

See discussions, stats, and author profiles for this publication at: <https://www.researchgate.net/publication/238780812>

History of social security in Australia

Article in *Family matters* (Melbourne, Vic.) · October 2008

CITATIONS

68

READS

2,707

2 authors, including:



David Stanton

Australian National University

53 PUBLICATIONS 437 CITATIONS

SEE PROFILE

Some of the authors of this publication are also working on these related projects:



Impact of Divorce over Time [View project](#)

History of social security in Australia

© iStockphoto.com/MartinMcClurgott

This law must be regarded as a social experiment, the success or otherwise of which has yet to be shown by experience. Its social and economic effects, both near and remote, are problematical, and it is not probable that they will be revealed even partially for several years to come (Knibbs, 1910, p. 85, commenting on the *Invalid and Old-age Pensions Act 1908*)



ANDREW HERSCOVITCH AND DAVID STANTON

The scope of “social security”

Australia’s national system of social security reached its centenary in June 2008.¹ One hundred years before then, the Parliament of the newly created Commonwealth of Australia² enacted legislation establishing an “old-age” pension to take effect the following year. The pension replaced similar provisions that had been implemented in three states.

The social security system has grown since then to be integral to the welfare of Australian individuals and families. It is timely to reflect on how the system has come to be as it is now.

These days, of course, social security is wide-ranging and complex. It directly affects a large majority of Australians at any given time and nearly every Australian at some point in his or her life. It has substantial impacts on the economy; expenditure on what is conventionally regarded as social security in Australia (a narrow definition by international standards) represents something like six per cent of gross domestic product and accounts for between one-fifth and one-quarter of the Commonwealth’s budget (the exact figure depending on the definition of Commonwealth expenditure).

These expenditure figures do not tell the full story. Among other things, they exclude:

- employment injury benefits, which are known in Australia as workers’ compensation and (with

the exception of provisions for Commonwealth employees) are generally administered by state and territory governments;

- health benefits, an area of major expenditure and policy interest;
- veterans’ pensions, which for many people wholly or partly replace what would otherwise be payable via social security; and
- retirement benefits paid by superannuation funds, which (as with veterans’ pensions) wholly or partly displace social security for many people.

They also exclude “tax expenditures”—the very large amounts of revenue that the Commonwealth loses through the generous concessions it allows in the tax system for purposes related to social security.

A framework for analysis

Here are four propositions to consider about the Australian model of social security and its evolution:

- It differs markedly from the international norm.
- It has proven to be remarkably resilient since its inception a century ago.
- Arrangements akin to social insurance (the usual model elsewhere) have, as a result, developed in the private sector, usually under the direction of legislation and with financial support from government.

- Maximising economic and social participation is and always has been a cornerstone of Australia's system.

Why did the Australian system begin as it did and why has it retained its broad structure in the face of so much environmental change? Perhaps the following may form part of the explanation:

- The Commonwealth system of pensions was basically taken from the state systems it replaced, which had quickly won broad acceptance.
- An entitlement to social security was viewed as a right based on need rather than as something to be "bought" by paying a financial contribution.
- Australia saw itself (and was regarded in some other countries) as something of a social laboratory at the time social security began, and the idea of being different might have had its own appeal.
- In Australia, the protections that social insurance provides have been embedded to some extent in other systems (particularly minimum wages,³ paid sick leave, employment injury benefits and—especially in more recent times—superannuation).
- If the system works, why disturb the fundamentals?

The basic structure and philosophy of social security may still be very much as they were at the start, but change within that framework has been extensive. One way of looking at how the system has evolved over the years is through the prism of five "Es": equity, effectiveness, employment, efficiency and economy. They explain a great deal about why the system has retained much of its original character, and—implicitly or explicitly—are the criteria that policy makers consider in developing proposals for change.

Equity has two dimensions: the horizontal and the vertical. The horizontal is about the equal treatment of people in like circumstances; in practice, it usually

means recognising the impact of dependants on people's financial capacity at all levels of income or assets. The vertical is about more generous treatment of people with fewer resources of their own. It is the philosophical base for progressive taxation, the idea that social security benefits should be "adequate" (in other words, enough to meet the minimum needs of people who rely on them), and the very existence of a system of social security.

Effectiveness is about whether a program works well, whether or not it achieves its purpose. The most carefully targeted and finely crafted initiative will serve no purpose if its intended beneficiaries do not use it. Simplicity is thus very important in social security design, and "take-up"—the ratio of eligible people receiving benefits to the eligible population—is an important marker of success (but, like adequacy, is very hard to measure).

