

Has the Institute Given Up on the Poor?

“Clive Hamilton’s let-them-eat lentils thesis is no recipe for Labor.” So declared Mark Latham after the Institute’s Executive Director addressed a meeting of the Labor left calling for a radical rethinking of social democracy in an age of consumer capitalism. Here Clive Hamilton responds to the flood of comment his talk stimulated.

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In the fifty years or so since the end of the Second World War, Australia has experienced sustained economic growth to the point where real incomes per person are three or four times higher than they were then. Ordinary families today enjoy material living standards beyond the dreams of their grandparents.

Just as neo-liberals have argued that the best way to look after the poor in developing countries is to facilitate economic growth by liberalising economies everywhere, in Australia too the ‘trickle down’ argument has held sway.

Of course, social democrats have called for, and in some cases implemented, redistributive policies, but across the world parties of the left have conceded that the principal objective of government should be to maximise the growth rate of GDP – Paul Keating’s beautiful set of numbers – and that free markets are the best way to get it.

The sicknesses of our society today are overwhelmingly the sicknesses of affluence.

Peter Mandelson, often seen as a svengali figure to Tony Blair, recently wrote in *The Times*: ‘We are all Thatcherites now, at least in our economic policies’, and this is equally true of the Australian Labor Party.

But the fact remains that after decades of growth we still have poverty. Around

ten per cent of Australian households fit any reasonable definition of poverty and perhaps another ten per cent are seriously struggling. Of the rest, perhaps half – and not just the bottom half – would say that they are struggling but few would be able to look the average East Timorese in the eye and complain about their financial situation.

The left has failed to develop a coherent alternative to neo-liberalism. This has created the political space for the emergence of the Third Way, promoted in mangled form by Mark Latham. This failure is due to the left’s inability to escape from the old ‘deprivation model’. This model understands society as a system of unequal distribution of power and wealth that leaves the mass of people materially deprived. The model was rooted in historical fact and was right for its time.

But times have changed. The dominant characteristic of contemporary Australia is not deprivation but abundance – an observation supported in my talk with a string of statistics. The sicknesses of our society today are overwhelmingly the sicknesses of affluence – loss of identity, meaninglessness, depression, drug taking on a massive scale – not to mention the environmental destruction that goes with mass consumption.

All of this gives rise to the fundamental contradiction of modern society: despite its extraordinary success at delivering material wealth, the people are still not happy. In the end, we are waking up to a deeply discomforting fact – money is not what life is about.

So in my talk I posed the question: Why does the left continue to base its entire social philosophy and political strategy on the circumstances of the bottom 10 or 20 per cent? The tail is wagging the dog.

Concern for the underprivileged is right. A society in which no-one cared for others would be a type of hell. But this necessary compassion should not provide the driving force for a politics of social change in a society where the great majority are surrounded by abundance rather than deprivation.

The argument goes further. Cleaving to the deprivation model actually reinforces the arguments and political position of conservatives, the growth fetishists, and prevents us from tackling poverty. The deprivation model is just the obverse of the growth model – they are both preoccupied with more income.

The Labor Party is increasingly accepting that it must play upon the private selfishness of the middle classes at the expense of public provision of services.

The money obsession was at the heart of the so-called middle-class tax revolt begun by Reagan. This has provided the psychological foundation for conservative politics ever since, including attacks on welfare for the poor and the rise of middle-class welfare, loss of confidence in government, tax cutting competitions and a general shift towards selfish individualism.

We now have the leader of the Labor Party criticising the Coalition for being the highest taxing government in Australia's history. Why? Because the Labor Party is increasingly accepting that it must play upon the

private selfishness of the middle classes at the expense of public provision of services.

By suggesting that we will always have poverty I have been criticised for implying an acceptance of it. The point I was trying to stress is that we should not imagine that by transforming social structures poverty will disappear completely. There are groups of people in the community who for a range of reasons – mental disability, severe family trauma, drug addiction and so on – are unable to avail themselves of the opportunities that are provided.

In a society where too much is never enough, social justice, liberation and sustainability are impossible goals.

Of course, structural factors such as unemployment and discrimination are also important causes of poverty. But the reason we have been unable to make the necessary changes to social structures is the preoccupation of most of the population with protecting their income, a preoccupation reinforced

every time a political party declares that its first priority is more growth. The goal of full employment has been sacrificed in the interests of higher incomes for the wealthy.

Sustained economic growth is extremely important for developing countries, although we should be aware that the sicknesses of affluence plague the wealthy classes in poor countries too. But we must ask ourselves whether the continued preoccupation with growth in the West is in the interest of people in poor countries. Why have our levels of foreign aid sunk so low at a time of unprecedented wealth? Because the more wealthy we become the more acquisitive we are, and there are no votes in giving to the poor in a greedy society.

In a society where too much is never enough, social justice, liberation and sustainability are impossible goals. We need a new political philosophy consistent with the times. ■

To read the full talk go to the Institute's website www.tai.org.au and look under What's New.

Bill Leak's view of the children overboard affair



Cartoon reprinted with kind permission of The Australian . The Weekend Australian 16-17 February 2002

Taxes and the Environment

The Institute recently published a review of taxes, charges and subsidies that either protect or harm the natural environment (Discussion Paper No. 46). Hal Turton discusses one of the paper's proposals for reforming vehicle charges.

