majority part-time. Those mothers with partners were more likely to be at work than lone parents. Only 15 percent of lone mothers with children under 3 were in full-time work. A significant portion of the population does not favor work for mothers of young children. Among all family types, mothers tend to work more as children approach age 2. However, despite recent official interest in encouraging work force training or entry for such mothers, public aid programs only counsel about such options. Only when the youngest child is 12 years of age is there some "mild" pressure (OECD, 2000, Sections 1,2,6; OECD, 2002a, Table 2.9 & p. 162).

## Social Protection

Historically, Australia developed one of the world's first (1908) social security systems but, as noted above, it departs substantially from the major world models. It provides three types of means-tested or income-tested social security benefits:

1. "Pensions." The aged, veterans, invalids, lone parents and "carers" are subject to a relatively generous means test.
2. "Benefits" for the unemployed, the sick, and those who fall outside of any category are more like social assistance, but are less restrictive than "income support" in the U.K. and far less than U.S. social assistance.
3. There is a wide range of supplementary allowances, including payments to families with children. The most important of these are the family allowances (Eardley, et. al, 1996, pp. 6-10).

Thus the competing interpretations of the system as "a form of negative income tax for the elderly and some other groups, or...an integrated system of social assistance and partial social insurance" (Eardley, et. al, 1996, p. 11). However, the view that this system is different is buttressed by the fact that there is virtually no discretion in any of the components of the social security system, while rights are spelled out in the legislation.

Economists and other policy scholars have pointed to "notch effects" and potential poverty "traps" created by intertwined income or means-tested programs which often constitute components of a family's income package.

Long a prosperous country on the basis of mineral and economic wealth, Australia experienced the economic pressures of the industrial world in the 1980s and 1990s. Nonetheless, a labor-political accord of the 1980s has (in a type of semi-corporatism, perhaps) protected wage standards and social policies to a degree even as market-pressures did affect employment and generally high living standards. While the OECD data show some relative increases, Australia retains its character as a relatively low taxer (but with a progressive tax system), a low government spender, and a low social protection spender-all proportionately-while benefit and program specifics are sufficient but not among the most-generous. The government issues an annual Social Justice Statement that stresses equity, equality, access, and participation. A key commitment is to an adequate level of income for those unable to provide for themselves. However, in a 15-country analysis in the early 1990s of economic assistance for children (there called "child benefits") Bradshaw and his collaborators ranked Australia 8.5 among the 15 in the generosity of the package, exceeded by Luxembourg, France, Germany, Belgium, all the Nordic countries, and by the U.K. On the other hand Australia led the U.S., Netherlands, Italy and all of Europe's poorest countries. In a 2002 replication, Bradshaw rated Australia as 3<sup>rd</sup> or 5<sup>th</sup> most generous of 22 countries, depending on the measure (Bradshaw, et al, 1993, Table 9.14; Bradshaw, 2002, pp. 168-169).

Offering further detail Gornick and Meyers found that in the mid-1990s Australia's total spending, as a share of GDP (26 percent), was just above a multi-country average of 24 percent

and equal to the EU average. Similarly the per capita social spending in U.S. dollars, purchasing power parities, of \$4640 was just above the cross-country average of \$4293 and the EU \$4505. Within these totals, Australia's "family policy" expenditures of 7.3 percent of all its social spending compares with the cross-country rate of 6.5 percent for the EU 6. However, maternity (parental leave) spending as a share of family policy spending of 9.2 percent was low, compared to a cross-country 20.2 percent or a cross-Europe average of 14.2. A new OECD analysis for 13 countries (1999 data), which considers net public social expenditures, with attention to the tax system and private sector, places Australia (17.9 percent) ahead of Korea, Ireland, and slightly ahead of the U.S. However, the range for the higher-ranked countries is only 18.1 to 29.7 percent. An earlier experimental analysis for 16 countries (1997), which treats private expenditures somewhat differently, gives similar results. However, when Canada and Ireland are included, they rank behind Australia, but the U.S. is a bit ahead (Meyers & Gornick, 2001, Tables 1 & 2; Adema, 2001, Table A2.1; OECD, 2002c, Table 8).