Employment issues are fundamental to social security. The system is built around the notion that people who can work should do so unless there are good reasons (such as age or caring responsibilities) for society to relieve them of that obligation. People who can work but are unable to find jobs are normally expected to continue looking for work or to undertake activities that will improve their chances of finding employment. The system is also part of a wider structure that presumes a strong commitment by government to high levels of employment and includes social protections provided outside the social security system (such as minimum wages and paid sick leave).

Decisions about the shape of social security are also influenced by how they might affect work incentives, even among those with no obligation to work. It is often assumed that a more liberal system of social security inhibits work effort, but economic theory is at best ambiguous on this point and decisions made over the years often seem to be at odds with the conventional wisdom (or are driven by other imperatives).

Efficiency has three distinct elements: economic, administrative and "target":⁴

- An economically efficient measure protects incentives to save and invest (and, as noted above, to work). Its macroeconomic impact is also neutral or even positive.
- An administratively efficient measure delivers benefits to the intended person on time.
- A "target" efficient measure maximises the proportion of expenditure that reduces the prevalence, incidence and depth of poverty.

Economy is about costs, both program and administrative. Program costs are usually by far the larger component, but administrative costs often assume much more importance in policy decision making than their relative size might suggest.



© iStockphoto.com/AlexandraZakharova



Charitable relief provided by benevolent societies, sometimes with financial help from the authorities, was the dominant mode of support for people unable to provide for themselves.

There is a sixth “E”: (political) expediency. It may not always be polite to say so, but any government is naturally alert to the wider political implications of its policy decisions; it cannot deliver on its overall agenda if it loses office.

The “Es” are interdependent and often at odds with one another. Policy decisions about social security almost invariably involve difficult choices between them.

In the beginning

During the 19th century, there was nothing in any of the Australian colonies that would be recognised today as social security. Charitable relief provided by benevolent societies, sometimes with financial help from the authorities, was the dominant mode of support for people unable to provide for themselves.

During the last quarter of that century, and especially during the economic depression of the 1890s, voices for a more organised approach to the relief of hardship began to make themselves heard. The rise of the trade unions and the Labor Party during this period added to the movement for reform.

The aged were a particular focus of concern. In 1900, New South Wales and Victoria⁵ followed the lead of Denmark (1891) and New Zealand (1898) by enacting legislation to introduce non-contributory age pensions for those aged 65 and

above. Queensland followed suit in 1907. The other three states—possibly in the expectation that the Commonwealth would soon exercise its constitutional power to legislate for age and “invalid” pensions—made no moves to do so.

Sure enough, the Commonwealth began to pay age pensions in 1909 (having enacted legislation in June 1908).⁶ Their design followed that of the state schemes they replaced and set the scene for the next 100 years (and probably well beyond):

- They were funded from general revenue, not employer or employee contributions.
- The rate payable had no link to a person’s past earnings.
- A means test applied.

The Commonwealth began to pay an invalid pension for people with disabilities in the following year. Its design followed that of the age pension.

Maternity allowance was introduced in 1912. It was a fixed amount payable to a mother on the birth of each child. It was funded from general revenue and there was no means test.

When the Commonwealth moved more broadly into payments for families 30 years later, the same pattern was followed. Only in the last 20 years have means tests—usually less stringent than for other social security programs—become the norm for family payments.

Between the World Wars

The next quarter of a century produced no major changes at the national level. The onset of the Great Depression in the early 1930s led to some tightening of pension provisions and the introduction of a means test on the maternity allowance. Both sets of measures were reversed when economic conditions improved.

There were significant developments at the state level:

- Queensland introduced (1923) a scheme of unemployment insurance, funded by employer and employee contributions, with a subsidy from the Government. Since then, nothing like this has existed in other states or at the Commonwealth level, and it did not last in Queensland (being superseded in 1945 by a national scheme of unemployment and sickness benefits).
- In New South Wales (1926), a widows’ pension was established, with a structure broadly similar to the Commonwealth pensions (fixed-rate, means-tested and funded from general revenue).
- In 1927, New South Wales introduced a scheme known as child endowment—fixed-rate family allowances paid from general revenue. The payroll tax initially imposed on employers offset the cost but was not linked to eligibility.

- In 1928, New South Wales introduced employment injury benefits.

Employment injury benefits, known in Australia as workers' compensation, were (and still are) structured along insurance lines. They are funded by mandatory employer contributions paid to insurers. Benefits are earnings-related and free of means test. After its introduction in New South Wales, this model spread to other states and territories, and it has survived attempts to create a national scheme in its place.

