often than not imported. Much of the expansionary effect of such spending will, therefore, flow offshore.

Even much of the infrastructural spending proposed in the One Nation package will flow abroad as we acquire imported road-making and rail-laying equipment. When the economy was chugging along the last time our import spending grew three times as fast as domestic spending. Nothing has changed in the structure of the Australian economy to suggest a lowering of that ratio. Indeed, it may be said that thanks to continuing tariff reform our propensity to import may be all the greater. Witness our disturbing tendency to import processed goods.

All this is seemingly of academic concern to people like Greg. After six months on the dole (sorry, job search allowance) he qualified for job training allowance where he was given special access to a pool of jobs where the government subsidises the employer’s wage-bill to the tune of $160 a week for some three months. But for Greg, alas, no luck; the competition and the numbers eligible for the scheme were far too fierce. Job subsidies, although a drain on the budget, do make good sense. Such are the monstrously high ‘on-line’ costs associated with labour employment these days that some incentive, other than the socially divisive expedient of cutting wages, needs to be offered to business. There is a plethora of such costs, namely, workers’ compensation, holiday loadings, the superannuation levy and now Dawkins’ training levy.

State imposed payroll tax is another impost. The states earn nearly $6 billion from taxing labour as an input into the production process. Is it not ludicrous to tax labour when there are easily over a million people unemployed? It is even sillier when Australia is notorious for its high wage cost structure. There are, moreover, economic forces afoot that will ensure the continuation of this uncompetitive wage structure. Microeconomic reform has taken a grip in the corporate sector. Companies have used the recession as an opportunity to shed marginally unproductive labour. The real danger is that the remaining workers on the companies’ payrolls, under the guise of enterprise bargaining, can seek wage rises based upon their productivity having risen merely because of labour shedding. The higher real wage level that will then ensue makes it all the more difficult for the unemployed to obtain jobs.

Paul Keating should strike out with his own version of ‘new federalism’ by bribing the states to axe the payroll tax and substitute some better means of revenue raising. This should cheapen the relative cost of labour and, allied with the demand-led kickstart to the economy, would give some hope of rescue from the economic scrapheap for Greg and the legions like him.

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Poor Perception

Two decades of declining economic performance overlaid by the current recession have seen increasing numbers of Australians cast aside. Issues of living standards and inequality have returned to the national psyche and the political agenda. Ahead of the next federal election both major parties have recognised the need to convince electors that past trends will be reversed once they regain (or achieve) office. Their rival blueprints have been subject to expert scrutiny, much of which has served to confuse all but the most quantitatively expert.

This is unfortunate, though unavoidable. It is a complex task to assess the impact of major policy changes on people’s economic circumstances and the inequalities between them. Claims that inequality has increased may make for a good story, but they often rest on methods and assumptions which are themselves challengeable and are generally neither explicit nor subject to scrutiny.

One aspect of the debate which all accept, however, is that it is valid to estimate how different people’s incomes are likely to change in response to new policies and to infer from this how people themselves are affected by the change. This is, of course, normal practice which accepts that ‘a dollar is a dollar’ irrespective of who gets it. Recent research conducted at the Social Policy Research Centre at the University of NSW casts doubt on this simplistic view of the world, in the process shedding new light on old questions about how income is perceived and how income changes translate into public perceptions of living standards and inequality.

The research is based on a national survey of a representative sample of Australians conducted in late 1988. Among other questions, respondents were asked to indicate the lowest incomes their household would need in order for them to be able to ‘make ends meet’. Not surprisingly, responses to this question varied with actual income, richer households indicating that they needed more income than poorer households just to make ends meet. Our analysis also revealed that several indicators of family need—the number of adults and children and whether the person was above or below pension age—affected the
'making ends meet' income responses. In this sense, the responses conformed with existing measures of need as encapsulated in poverty lines, although the patterns revealed by the research differed substantially from those contained in the poverty line developed by the Poverty Commission in the 70s. The responses were used to derive a poverty line set at the income level at which people would, on average, indicate that their current income is just enough for them to 'make ends meet'. This produced a poverty line of around $253 (in 1988) for a single person, $281 for a couple and $310 for a couple with two children. The single person poverty line is well above the comparable Henderson poverty line of just over $151 a week and even further above the adult dole rate in 1988 of around $112 a week. However, the extent to which need increases with family size is less than implied by the Henderson measure; according to our survey, children cost around $15 a week each, compared with the Henderson figure of around $45 a week.

Evidence of deprivation and severe financial hardship is also apparent in responses to the survey. For example, nearly 40% of the sample indicated that they had had difficulty making ends meet at some time over the previous year; 10% said they experienced situations where they didn't have enough money to buy food; 27% to buy clothing and 16% to pay for health care. Around one in six families indicated that they couldn't afford to buy basic items for their kids, and 7% said that their children had to go without quite often. These figures are all the more disturbing because they predate the current recession. The picture would look a lot bleaker now. What is clear is that many Australians are living close to the edge and having to go without even the most basic items of food, clothing and health care.

We also found, not surprisingly, that housing costs were important, both private renters and those with a mortgage needing higher incomes than outright owners in order to make ends meet. More provocative are our findings that more highly educated people require higher incomes to make ends meet than those with less education, and that Liberal or National Party voters need more than Labor ALP, but $339 if they vote Liberal or National Party. At income levels of twice average earnings, these figures increase to $388 and $421 respectively. Similar patterns emerge for other family types and, although the precise impact varies with actual income, there is a clear tendency for political affiliation to have a larger impact ($20 to $30 a week) than either having a tertiary education ($15 a week) or having high housing costs ($5 to $15 a week).

It is important to be clear about what these results do and do not imply. What they do not provide is a case for paying higher social benefits to (or imposing lower taxes on) the more highly educated or Liberal/National voters—though some might interpret Fightback! as doing precisely this. What people say they need to make ends meet may be important in understanding how well-off they feel, but one cannot give people more, just because they say they need it. We require objective evidence of unmet need before giving assistance if the system is to be fair, legitimate and sustainable.

Overall, our results show the importance of lifestyle factors and individual values and aspirations in determining how people actually perceive their money incomes. In other words, we have for the first time clear evidence that to reduce questions of living standards, inequality and redistribution to a purely monetary dimension will fail to capture the more subtle yet nonetheless important aspects which affect how real people actually lead their lives.

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