The most recently reported poverty analysis shows Australia, with the sixth highest per capita GDP among 19 industrialized countries as having the 8th highest (or 12th lowest) poverty rate using the U.S. absolute poverty measure. (The U.S. had the 9th highest rate.) Using the widely preferred relative measure (poverty as less than half the median income) Australia had the 9th highest rate among 23 countries (the 15th lowest), while the U.S. had the second highest rate. The poverty rate for children in Australia's lone parent families was 35.6 percent (the U.S. led at 55.4 percent), but only 8.8 percent, in other families (UNICEF, 2000, Figures 1, 2, & 3). Australia is among those countries (as is the U.S.) whose transfer payments are relatively ineffective in reducing the proportion of those who are poor.

## **Child, Youth and Family Policies**

### Maternity, Paternity, Parental, and Family Leaves

Since 1994, all employees with 12 months of continuous service have been entitled to 52 weeks of unpaid leave to care for a newborn or adopted child. Parents may share this leave. Commonwealth employees are entitled to 12 weeks of paid maternity leave and state-government employees to 6-12 weeks. Paid maternity leaves are available in some parts of the private sector (23 percent of employees), as are paid paternity leaves (13 percent coverage). But only Australia, New Zealand, and the United States lack national, paid, statutory leave in the industrial world.

Carers' leaves or family leave enables employees to take time off to care for an immediate household member who is sick. The employee may take a maximum of 5 days using his/her own sickness or bereavement leave (or there may be other arrangements to make up the days).

Since 1996 there also has been a one-time lump-sum birth payment paid, linked to child immunizations. It is income-and asset-tested and amounted to A\$870.30 in 1997.

### Early Childhood Education and Care (ECEC)

The ECEC picture is one of diversity and complexity, given both the number and mix of jurisdictions and variations in policy approaches and delivery, the absence of a national ECEC

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framework, and the limited roles of municipalities. To date, ECEC has primarily been a means of: (a) enabling parents to participate in the paid workforce; (b) providing respite for parents and children; (c) supporting families at risk. Most recently, as the Commonwealth develops policies and services, there has been attention to the role of child care in providing opportunities for child development, learning, socialization (OECD, 2000).

Australia's assistance for childcare has been limited in the past and the private sector is very important. Major efforts at conceptualization and improvement have been launched in recent years. A recent OECD review reported 31 percent of the under-3s were in care (mostly private) in 2002. In contrast, Meyers-Gornick had reported 5 percent coverage in the late 90s. The recent review also reported coverage of 66 percent of the 3-5s in preschool (Meyers & Gornick, 2001, Table V; OECD, 2002a, p. 85-88 & Table 3.1). For pre-schoolers, informal arrangements, mostly with relatives, is the most common form of care (Bradshaw et al., 1993). Where compulsory schooling begins at 6, as it does in most of the country, 74 percent of the 5s are in preschool or kindergarten.

Pre-schools and kindergartens typically offer 3-hour programs. Most "long-day" care is in family day care and centers, largely not for profit. The latter involve some Commonwealth operating subsidies in addition to the fee-relief for parents as specified below. Most of those under-3s not in private arrangements or with relatives are in subsidized centers, which offer 9-hour programs, 5 days each week.

For working parents, the main public help comes in the form of income-related (not means-tested) fee relief:

- (a) Child care assistance, for families with low-to middle-level incomes whose children use approved childcare services. There is a specified hourly rate ceiling for pre-school-age and school-age programs.
- (b) Child care rebate for all families with children in registered care. The value per week depends on the number of children in a family in care. The rebate may cover up to 30 percent of a family's weekly costs. If both parents in a family work, or are in training, or are attending school, the family is eligible for both of these reliefs (Eardley et al., 1996).

Australia was part of a 2000 OECD review of ECEC in twelve countries. Consult the full Australian report on line at: <http://www1.oecd.org/e1s/pdfs/EDSECECDOCA017.pdf>.

### Family Allowances

Prior to July 2000, Australia had operated seven different schemes to provide help to low-income parents and their children, four through the social security system (family allowance, parenting allowance, family tax payment, and guardian allowance) and three through the tax system (rebates for sole parents, rebates for dependent spouses, and family tax assistance). To end work disincentives (ineligibility as soon as one reached a threshold) and numerous notch problems, the current schema, part of a general tax reform offers a 30 percent taper above the threshold. There is one Family Tax Benefit (with extra help for single income families) and a childcare benefit.