The Commonwealth made two forays into the arena of social *insurance* between the two World Wars, but in each case it retreated:

- In 1923, the Commonwealth established a commission of inquiry into national insurance. The inquiry reported progressively over the next four years in favour of such a scheme, but the legislation giving effect to the recommendations was abandoned in the face of opposition from employers and a lukewarm response from unions.
- In 1938, the Commonwealth proposed new legislation for a scheme of national insurance (which would also have included medical benefits). The legislation was passed by Parliament, but the government shelved it indefinitely soon afterward, partly because of responses from interest groups and partly because of the looming prospect of international conflict.

The 1940s

Against this background, the impact of the Second World War might have been expected to limit the scope for extending social security. In fact the reverse occurred.

The same phenomenon manifested itself elsewhere, notably in the United Kingdom. The difference was that the United Kingdom planned for the introduction of a comprehensive scheme of national insurance to commence after the war was over. Australia, by contrast, began to introduce new benefits during the war. Perhaps the Australian model of benefits financed from general revenue made it easier to do so.

A Commonwealth Parliamentary Joint Committee on Social Security⁷—a cross-party committee comprising members of both houses of Parliament—was formed in 1941. It reported progressively over the next five years and the Commonwealth's initiatives of the 1940s reflected many of the committee's recommendations, although they did not follow them to the letter. It is perhaps not surprising, in light of previous experience, that the committee did not favour moving to an insurance-based system. Shaver (1987) has emphasised the significance of this period in Australia's history and has stated that "Australia entered World War II with only a fragmentary welfare provision: by the end of the war it had constructed a 'welfare state'" (p. 411).

Changes during this period were extensive. They included the introduction of:

- child endowment (replacing the New South Wales scheme) in 1941;
- a widows' pension (also replacing the New South Wales scheme) in 1942;
- a wife's allowance (1943);
- additional allowances for the children of pensioners in 1943; and
- unemployment, sickness and "special" benefits in 1945.

At the same time, the governance of the social security system was consolidated. A new Department of Social Services began operation in 1941 (previously, the Treasury had administered the system).⁸ After the war, in 1947, the various items of legislation were brought together into a single *Social Services Act*.

Child endowment was a family allowance paid at a fixed rate with no means test. Funding was from general revenue; a payroll tax was imposed on employers to help in financing the scheme, but the proceeds were paid into general revenue. The first child was initially excluded from the scheme, but brought into it in 1950.

The *widows' pension* followed the general structure of other Commonwealth pensions—it was financed from general revenue and means-tested. The definition of a "widow" went well beyond a woman whose husband had died; it included several categories of women who, through no "fault" of their own, had lost the support of their partner.

The *wife's allowance* was a means-tested payment for:

- the wives of age pensioners who were permanently incapacitated for work; and
- the wives of invalid pensioners.

It was later extended to encompass the wives of age pensioners who were not permanently incapacitated.

Allowances for pensioners' children were essentially extensions to the pension rate. They were initially restricted to one child but later extended to other children. Similar payments became available from 1945 for the children of unemployment, sickness and special beneficiaries.

Unemployment and sickness benefits were like pensions in that they were fixed-rate, paid from general revenue and means-tested. The rates were lower than those for pensions and the means test was generally more restrictive. Tight conditions applied to unemployment benefits in respect of availability for and willingness to work. Participation in strike action precluded eligibility for unemployment benefits. The introduction of unemployment and sickness benefits was part of a broader strategy to restore and maintain full

employment, and was accompanied by the establishment of the Commonwealth Employment Service to assist job-seekers.

“Special” benefits were introduced to provide for people who had no other entitlement and, for good reason, were unable to provide for themselves and had little or no other means of support. It was, and still is, a tightly means-tested form of social assistance.

Three other developments are worth recording from this period:

- uniform income tax in 1942—the states “temporarily” ceded their income tax powers to the Commonwealth as a wartime measure, never to regain them;
- the introduction in 1945 of the Social Services Contribution, which was in fact no more than an extra tax on income and was merged with income tax five years later; and
- the passage of a referendum in 1946 that widened and clarified the Commonwealth’s power to legislate in respect of social security.⁹

By the end of the decade, Australia had a comprehensive system of social security, supported by robust financial and constitutional powers that were to enable further expansion in the years to come.