Wary of the contentious nature of proposals to increase the cost of motoring, major political parties have mostly avoided reforming vehicle and motoring taxes and charges to promote more liveable cities.

The Howard Government's backdown over petrol prices in 2001 shows a general reluctance to think seriously about major environmental tax reform in the transport sector.

However, the initiative outlined below may neatly avoid some of the political issues often associated with reforming transport taxes and charges, and may help move towards a system that ensures motoring costs better reflect the social and environmental impacts of driving.

Paying at the bowser

It is proposed to replace annual vehicle charges (such as registration and compulsory third party insurance) with a pay-at-the-bowser scheme. So, instead of paying an annual registration bill of \$200-250, drivers would pay some fraction of this amount each time they refuelled their vehicle through higher fuel prices.

The scheme would be revenue-neutral so that the amount governments forgo in registration charges would be recouped by higher fuel prices.

The scheme has a number of advantages. Firstly, it's fairer to motorists. Currently, motor vehicle owners pay the same amount for registration regardless of how much they use their vehicle, and how much damage they do to the roads. This means people who use their vehicles less are subsidising those who drive more.

Under the pay-at-the-bowser scheme motorists would pay total registration charges that more closely mirror their

vehicle use. Moreover, heavier vehicles (which tend to cause more damage to the road) would pay more because they also tend to use more fuel.

The scheme would also be better for the environment. While not increasing the total costs of driving because it's revenue-neutral, the scheme would increase the marginal cost of driving – each *additional* kilometre would cost slightly more. This would make alternatives to the private car, including public transport, walking, cycling, or improved trip planning, relatively cheaper. And the higher costs of driving gas-guzzlers may encourage a shift to more fuel-efficient vehicles.

Third party

Paying at the bowser can also make the roads safer. Currently, it is estimated that up to 10 per cent of vehicles on the road are unregistered. Often, drivers avoid registering their vehicle to evade paying the registration charge. However this also means they may have failed to have a vehicle inspection and may be driving an unsafe vehicle. The pay-at-the-bowser scheme would make it impossible to avoid paying registration charges, removing an incentive to avoid having a safety inspection.

Finally, the scheme should be politically saleable. It's fairer, safer and improves the environment. It also more closely aligns the extra private costs of driving with the extra social costs, improving the allocation of resources and hence economic efficiency.

A similar scheme could apply to compulsory third-party (CTP) insurance, although there would be some important differences reflecting the fact that a number of insurers operate in the CTP market.

The pay-at-the-pump CTP rate could be set according to the most expensive insurer, with the revenue distributed to each insurer according to the number of vehicles they cover (with motorists still required to choose an insurer and sign a contract). Insurers wanting to offer more competitive insurance rates would offer a cash rebate to customers. Again, this would be revenue-neutral, and government would have control over the pay-at-the-pump rate to stop exploitation by the insurance industry.

This proposal is a simple first step on the path to much-needed broader environmental tax reform and reflects the direction of progressive governments overseas. ■

The Super-Carbon Scheme

The Australia Institute has developed an innovative policy proposal under which the Federal government would deposit \$500 each year into the superannuation accounts of every adult Australian. The revenue would be raised through a carbon tax.

The scheme would allow a substantial increase in the retirement savings of all Australians, as well as making a major contribution to reducing Australia's greenhouse gas emissions.

Under the proposed scheme, every time an Australian filled their petrol tank or paid their electricity bill, they would be contributing to their retirement. For a 30-year old with 30 years before retirement, an annual government contribution of \$500 would leave them more than \$50,000 better off upon retirement.

A brief paper describing the proposal may be found under "What's New" on The Australia Institute's website at www.tai.org.au

Ageing: The ‘straw man’ of the federal budget

In the 2002-03 Federal Budget, the Treasurer Peter Costello informed Australians that we must swallow some bitter cost-saving pills now or face far worse prospects in the future. To offset the looming crisis of population ageing, he argued, we have only two choices – cut spending now or raise taxes later. He then tabled the long-awaited Intergenerational Report compiled by Treasury’s Retirement and Income Modelling Unit to back up his claims. But a closer look reveals that the Intergenerational Report is not really about ageing at all. Pamela Kinnear explains.

The Intergenerational Report (IGR) released in the 2002-03 Federal Budget is a sleight of hand. It claims to be about ageing, focussing on the blow out in health costs, and specifically, a blow out in pharmaceutical costs.

Population ageing has been ‘framed’ and its contribution to future health costs wildly exaggerated.

In fact, the IGR itself reiterates the views that moderate and respected commentators have been arguing for a long time – ageing contributes in only a small way to rising health costs and that, while spending on aged care is likely to rise, compared to the rise in general health costs, aged care will be a pretty modest burden.

Moreover, the real drivers of health costs are factors such as ‘the growing cost of new health care technology, increasing use of services and strong consumer demand and expectations’.

And one main component of future health expenditure – pharmaceuticals – outranks all the rest, projected to increase five-fold between now and 2042 (see graph).