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This latest change reflects a long history during which assistance to families with children has come through both tax and social security cash benefit systems. Reforms over 25 years were dominated by interest in emphasizing direct cash benefits. However, 1996-1997 reforms gave middle-class families substantial tax relief via a change in the threshold. The new 2000 tax system included substantial additional assistance to families, allowing choice of tax or cash benefit aid. “The great bulk of family assistance is still provided through fortnightly cash benefits” (OECD Directorate, 2002; Bertelsmann Foundation, 2000, Issue 2, p. 22 & Issue 6, pp. 35-36).

Thus, “Australia has two parts to its family support system: the ‘Family Tax Benefit’ and the ‘Childcare Benefit.’ The ‘Family Tax Benefit’ itself is composed of two parts: the ‘Family Tax Benefit A,’ which is means-tested with the level of benefit dependent on the number and age of dependants, and the ‘Family Tax Benefit B,’ which targets assistance to single-income families and is also means-tested with the benefit amount dependent on the age of the youngest child. The ‘Childcare Benefit’ is largely paid as a subsidy to child-care centers on behalf of claiming parents, and is also means-tested.”

In July, 2002, Australia inaugurated the “First Child Tax Refund,” or “Baby Bonus”: an additional payment designed to assist new parents whose income falls when they stop working in order to care for their first child. People with a new child who choose to remain home will get up to one-fifth of their previous year’s income tax payments refunded for each child up to age five.

“The tax which can be claimed back is the tax payable from personal earnings (excluding investment income) in the year of, or the year prior to, the birth of the child. There is a maximum and minimum annual tax refund payment to ensure a degree of equity between those with high and low incomes. The maximum annual refund is 1,500 Euros (to apply to parents with incomes in the past year of 31,500 Euros or greater); the minimum annual refund is 300 Euros.” The ‘First Child Tax Refund’ is to be available for five years, and applies to a family’s first child born on or after 1 July 2001. Approximately 900,000 families are expected to benefit from the reform.

Fortnightly cash payments are based on estimates of family income for the tax year, a system requiring complex reconciliations.

#### Child and Family Tax Benefits

See above.

#### Child Support

After a debate through the 1980s, Australia phased in its program in 1988 and 1989. While there is no advanced maintenance (child support assurance) scheme, there is a child support agency, which assesses support by the non-resident parent according to a standard formula, which takes account of the number of children (18 percent of taxable income for one child, 36 percent for five or more). The agency attempts to enforce compliance and there was a reported 2/3 compliance rate in 1997. Because of complaints, non-resident parents have since been required to pay a minimum of about U.S. \$15 weekly. With regard to the lack of advance maintenance, we note the other benefits available to lone parents.

Other Child Conditioned Income Transfers

A supplement to low-income families with children originally known as Family Allowance Supplement became the Additional Family Payment (AFP) in 1987. It will recall the U.S. E.I.T.C. and a similar U.K. program expanded in the Blair era. It offered relatively high-threshold means-tested non-taxable assistance for working parents with children. Since 1993, pensioners and other beneficiaries with children in their care have received the AFP on the same income basis as working families. (The income test cuts in at 65 percent of average male earnings and the exemption level increases with the number of children.) Some 10 percent of all children in families received the AFP and another 15 or 20 percent were in pensioner and beneficiary families, making a total of about 25 percent. A table for the early 1990s suggests that while the numbers of children receiving Basic Family Payments was four times as large as the AFP group, the expenditures for both programs were almost identical (OECD Directorate, 2002).

There also are "double orphan" pensions and some smaller means-tested programs to assist families of children who have disabilities, care for orphans, have multiple births (OECD Directorate, 2002).

A Sole Parent Pension (SSP) is payable to a person who is not a member of a couple and is caring for a child who is under 16 years of age, or qualifies the person to receive a Child Disability Allowance. A person is not required to seek work to qualify for SSP. If such person obtains work, the income may affect the rate payable under the income test. In fact, as noted above, Australia's lone mother employment rate is low and increasingly part-time.