The 1950s and 1960s

After the activity of the 1940s, it is perhaps not surprising that the next two decades were more about consolidation than innovation. Many changes did occur, but for the most part they were incremental rather than fundamental. Four are particularly worth mentioning:

- free medical and hospital treatment for pensioners (1951);
- additional support (then called “supplementary assistance”) for pensioners paying rent (1958), later to become a program for a much larger group of people on low incomes;
- a higher “single” rate of pension (1963) to reflect the diseconomies of living alone; and
- a major liberalisation of the means test on pensions (1969).¹⁰

Changes in the health system were also important. Medical, hospital and pharmaceutical benefit schemes finally settled into place after major political controversies surrounding their introduction in the 1940s. In general terms, the post-1950 arrangements provided for Commonwealth subsidies to private funds offering medical and hospital insurance. The Pharmaceutical Benefits Scheme provided free prescriptions for life-saving drugs; it was later extended to a wider range of medications but subjected to co-payments.

The 1970s and 1980s

By the start of the 1970s, there was a growing constituency for change. Key elements of the social security system were coming into question, in particular:

- whether it was adequately dealing with poverty;
- its effects on incentives to work and save; and
- its exclusion of some groups at risk of hardship.

Moreover, at the start of the period, the economy was relatively strong and a general air of optimism prevailed about the scope for innovation and improvement. Even the economic recessions of the 1970s and 1980s had only limited impact on the appetite for change, although in some instances they contributed to reversing its direction.

It is impractical to list here all the initiatives of the period. Significant ones included:

- a substantial easing of the means test on pensions, and the introduction of a wife’s pension in



By the end of the decade, Australia had a comprehensive system of social security, supported by robust financial and constitutional powers that were to enable further expansion in the years to come.

place of the less generous wife's allowance (1972);

- the abolition of the means test on age pensions for people aged 75 and over (1973)¹¹ and 70 to 74 (1975), subsequently reversed in two steps (1978 and 1983);
- the introduction of a pension-type payment for lone parents not receiving a widow's pension (1973 for lone mothers, 1977 for lone fathers);
- the removal of the assets component of the pensions means test (1976), followed by its restoration in a very different form (1985);
- the creation of a new allowance for the parents of children with disabilities (1974);
- the integration of child tax rebates and child endowment into a single system of family allowances, paid from general revenue without a means test to the principal carer, thus giving low-income parents access to the equivalent of the rebates (1976);
- the abolition of maternity allowance (1978), the purchasing power of which had deteriorated for many years prior to this;
- the introduction of automatic increases in pensions and most other benefits to compensate for price increases (1977);
- a mobility allowance (1983) to defray the costs faced by people with disabilities in getting to work or vocational training;
- a new income supplement for low-income working families with children that effectively gave them access to the equivalent of additional payments made for the children of pensioners and beneficiaries (1983), later broadened and extended (1988) by the establishment of family payment benchmarks (linked to the Hawke government's commitment on child poverty);
- imposition of a means test on family allowances (1988);
- introduction of a pension for carers of a spouse with disabilities (1984), progressively broadened in later years;
- phased abolition of the widows' pension for those without children in their care (1987);
- the start of the Jobs, Education and Training (JET) scheme for lone parents (1989); and
- implementation of the Child Support Scheme, which provided for the administrative assessment and collection of non-resident parents' liabilities for the support of their children (1988 and 1989) and the creation of a new agency to run the scheme.

All this was taking place against the background of broader developments. Six of these are worth particular mention:



© iStockphoto.com/ChrisSchmidt

The recession of the early 1990s saw unemployment peak at more than 11 per cent and the number of working-age people receiving social security payments rise dramatically.

- the Henderson Commission of Inquiry into Poverty (1972 to 1976)—its findings were not formally adopted, but they influenced policy decisions in the years that followed;
- the demise of proposals (the Woodhouse scheme) for a national scheme of insurance against injury, accident and disease (1975)—the new scheme would have been a major departure from the Australian model of social security, and would have superseded the state and territory schemes of workers' compensation and third-party road accident insurance;
- the rejection of proposals (the Hancock scheme) for national superannuation (1976), followed in the 1980s and beyond by the rise of private superannuation as an instrument of retirement incomes policy—the Government legislated to compel contributions by employers to superannuation for their employees, and provided substantial tax concessions for both employers and employees;
- the advent of a national scheme of universal health insurance (1975), its partial dismantling in the years immediately following, and its restoration in almost its original form (1984);
- two major recessions and general restructuring of the economy; and
- the Cass Social Security Review in the second half of the 1980s.