Is the IGR inferring that the PBS will blow out because of ageing, that more older people will mean more and more expensive medicines? If so, it produces no evidence, and neither does any other research. Although much debated, possible reasons for the pharmaceuticals blow-out include the distorting influence of a small number of new and very expensive drugs, aggressive marketing of drug companies and the problem of ‘leakage’ – that is, when drugs achieve a higher usage level than was initially anticipated by the PBS (see article on page 5).

Population ageing is not amongst the explanations and if it weren’t for the blow out in pharmaceutical subsidies the future would not look nearly so bleak. Population ageing has been

‘framed’ and its contribution to future health costs wildly exaggerated in popular and political rhetoric.

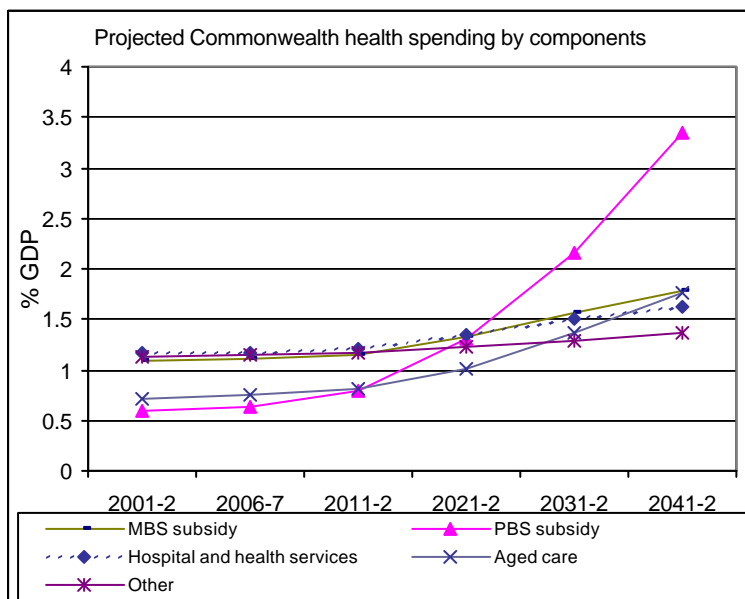
There are many alternatives to simply cutting funds or raising taxes.

To the extent that ageing will pose fiscal difficulties in the future, according to the IGR, it will be because we cannot expect growing revenues to meet growing costs. Most revenue is raised through income taxes and, it is argued, income tax revenue declines with age. (Maybe this is softening us up for a rise in the GST?)

On this basis, the Treasurer suggests that we have a simple and stark choice: we can cut funding now or we can raise taxes to pay for it. A truly forward-thinking view of the future, however, would not be so limited.

The IGR attempts, and fails, to project important trends into the future. Trend lines for factors such as the ‘unemployment rate’, ‘average hours worked’, ‘labour productivity growth’ fluctuate according to actual, or likely variation until about 2006, but then the projection turns into a single, straight line.

But we know that variations in these trends could have a profound impact on future revenue, and all are highly amenable to policy influence. In fact, there are many alternatives to simply cutting funds or raising taxes.



Source: compiled from Intergenerational Report, Table 8

☞ continued on page 12

Fixing the Pharmaceutical Benefits Scheme

Continuing cost blowouts in the Pharmaceutical Benefits Scheme have many people worried, including the federal Treasurer. But the budget announcements are the wrong way to go. Martyn Goddard, a consumer advocate and pharmaceuticals policy analyst, explains.

The Pharmaceutical Benefits Scheme (PBS) is facing a crisis. Unless it is fixed the PBS as we know it will cease to exist within the decade. But there are fairer, more efficient ways to deal with the problem than bumping up consumer co-payments.

With few exceptions, the prices of newly listed medicinal drugs reflect a fair assessment of their worth. But once listed, these drugs are often used in ways the Pharmaceutical Benefits Advisory Committee (PBAC) did not intend.

This is a massive loophole and the industry's exploitation of it is the most important single cause of cost blowouts.

Companies wanting a drug to be listed on the PBS put their case for safety, efficacy and cost-effectiveness to the PBAC. After rigorous technical evaluation, the Committee decides if the drug provides value for money at the requested price. Usually this decision is made by limiting use to patients for whom a high price will have the best payoff in health outcomes.

So, for example, anti-inflammatories are approved only for serious chronic arthritis, not for period pain or headaches. But that doesn't stop people using these drugs for relatively minor conditions, nor doctors prescribing them. Drug companies have learnt to take advantage of this. There's nothing to stop them promoting all the other uses to doctors – uses that shouldn't be paid for at the same high price. The resulting cost is crippling the PBS.

This is a massive loophole and the industry's exploitation of it is the most important single cause of cost blowouts. Because the PBS has no proper system of ongoing review of

usage and price structures, it is being allowed to run out of control.

Since the late 1980s, Australia has been a world leader in objectively measuring the benefits of pharmaceuticals to their pricing and supply. But this process urgently needs updating.

First, we need a pricing review mechanism to examine drugs periodically after they are listed. Prices could then be set which permit 'extra' uses *and* ensure the price paid matches actual health benefits achieved in the real world. Thus, a drug which has four major uses – all of them clinically responsible but each with a different level of benefit and therefore of cost-effectiveness – would have four prices.