There has been public concern in recent years as payments to sole parents have increased from 240,000 to 382,000 in a decade and are said to be heading to 405,000 by 2006. (Only Ireland and U.K. have so much sole mother non-employment.) The trend has been for more lone mothers, even with young children, to work even if receiving income support, but the work is usually part-time. The situation is being debated: while opinion polls show the general public not favoring the current exemption from work until a child is 16, over half of respondents favor an exemption until the child is 5, when a child may enter primary school and also favor part-time work (OECD Directorate, 2002; Eardley et al, 1996). A recent high-level governmental commission has proposed (May 2000) that sole parents demonstrate "some form of social or economic participation in return for continuing economic support" (Eardley et al., 1996).

If both parents of a couple are unemployed, one of the parents (who must be the primary carer of a child under 16) may chose to receive a Parenting Allowance (PA) instead of the standard unemployment benefit (Newstart Allowance); then, an active job search is not required.

Unlike the New Start Allowance, which is taxable, a component of the PA is not. Unlike almost all the above child-conditioned social security benefits, that are paid through the family allowance system, a child dependent supplement to the Temporary Disability Benefit is paid out by state authorities. It is flat rate, indexed, and has some state variation.

In an OECD analysis (1997 data) of the family income impact of all income transfer and tax measures, it was found that a unemployed married couple with two children would have had 73

percent of the income of the same family in work. An unemployed lone parent would have had 58 percent.

### Child and Adolescent Health

Australia has a universal health care system, but the private sector is more important than in other OECD countries, except for the U.S. Its health expenditure effort as a portion of GDP or of overall public spending is comparatively high, but mid-stream in per capita dollars in the "rich" world. Services in public hospitals are free, but 40 percent of all in-patient beds, nonetheless, are in an extensive system of private hospitals. There are fees for GP consultations (about A\$25 per visit) but these are reimbursed (80 percent) by the governmental health insurance known as "MEDICARE." Rather than require individual payments, doctors may elect to be paid directly by government (on an individual or group basis). There are a variety of cost concessions for low-income people. A small income-related health tax levy supplements general revenue financing. Dentistry is a free-market service.

Australia has good infant health and mortality indicators. Systematic efforts are made to produce comprehensive reports on child and youth health (Moon et al., 1999).

### School-Aged Children: Policies and Programs

Most children enter primary school at 5. The compulsory ages are 6-15. Some 90 percent in the age range 6-16 are enrolled.

### Youth

Students are eligible for a means-tested allowance. The Australian unemployment insurance system includes the Youth Training Allowance for men and women age 16 or 17 who are unemployed and the Newstart Allowance, paid to those aged 18-60. As is typical a recipient must be available for work and actively seeking it. There is no duration limit. While the benefit is taxable there in effect is no tax in the absence of other income.

A government website, The Source, has been developed by the Commonwealth Youth Bureau as a resource for Australian youth and those who work with them ([www.thesource.gov.au](http://www.thesource.gov.au)). Focused on the 15-25 age group, it includes an interactive section, materials and leads about careers, jobs, education, financial aid, various networks, as well as sports and entertainment news.

Australia was one of the fourteen countries participating in the OECD thematic review, From Initial Education to Working Life—Making Transitions Work. For more detail on the transition to working life in Australia, see OECD's background report on Australia.

### Reconciliation of Work and Family Life

The considerable flexibility with regard to leaves and flexible childcare options is the major Australian strategy for reconciling work and family life. However, limited child care provision for the under-3s, or of all-day coverage for pre-schoolers are a major gap. Critical scholars have commented that in Australia achieving integration of work and family life is achieved by having one parent, predominantly the mother, work part time (Wolcott & Glezer, 1995). As noted above single mothers have comparatively low labor force participation and that is largely part time.

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Housing Benefits

Only 5 percent of rentals are in government-owned housing. There is, however, an agreed policy that, except for higher-income households, people not pay more than 20-25 percent of income on housing costs. Housing assistance takes two forms:

1. Rent Assistance, a non-taxable cash supplement for recipients of social security or veteran benefits (families with children in several categories included under family allowance scheme), who rent in the private market. Students in government-subsidized study (AUSTUDY) are eligible: this is an income-and asset-tested benefit. It provides 75 percent of the amount over a threshold rental.
2. There is also a Commonwealth subsidy to states for public housing (a limited program).

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