The 1990s

The Cass Social Security Review (established in 1986) had refocused attention on the need to encourage and facilitate economic and social participation among people who were receiving social security payments, particularly people with disabilities, lone parents and the unemployed. It had also argued that, in light of broader changes in the role of women, the social security system should treat people more as individuals and that the scope for dependency-based additional payments should be narrowed. The JET scheme for lone parents (1989) had been one response by the Commonwealth to the review's findings.

Further changes followed in the 1990s, not only as a result of the review but also in response to changes taking place in the broader society and economy (including another recession). Here is a sample of the more important changes of the 1990s:

- the Disability Reform Package (1991), with its emphasis on the centrality of work in the definition of eligibility for the disability support pension (which replaced the invalid pension), its financial incentives for employers to hire people with disabilities, and its active approach to assessing work readiness and finding work opportunities;
- the integration of payments for children into a single system (1993);¹²
- the phased introduction of a higher age pension age for women (1994);
- the introduction of partly individualised means testing for certain couples (1995);
- the phased abolition of the wife's pension (1994);
- legislation tying the standard rate of pension to 25% of "male total average weekly earnings" (1997);
- expanded support for carers of adults and children with disabilities (1996 to 1999);
- the split of responsibility for policy and service delivery between the Department of Social Security (DSS) and a newly created agency called Centrelink (1997); and
- the absorption of DSS into a new Department of Family and Community Services (1998), with responsibility for a range of programs going beyond social security.¹³

In the background was an economy continuing to undergo rapid change. The recession of the early 1990s saw unemployment peak at more than 11% and the number of working-age people receiving social security payments rise dramatically. The Working Nation initiative of the mid-1990s, in which the Commonwealth assumed something of a role of "employer of last resort", was one response to the crisis; it was quickly abandoned as ineffectual and too costly after a change of government. The

Commonwealth Employment Service was replaced from 1997 with the Job Network, comprising Commonwealth-subsidised private and non-profit providers of services for job seekers.

The economic tide had begun to turn by the mid-1990s, but the number of people who were receiving social security payments continued to climb. By the end of the decade, the Commonwealth had begun to express particular concern about the numbers of lone parents and people with disabilities receiving pension-type payments. "Welfare reform" became a central focus, and in 1999 the Commonwealth established the McClure Reference Group to consider the issue. The reference group reported in 2000.

The 21st century

The Commonwealth responded late in 2000 to the McClure Reference Group's report, indicating that it was disposed towards introducing a series of cross-portfolio initiatives. A period of consultation followed. A package called *Australians Working Together* was announced in the 2001–02 Budget for phased introduction over the next four years. The centrepiece of the package, at least in terms of cost, was a "working credit" (which took effect in 2002) to ease the impact of means tests on working-age people in the early stages of returning to employment after an extended period of reliance on income support. The package also provided for additional supports and services to parents, people with disabilities, the mature-aged, and other people who had been out of work for an extended period.

In its 2005–06 Budget, the Commonwealth announced a set of changes collectively called *Welfare to Work*. They took effect from July 2006. Their main impact was on lone parents with school-age children and on people with disabilities who have part-time work capacity. The measures:

- reduced the maximum rates of social security entitlement;
- tightened the means test (aligning it with that for unemployed people generally); and
- imposed an obligation on recipients to work part-time or to look for part-time work.

The package of measures also included training, assistance with the costs of child care, and some other forms of support.

Another major theme of the new century has been tax reform. The ANTS (A New Tax System) package, introduced in mid-2000, included sweeping measures to compensate recipients of social security payments for the price effects of the new goods and services tax (GST). The measures included:

- a supplement to pension rates;
- easing the means test on pensions; and

- the removal of family payments from the *Social Security Act* and replacing them with a new and more generous Family Tax Benefit (FTB) scheme in separate legislation.

FTB rates and conditions have been greatly improved since 2000. The maximum rates of FTB now appear to exceed average spending by low-income parents on their children.

The Commonwealth has also reintroduced maternity payments (free of means test) in recent years, initially in the form of a partially earnings-related Baby Bonus and more recently in the form of a fixed-rate lump sum (free of means test). These payments are substantially more than anything that had existed in previous years.

Retirement incomes policy has retained a strong focus. Specific measures have focused on improving tax concessions for superannuation, most notably in the 2006–07 Budget, which from July 2007 removed personal income tax from most superannuation pensions and all lump sums received by people 60 and over. There have also been improvements to the age pension, including an easing of the assets component of the means test from September 2007. For aged people with no entitlement to a pension, several allowances to assist them with everyday costs have been introduced. They are means-tested but on a very generous basis; in particular, the value of an applicant's assets is not taken into account.