We would need to remove around one third of currently listed drugs just to bring costs back to where they were 18 months ago.

Secondly, we need to coordinate, revitalise and properly resource the national Quality Use of Medicines programs, and to provide improved decision support for both doctors and patients. Having drug company sales staff as the main source of information about pharmaceuticals for many doctors is not healthy for patients, the profession, or the PBS.

PBS reform is necessary, but we must be wary of knee-jerk solutions that will only make matters worse. For example, we can't solve cost blowouts by removing large numbers of drugs from the list. We would need to remove around one third of currently listed drugs just to bring costs back to where they were 18 months ago. Nor is it feasible to allow private health insurers to take over part, or all, of the government's burden. With most Australians uninsured and likely to

remain so, this proposal would create huge equity problems.

Australia needs a drug listing process that will reduce costs and ensure we get value for money. If this can genuinely be achieved, we may save as much as \$1 billion a year while delivering better medicine and more therapeutic choices. It will not eliminate cost increases altogether – those are inevitable in an innovative pharmaceutical scene.

When the hard men of Finance and Treasury complain to the Health Minister about cost, the Minister will be better equipped to defend the scheme. She or he will be able to point out that the PBS is the most efficient way of providing health care and that, if the PBS was abolished or curtailed, the total cost of drugs and health care would go up, not down.

But we need a more sophisticated public debate. The emphasis should be on ensuring those costs are balanced by the better health they can buy.

As costs rise, that case will need to be articulated with ever greater energy and conviction by those who believe in the efficiency, equity and plain good sense of a drug funding system which is centralised, evidence-based, good value, universal and fair to all. ■

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Measuring Australia's Progress

The ABS recently published *Measuring Australia's Progress*, the results of two years' work to compiling a set of 15 indicators of progress. The ABS has been attacked by the Centre for Independent Studies, a right-wing think tank, for abandoning its traditional neutrality and has adopted a left-wing and environmentalist agenda. Clive Hamilton comments.

It is widely accepted, even amongst economists, that GDP is a grossly misleading indicator of our progress as a nation. The problems are legion and well understood – GDP fails to account for the distribution of income, it counts the costs of more crime as a benefit, it ignores the contribution of household work, and it fails to account for depletion of resources.

Reflecting widespread dissatisfaction with GDP as a measure of progress and guide to policy, the Australia Institute developed the Genuine Progress Indicator in an attempt to obtain a better measure. After reviewing various approaches to measuring progress in its recent report, the ABS understandably decided that there remain too many unresolved issues in the GPI for the official statisticians to do something similar.

Yet mindful of the pitfalls of GDP as a measure of national progress, governments around the world are asking their statistical agencies to develop better measures. Government statisticians in the UK, for example, have developed a set of progress indicators that are being used to set the objectives of government departments and measure their achievements.

The Canadian Government is now considering an innovative Canada Wellbeing Measurement Act. This follows the allocation by Finance Minister Paul Martin of C\$9 million in the last budget to develop new indicators of progress to overcome the preoccupation with GDP. The ABS is traveling a well-marked international path.

How green is the ABS?

Perhaps we should not be surprised that the CIS should be so discomfited by the ABS's work. After all, for many years it has been proselytizing about free markets and economic growth at all costs. Now the ABS has set out to answer a fundamental but rarely asked question: Is life in Australia getting better? The answer it gives is perhaps an uncomfortable one for those obsessed with GDP growth.

There is widespread and continuing concern about the state of the environment.

We are told every day by our political leaders and commentators that more economic growth will make us better off. But despite decades of growth, surveys show that most Australians do not believe we are better off as a nation. A survey for the Institute two years ago showed that only 24 per cent of Australians believe that life is getting better. More thoughtful politicians, including Brendan Nelson and Carmen Lawrence, have begun to ask whether it has all been worthwhile.

One of the central claims of the CIS is that by including six 'environmental' indicators in its set of 15, the ABS has put too much emphasis on the environment. It

argues that Australians don't care that much about the environment.

In fact, there is strong evidence of widespread and continuing concern in the Australian community – including the government and the business community – about the state of the environment.

While the CIS tends to see the environment as just a matter of personal preferences, wiser people understand that protecting the natural environment is crucial to the sustainability of economic growth. So indicators such as those for land degradation, water use and greenhouse gas emissions are as much economic indicators as environmental ones. They reflect two decades of thinking on sustainability.

The CIS also criticises the ABS for including a measure of income inequality, suggesting that 'equating equality with progress reflects a commitment to the egalitarian politics of the left'.

The basis of the CIS's argument is that there is no consensus that more equality is a good thing. But, for those who want to see, there is plenty of evidence that a large majority of Australians believe that the distribution of income is too unequal and would prefer greater

"If Australia continues to grow at 4 per cent per annum for the next 20 years my kids are going to be nominally twice as wealthy as they are now, but I know they're not going to be twice as happy. One of the questions that is not put in the political process by either side of politics, let alone answered is: Towards what are we striving to grow?"

Education Minister Brendan Nelson, 2000

"... reliance on GDP as the sole measure of development is seriously limiting. GDP growth can be of high quality or low quality."