Child support has been another focus of attention. In 2005, the government accepted a task force's recommendations designed to align child support more closely with contemporary attitudes. Perhaps the most interesting initiative is to routinely take into account the incomes of and the care provided by both parents when determining the liability of one to the other. In effect, both parents are now equally responsible for the support of their children. The recommendations are being progressively implemented.

The last decade has seen a move away from an integrated social security system. Service delivery remains largely centralised, but policy responsibility is now spread between:

- the Treasury—its roles in relation to retirement incomes and taxation vitally affect superannua-

tion, the age pension, family benefits and maternity payments;

- what is now the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA)—the age and disability support pensions fall within the portfolio and, with Treasury, FaHCSIA looks after the Family Tax Benefit and maternity payments; and
- what has recently become the Department of Education, Employment and Workplace Relations (DEEWR)—payments for many people of working age fall within the DEEWR portfolio.

In addition, the Department of Human Services has been created to help manage and coordinate the work of Centrelink and a number of other agencies responsible for delivering Commonwealth payments and services.

Conclusion

This article has provided a broad overview of how social security has developed in Australia over the last 100 years or so. Much has changed in that time, but there are strong elements of continuity as well—particularly the prevalence of means tests, the use of funding from general revenue, and the strong emphasis on participation.

In terms of the five “Es”, Australia's model of social security has attractions. In particular, its emphasis on means testing gives it high marks for target efficiency and some aspects of vertical equity. Take-up is high, in that benefits reach most of those people for whom they are intended, and the system's administration is efficient and economical.

On one aspect of vertical equity, that of adequacy, the system does not score so well. In particular, rates of benefits for the single unemployed (including people who, because of disability, have only part-time work capacity) are low and are declining in relative terms.

It can also be argued that the system does not deliver horizontal equity to families at higher levels of income. It is clear that successive governments have made policy choices that put other objectives ahead of horizontal equity for the relatively well-to-do.

Over the last 100 years much has changed in the social security system, but there are strong elements of continuity as well—particularly the prevalence of means tests, the use of funding from general revenue, and the strong emphasis on participation.



It is possible that the emphasis on means testing in the Australian model compromises employment goals because benefits are withdrawn as personal earnings increase. Much the same point can be made in relation to economic efficiency because of the impact of personal income and assets on net gains from saving and investing. There is little hard evidence to support a clear case one way or the other and economic theory is no sure guide on this point, but it is a fact that Australia's rate of household savings continues to be low despite the rapid growth of superannuation.

Two other points are worth making. One is that the Australian model needs to be viewed in its wider context. The other is that, as regards retirement benefits, social insurance has taken a firm foothold, outside social security but under the umbrella of government.

On the first point, substantial elements of social insurance are embedded in areas that are not normally viewed as being part of the social security system. To take one example, most employees are entitled to earnings-related sick leave and the Commonwealth makes payments only if an employee has exhausted his or her entitlements (or these entitlements are so low that the relevant means test does not preclude eligibility for a pension or allowance). To take another, the state and territory systems of employment injury benefits—or, to use the local terminology, workers' compensation—are contributory schemes with earnings-related elements (and the same is true of the Commonwealth system for its employees). Finally, Australia has a system of universal health insurance; it is funded from general revenue, but is supplemented by private health insurance that is strongly encouraged and heavily subsidised by tax penalties and concessions.

On the second point, national superannuation was decisively rejected in 1976. A few years later, however, it began to emerge in a new form. Broadly, retirement benefits are provided by employer-sponsored or private superannuation schemes and funded by employers through compulsory contributions and (to a lesser extent) by employees and the self-employed through voluntary contributions. The Commonwealth also provides very substantial tax concessions, which have been greatly enhanced by measures announced in the 2006–07 Budget and implemented in July 2007; so much so that for many well-to-do people the value of these tax benefits far exceeds what they would receive even if the means test on age pension were abolished. Against this background, it is hardly surprising that the superannuation industry has grown rapidly in the last two decades.

Be that as it may, the age pension is almost certain to retain its central role in social protection for the foreseeable future. The liberality of the means test is such that the majority of the aged will be entitled to at least a part-rate age pension for many decades to come—their superannuation will not be enough to disqualify them. It is even possible, in any case,

that the superannuation system will have to be revisited; by any standard it is expensive to maintain, its benefits are heavily skewed to people on high incomes, and its impact on pensions expenditure is limited. As the population ages, questions about the sustainability of the current design of superannuation will become more pressing.

How will the social security system as a whole look in 100 years from now? Given that the social and economic impact of climate and technological change is so unpredictable, forecasting the shape of social security is at best hazardous. Sometimes, however, “the more things change, the more they remain the same”. Perhaps the essential elements of social security will remain intact. In the last 100 years they have survived two World Wars, the Great Depression, numerous recessions, technological transformation and enormous changes in social values. Perhaps observers looking back to now from the vantage point of 2108 will be just as struck by the elements of continuity in social security as we are looking back to 1908.

Endnotes

- 1 The definitive history of social security in Australia (up to 1978) is provided in Kewley (1969, 1973, 1980).
- 2 The “Commonwealth of Australia” is a federation of six states and two territories. In this paper, the term “Commonwealth” refers to the Federal Government.
- 3 The Harvester Judgement in 1907 established the concept of a “living wage” for wage earners in Australia and this provided a foundation on which to build a social security system.
- 4 Some commentators suggest that “churning”—the extent to which the same people pay taxes on the one hand while receiving benefits on the other—is another measure of (in)efficiency.
- 5 In 1901, these colonies joined the other four colonies to become states in the Commonwealth of Australia. The NSW scheme has been described by T. H. Kewley (1946) as “the first of the modern ‘income-security’ services” and “almost a copy of the scheme already in force in New Zealand” (pp. 121–122).
- 6 *Invalid and Old-age Pensions Act 1908* (No. 17 of 1908).
- 7 See, Joint Committee on Social Security (1941, 1942a, 1942b, 1942c, 1942d, 1943, 1944, 1945, 1946), Shaver (1987) and Watts (1987).
- 8 The Department of Social Services was actually established in April 1939, but it did not function as a separate organisation until April 1941, when the administration of the *Invalid and Old-age Pensions Act* and the *Maternity Allowances Act* was taken over from the Department of the Treasury (Director General of Social Services, 1942, p. 2).
- 9 This followed a successful challenge to the High Court on the constitutionality of pharmaceutical benefits legislation in 1945. The successful 1946 referendum empowered the Commonwealth Parliament to make laws with respect to “the provision of maternity allowances, widows’ pensions, child endowment, unemployment, pharmaceutical, sickness, and hospital benefits, medical and dental services (but not so as to authorize any form of civil conscription), benefits to students and family allowances” (s51, *Constitution Alteration (Social Services) Act 1946*).
- 10 A proposal to abolish the means test on age pensions had been part of the Labor Party’s election platform in 1954, but the Liberal–Country Party Coalition Government, which opposed the initiative, was returned to office. This did not stop abolition of the means test on age and invalid pensions for the blind.
- 11 It is interesting that both the Labor Party and the Liberal–Country Party Coalition committed to the abolition of the means test for age pensions and the establishment of a universal age pension in the lead up to the 1972 election.

- 12 This was subsequently restructured on several occasions and replaced in 2000 by Family Tax Benefits (see the section titled "The 21st century").
- 13 Centrelink remained in charge of delivering cash benefits. The Department of Family and Community Services has both contracted and, more recently, expanded since its creation. It is now the Department of Families, Housing, Community Services and Indigenous Affairs.