World Bank economists

equality. As with most of its complaints, the objections of the CIS are simply that they disagree with the consensus, as one would expect of a group of activists on the far right.

The CIS also suggests that the statisticians have had the wool pulled over their eyes by an expert advisory group dominated by leftists and greenies (including myself). So how did the ABS arrive at its list of 15 indicators? It consulted hundreds of people around Australia – a part of the report that the CIS appears to have missed.

National and international consensus

The fact that there was nothing arbitrary about the selection is confirmed by the remarkable similarity between the ABS's set of indicators and that developed by the UK government. They are virtually identical.

As well as national indicators projects, scores of processes at local and regional levels around the world have developed sets of indicators of community wellbeing, including the ACT and Tasmanian Governments.

With the advice of the Institute, Newcastle City Council brought together a working group of 15 people from all segments of the local community – business groups, churches, welfare groups and the council itself – and set them the task of developing a set of indicators that could measure changes in the quality of life in that city.

While the CIS complains that by having six environmental indicators out of 15 the ABS shows a green bias, the Newcastle community group chose five environmental indicators

out of a total of 14 – air quality, green space, resource consumption, habitat protection and cleanliness of beaches. The British Government's list included seven out of 15.

It is pleasing to see that the CIS has taken the ABS's work on progress indicators so seriously, not least because at the time of its release most journalists who reported it missed the point entirely. For if we take the results of the ABS's work seriously it suggests a radical reorientation of our priorities as a nation, a process of rethinking that is beginning around the world. ■

ABS Indicators of Progress	Direction of change
1 Health	☺
2 Education	☺
3 Housing	☺
4 Crime	☹
5 Social attachment	☹
6 National wealth	☺
7 Econ disadvantage	☹
8 Unemployment	☹
9 Biodiversity	☹
10 Land clearance	☹
11 Land degradation	☹
12 Inland waters	☹
13 Air quality	☺
14 Greenhouse gases	☹

- ☺ = indicator shows improvement
- ☹ = indicator shows deterioration
- ☹ = no change

"The GPI approach represents an innovative way of linking an aggregate performance measure of national well-being to sustainability principles that are relevant for SoE reporting."

From the Federal Government's 2001 State of the Environment Report (Environment Australia)

Refer Health Insurance Hikes to ACCC

After recent rises in health insurance premiums and in expectation of further rises over coming years, the Institute has called for rises in health insurance premiums to be referred to the ACCC as a matter of urgency.

The ACCC recently completed an inquiry into general insurance premiums. Health insurance is just as important and it is well within the purview of the Commission to investigate this major industry. Rather than leaving decisions over premiums to Ministerial fiat, the ACCC is independent of political pressure from the powerful health insurance industry lobby and is in a strong position to give expert advice on whether consumers are getting a fair deal from the health funds.

In our three major research papers on finances and the health system, the Institute has shown that the rising costs of tax subsidies to private health insurance are squeezing funding from the public hospital system. Thorough, independent analysis is needed to ensure that consumers are not paying too much for health insurance.

While the 30% rebate was supposed to see premiums fall, they have risen, and are expected to continue to rise. It would be in the Government's political interests to appoint an independent arbiter, and we understand that it is considering just such a move.

Making the New Indicators Work

In 1999 the British Government published *Quality of Life Counts*, a report containing 15 headline indicators of sustainable development, selected from a wider set of 150. The Government hoped that by publishing the headline indicators it could foster a more sophisticated public debate than permitted by GDP alone.

The release of the new indicators followed the Blair Government's development of Public Service

Agreements that set out objectives and targets for the various government departments.

The Institute for Public Policy Research, a progressive think tank in London, proposed that the headline indicators be linked directly to the objectives and targets of government departments as a contribution to 'joined-up government'.

In the table below we have attempted a similar task using the new progress

indicators developed by the ABS (see story on page 6). A double tick means that the objective measured by the indicator is an explicit objective of the department. A single tick indicates that the activities of the department have a significant influence on the objective.

Clearly, the federal structure of government provides an added twist, but the table does provide an idea of the emphasis given to narrow economic objectives in the structure of the federal government. ■

Interaction between Government Department Objectives and Indicators of Progress

ABS Indicators of Progress	DHAC	DFACS	DEWR	DIMIA	DEST	DCITA	AG	Treasury	DITR	DTRS	DAFFA	EA	PM&C	DFAT	States
1 Health	✓✓	✓		✓✓				✓					✓		✓✓
2 Education		✓	✓	✓✓	✓✓			✓					✓		✓✓
3 Housing		✓		✓✓											✓✓
4 Crime				✓			✓✓						✓✓		✓✓
5 Social attachment	✓✓	✓✓		✓✓		✓✓	✓✓			✓			✓✓		✓✓
6 National wealth			✓	✓	✓	✓		✓✓	✓✓		✓✓		✓	✓✓	
7 Econ disadvantage	✓	✓✓	✓	✓✓	✓			✓✓		✓✓			✓		✓✓
8 Unemployment		✓✓	✓✓	✓✓	✓			✓✓	✓						
9 Biodiversity									✓		✓	✓✓	✓		✓✓
10 Land clearance											✓✓	✓✓	✓		✓✓
11 Land degradation									✓		✓✓	✓✓			✓✓
12 Inland waters									✓		✓	✓✓			✓✓
13 Air quality									✓	✓✓		✓✓			✓✓
14 Greenhouse gases								✓	✓✓	✓✓	✓	✓✓	✓	✓✓	✓

✓✓ specific departmental objective

✓ department has a major influence on objective

Key			
DHAC	Health & Ageing	DITR	Industry, Tourism & Resources
DFACS	Family & Community Services	DTRS	Transport & Regional Services
DEWR	Employment and Workplace Relations	DAFFA	Agriculture, Forestry & Fisheries
DIMIA	Immigration and Multicultural and Indigenous Affairs	EA	Environment and Heritage
DEST	Education, Science and Training	PM&C	Prime Minister & Cabinet
DCITA	Communication, IT and the Arts	DFAT	Foreign Affairs and Trade
AG	Attorney General, Justice & Customs		

Note: The Departments of Defence and Finance and Administration have been omitted from the table. The sole function of Defence is national security, not identified in any ABS indicators. Finance and Administration is concerned with financial and budgetary management rather than policy implementation.

‘New Families’ on the way...

National Party leader John Anderson told his party conference in June that the erosion of family values since the swinging 60s is one of the most profound problems facing Australian society. Attributing high crime and suicide rates to family breakdown, he said: “We have ignored those warnings in a self-indulgent push for doing whatever feels good whenever we want to do it, at the cost of far too many of our children.”

Often when we hear these statements we think of people we know who have been devastated by family breakdown, and children who have been left confused and distressed by separations. We might also think of those families we know who don’t separate but, in staying together, create toxic environments for children.

Many of us also know people who tried hard for a long time to work through or live with an unhappy marriage, but eventually had to face hard facts. Or we may recall sole parents or step families who tenaciously and respectfully work to create imaginative new living and caring arrangements. We may know children from separated families who, far from being seriously damaged by their parents’ divorce, seem to possess a perceptiveness and emotional maturity that belies their age.

Soon The Australia Institute will be publishing a Discussion Paper that takes a fresh look at contemporary family change. The paper examines the demographic and social trends in Australian family life, places family change in historical perspective and takes a close look at the empirical evidence about the effects of family separation on children. The paper argues that it is not only important to document the ‘downside’ to family change, but also to understand how people are re-inventing family life in a rapidly changing world. This includes the lessons that families are learning about how to extend and support enduring ‘family values’ of care, love, commitment and mutual respect in non-traditional family arrangements.

We hope that the new Institute paper will help bring perspective to the debate over family change and shift the discussion away from one based on blame and futile appeals for a return to a mythical golden age.

ACOSS says facts should guide pension changes

Commenting on the proposed tightening of Disability Support Pension (DSP) eligibility announced in the Budget, ACOSS President Andrew McCallum called for more reliance on facts, rather than stereotyping or anecdote.

Treasurer Peter Costello told us on Budget night that spending on the Disability Support Pension (DSP) has suddenly and steeply increased. This increase is unsustainable, he said, and to prevent further escalation, eligibility for the pension should be tightened. Where currently a person with a disability would be eligible for the pension if they were unable to work 30 hours per week, the new rules would mean that anyone able to work at least 15 hours per week would be transferred from the DSP to Newstart allowance.

This announcement was met with outrage from disability groups and threw many recipients of the DSP into a state of confusion and uncertainty about their future financial stability.

While the Treasurer was correct in his assessment of the increase in DSP

payments, the reasons for the blow-out were not publicised. Instead, the Australian public was left to assume that the DSP is the last bastion for the lazy and irresponsible wanting a free ride on taxpayers’ backs.

However, after gathering data from Commonwealth Department of Family and Community Services, the Australian Council of Social Services (ACOSS) showed that people who receive the disability pension are among the most vulnerable in the community. “The joblessness rate is high, homeownership low and recipients are very likely to be single. While a small but growing number are working, the income from work is very low on average”, said the ACOSS President.

ACOSS also showed that changes to government policy provide the main reason for the increase in people

receiving the DSP. Over 55 per cent of all ‘new’ DSP recipients in 2002 transferred from other social security payments, some of which have been discontinued (such as the Widow B, Veterans Affairs Service Pension and Wife Pension). Similarly, raising the age for recipients of the Aged Pension for women from 60 to 65 has artificially increased the number of DSP recipients over time.

Although the number of people receiving DSP is growing, the rate of increase has already begun to slow.

The Democrats and Labor have promised to block the measure in the Senate and the Government is now talking to the Democrats about alternatives. ■

Pamela Kinnear

Childcare: Good or bad for kids?

The latest study on the effects of childcare to land on the nation's breakfast tables has fuelled the longstanding debate about whether governments should encourage or discourage mothers' participation in paid employment. Feminists who want to protect hard won gains for women's economic independence are pitted against conservatives who argue that young children need their mothers' care. But is it that easy? Deborah Brennan and Pamela Kinnear evaluate the debate.

In a recent study of children's adjustment to the first few weeks of school, Dr Kay Margetts of the University of Melbourne found that more than 30 hours of out-of-home child care a week, especially in the very early years of a child's life, is associated with difficulties in adjusting to school.

Commenting on this finding, Janet Albrechtsen wrote in *The Australian* that through stubborn and wilful ignorance, the 'sisterhood' dismisses the accumulated weight of evidence that mother's care is the best for children and that young children should not spend too much time in formal childcare.

So is it time to admit that the feminists have got it wrong?

Albrechtsen accuses feminists of ignoring the consistency of Margetts' findings with a large US study, conducted by the US National Institute of Child Development and Health (NICDH). This study found that children who spend more than 30 hours a week in out-of-home care are more aggressive than children who spend fewer hours in care.

So is it time to admit that the feminists have got it wrong and that children are being used as pawns in the war on gender inequality?

Quality or quantity?

One message to come through loud and clear from research on the effect of childcare on children's development is that there are huge differences between high quality and poor quality care. In fact, this is a distinguishing characteristic of

Margetts' analysis and that of the NICDH. The NICDH study found that quality of care was a critically important variable in the relationship between childcare and children's developmental outcomes.

However, Margetts does not analyse quality. She maintains that, in contrast to other countries, Australia's regulatory environment ensures high standards of quality in formal childcare services. Thus, her study assumes that 'childcare is childcare', and the more of it a child receives the more difficult his or her adjustment to school will be.

Even so, given that the link between quality care and children's development is one of the most consistent and ubiquitous findings of the literature on childcare it may not be sufficient to assume homogeneity across all Australian childcare settings. But no matter how good out-of-home childcare is, can it match the quality of a mother's care? It is not hard to imagine that home-based care provided by a loving and stimulating mother with a strong emotional attachment to the child is an ideal pre-school environment for children.

But of course, it might not always be possible to provide such quality care. In fact, it may even be that home-based childcare is the *most* variable form of care, simply because it is not subject to external regulatory control, other than in exceptional circumstances. Mothers who are stressed, lonely, isolated, bored, unfulfilled or worried about the family finances are less likely to be model caregivers. Indeed, the NICDH study found that mothers' psychological well-being has more of an influence on young children's development than

does the particular child care arrangement.

We may discover more about what is good or bad for children, but we will still have to decide what to do about it.

Poor adjustment at school is also due to factors unrelated to childcare – in particular, the quality of the child's family and home environment. Margetts' study found that childcare accounts for between 1.3% and 6% of the variance in children's adjustment to school. But as Director of the Australian Institute of Family Studies, David Stanton, pointed out in *The Age*, this means that between 94% and 98.7% of children's adjustment is explained by factors *not* related to time spent in childcare.

Although Margetts acknowledges that it 'is not possible to infer causal relationships from this study', she nevertheless recommends that government policy should 'discourage extensive attendance by children at formal child care services'. But if causal connections are weak, then this conclusion is rather premature.

We will know more when results emerge from the newly commissioned longitudinal study to be conducted by the Australian Institute of Family Studies. It will analyse a nationally representative sample of 10,000 children, examining their experiences of care and how these affect later development.

Who should pay?

Even if further and more reliable analyses confirm Margetts' findings, we will not have a final answer to the question of whether women should

leave the office in favour of the nursery or return to the workforce from the labour ward. We may discover more about what is good or bad for children, but we will still have to decide what to do about it.

The childcare debate often assumes that it is solely a woman's dilemma – a tough choice between her economic security and career prospects or her children's wellbeing. But while children undoubtedly need quality care, a crucial question remains: who should do the caring and who should pay the price?

The price of caring to children need not be paid solely by individual women.

Women who care for children pay dearly in terms of their future economic independence and employability. Because of this, feminist commentators are keen to point out that it is not enough to expect women to trade one off against the other. The recent revival of the Australian quest for paid maternity leave is a good step towards sharing the costs of childcare in a fairer way. Without paid maternity leave, Australia currently lags way behind the rest of the developed world.

We can also do more to ensure that those who care for children during the critical first three years of their lives are adequately trained and remunerated so that they are able to deliver high-quality care to children. Fathers, too, are increasingly willing to do more home-based childcare, but find that cultural barriers and inflexible workplace arrangements prevent them from doing so.

The price of caring to children need not be paid solely by individual women. Mothers, fathers, communities and governments can share the costs, as well as the enormous benefits, of caring for Australia's young. ■

Dr Deborah Brennan is Associate Professor in the Department of Government at the University of Sydney.

Climate Follies at the NFF

The National Farmers' Federation still doesn't get it. Just as a potentially devastating El Nino event gathers strength over the Pacific, the premier farmers' lobby is mounting a campaign against international efforts to reduce greenhouse gas emissions.

Climate scientists have been saying for some years that global warming is likely to intensify El Nino events, meaning worse droughts across eastern Australia. In fact, climate change represents the most severe threat to the future of farming in Australia. Here are a few facts from the CSIRO:

- Stream flows in the Murray-Darling Basin are expected to decline by up to 20% by 2030 and 45% by 2070 – yes, a possible halving of water in the MDB already under severe stress – with huge implications for irrigators.
- Annual milk losses of 60 to 90 litres per cow by 2030 are anticipated, even with extra spending on shade sheds and sprinklers.
- Fruit fly and cattle tick are expected to spread southwards as average temperatures rise, resulting in loss of export markets.
- Weed infestations will become worse.

The implications of this seem to have passed by the NFF. In fact, climate scientists have been shouted down at meetings. Yet the costs to farmers will dwarf the effects of any other issue.

A study of the Macquarie River basin in northern NSW examined the implications of expected changes in water supplies. The results showed that mean annual runoff will be reduced by up to 30%. Using optimistic assumptions, the study found aggregate losses to the agricultural economy in 2030 of 6% in the low-change case and 23% in the high case.

At the same time, the Coalition Government has just shafted all of those landowners who have responded to Government urgings to invest in tree plantations in the

expectation that they will be able to reap returns from selling the carbon credits. The Government's refusal to ratify the Kyoto Protocol means that that these investments have been instantly devalued. As the European Union has recently reconfirmed, entities in non-ratifying industrialised countries will be excluded from emissions trading.

But the scientists must have got their sums wrong. Former NFF chief Wendy Craik has teamed up with the mad skeptics of the Lavoisier Group – the people who see the Kyoto Protocol as a dangerous conspiracy to create an all-powerful secretariat in Bonn that will rob us of our sovereignty and dictate our economic future for nefarious European ends – and the current team shows no sign of coming to their senses.

At least one senior rural figure has got the message. Last year former National Party leader Tim Fischer said: "There is a very direct challenge for agriculture in NSW and Australia arising from climate change, and this will see severe impacts on production over forthcoming decades." Come back, Tim.

Clive Hamilton

The Australia Institute

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INSTITUTE NOTES

New Publications

The Super-Carbon Scheme, Pamphlet, May 2002

Forthcoming Publications

New Families for Changing Times, Pamela Kinnear, Discussion Paper No. 47, June 2002

Long-term greenhouse gas scenarios in Australia, Discussion Paper No. 48, July 2002

Staff News

Farewell from the Institute to Pamela Kinnear. Pamela has been with us for just over two years and has produced a number of high-profile, controversial papers including those on academic freedom and population ageing. Her final paper on New Families will be released shortly. Pam is relocating to the Public Service and we wish her every success in her new career.

Ageing...from page 4

New thinking needed

The first task is to change our thinking and our questions. We need to start thinking of health expenditure as an investment not a cost. Rather than asking 'how will we cope with the demographic timebomb', we need to ask 'what can we do to minimise the costs of medicines and health costs in the future without reducing population health?'

For a start, we can increase the emphasis on public health and health

promotion. It is true that older people have a range of health problems requiring medication. But the vast majority of these conditions are lifestyle-related. The Australian Institute of Health and Welfare estimates that 80% of health related conditions in old age are preventable or postponable if corrected in time. If dietary changes and an increase in physical exercise can replace the need for expensive medications, and at the same time extend productive and independent life, this seems a highly efficient strategy with returns far exceeding outlays.

Despite the demonstrated benefits of public health programs, according to the AIHW spending on public health initiatives currently amount to around 2% of total government health expenditure, and over the past few years government funding for public health research has declined in the order of around 21%.

We should also realise that cutting funding to essential services may only exacerbate the problem in the long run. If we want the majority of people to enter old age as healthy as possible, then making it harder and more expensive to access quality health care – especially for low income earners who are most vulnerable to poor health – is hardly going to achieve that end.

Increasing co-payments for drugs may mean that those on low incomes will be the least likely to take advantage of whatever benefits may be available from medication. They may choose not to visit the doctor or fill their prescriptions. A recent cross-national study found that almost one in five Australians reported not filling a prescription in the past year due to cost. But this is the group who need it most because the other circumstances of their lives increase the risk of poor health in old age.

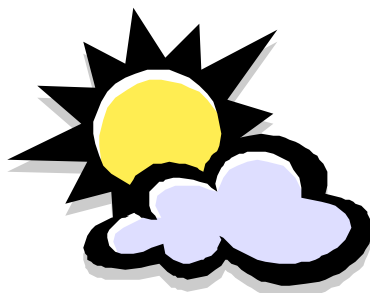
The biggest lesson from the IGR, however, is that we should stop trying to avoid what is needed to manage a transition by scare-mongering about the ageing crisis. ■

The Institute's report *Population Ageing: Crisis or Transition?* (Discussion Paper No. 45) was released in December last year.

The 'Silver Lining Project'

The grey cloud of population ageing has hung over Australia for a number of years with gloomy predictions of economic and social ruin. The Australia Institute's recent Discussion Paper *Population Ageing: Crisis or Transition?* argued that the various claims about unsustainable growth in the costs of healthcare and pensions are exaggerated and that Australia will be able to manage the transition well.

On reflection, not only are the downsides of an ageing society unlikely to eventuate, but there are likely to be many benefits from an ageing of the population – a 'silver lining' to the population ageing cloud.



The Institute is implementing a new initiative – the Silver Lining Project – to investigate and document these benefits. The Project will be a collaborative effort between the Institute and its members. Contributions from interested Institute members are now invited.

We have posted details about the project on our website and by email to our members. If you do not have access to the Internet but would still like to contribute, call us or write to us for details.