References and further reading

- Australian Bureau of Statistics. (1988). History of pensions and other benefits in Australia. In *Year Book Australia, 1988* (pp. 379–383). Canberra: Author.
- Bessant, J., Watts, R., Dalton, T., & Smyth, P. (2006). *Talking policy: How social policy is made*. Crows Nest, NSW: Allen & Unwin.
- Castles, F. G. (1987). Thirty wasted years: Australian social security development, 1950–80, in comparative perspective. *Canberra Bulletin of Public Administration*, 51, 41–46.
- Chifley, J. B. (1945). *Social security and reconstruction*. Canberra: Department of Post-war Reconstruction.
- Daniels, D. (2006a). *Social security payments for people caring for children, 1912 to 2006*. Canberra: Parliamentary Library. Retrieved 15 October 2008, from <http://www.aph.gov.au/library/pubs/online/children.htm>
- Daniels, D. (2006b). *Social security payments for the aged, people with disabilities and carers, 1909 to 2006. Part 1*. Canberra: Parliamentary Library. Retrieved 15 October 2008, from <http://www.aph.gov.au/library/pubs/online/Aged.htm>
- Daniels, D. (2006c). *Social security payments for the unemployed, the sick and those in special circumstances, 1942 to 2006*. Canberra: Parliamentary Library. Retrieved 15 October 2008, from <http://www.aph.gov.au/library/pubs/online/special.htm>
- Daprè, R. (2006). *A compendium of legislative changes in social security 1983–2000* (Occasional Paper No. 13). Canberra: Department of Families, Community Services and Indigenous Affairs. Retrieved 15 October 2008, from <http://www.facsia.gov.au/internet/facsinternet.nsf/research/ops-ops13.htm>
- Department of Families, Community Services and Indigenous Affairs. (2006). *Compendium of legislative changes in social security 1908–1982* (Occasional Paper No. 12). Canberra: Author. Retrieved 15 October 2008, from <http://www.facsia.gov.au/internet/facsinternet.nsf/research/ops-ops12.htm>
- Department of Family and Community Services. (2001). *Foundations for the future: Celebrating the Centenary of Federation. 100 years of Australian Public Service and the evolution of social policy and community services in Australia*. Canberra: Author.
- Department of Social Security. (1983). *Developments in social security: A compendium of legislative changes since 1908* (Research Paper No. 20). Canberra: Author.
- Department of Social Security. (1987). *One big family: A short history of the Department of Social Security*. Canberra: Author.
- Director-General of Social Services. (1942). *First report of the Director-General of Social Services, year ended 30 June 1942*. Canberra: Commonwealth Government Printer.
- Dixon, J. (1977). *Australia's policy towards the aged, 1890–1972* (Canberra Series in Administrative Studies No. 3). Canberra: Canberra College of Advanced Education.
- Dixon, J. (1978). The evolution of Australia's social security system, 1890–1972: The social insurance debate. *Social Security Journal*, 5(2).
- Joint Committee on Social Security. (1941). *First interim report: Social security planning and legislation* (24 September). Canberra: Author.
- Joint Committee on Social Security. (1942a). *Second interim report: Unemployment and war emergency* (6 March). Canberra: Author.
- Joint Committee on Social Security. (1942b). *Third interim report: Consolidation of social legislation and post-war unemployment* (25 March). Canberra: Author.
- Joint Committee on Social Security. (1942c). *Fourth interim report: Housing in Australia* (20 May). Canberra: Author.
- Joint Committee on Social Security. (1942d). *Fifth interim report: Reconstruction planning* (8 October). Canberra: Author.
- Joint Committee on Social Security. (1943). *Sixth interim report: A comprehensive health scheme* (1 July). Canberra: Author.
- Joint Committee on Social Security. (1944). *Seventh interim report: Commonwealth hospital scheme, hospitalisation. Consolidation of social legislation* (9 March). Canberra: Author.
- Joint Committee on Social Security. (1945). *Eighth interim report: A comprehensive health scheme* (2 August). Canberra: Author.
- Joint Committee on Social Security. (1946). *Ninth interim report: National fitness* (29 July). Canberra: Author.
- Jones, M. A. (1983). *The Australian welfare state: Growth, crisis and change*. Sydney: Allen & Unwin. (Note Chapters 2 and 3: The history of the welfare state, pp. 5–67.)
- Kewley, T. H. (1946). *NSW Old-age Pensions Act 1900. Public Administration: The Journal of the Australian Regional Groups of the Institute of Public Administration*, 6(3), 121–127.
- Kewley, T. H. (1969). *Australia's welfare state: The development of social security benefits*. South Melbourne: MacMillan.
- Kewley, T. H. (1973). *Social security in Australia 1900–72*. Sydney: Sydney University Press.
- Kewley, T. H. (1980). *Australian social security today: Major developments from 1900 to 1978*. Sydney: Sydney University Press.
- Knibbs, G. H. (1910). *Social insurance*. Melbourne: Commonwealth Bureau of Census and Statistics, Government Printer.
- Lloyd, C., & Rees, J. (1994). *The last shilling: A history of repatriation in Australia*. Carlton, Vic.: Melbourne University Press.
- Mendelsohn, R. (1954). *Social security in the British Commonwealth: Great Britain, Canada, Australia, New Zealand*. London: The Athlone Press.
- Mendelsohn, R. (1979). *The condition of the people: Social welfare in Australia, 1900–1975*. Sydney: Allen & Unwin.
- Mendes, P. (2003). *Australia's welfare wars: The players, the politics, and the ideologies*. Sydney: UNSW Press. (Note Chapter 1: The historical and political development of the Australian welfare state, pp. 11–30.)
- Neild, J. C. (1898). *Report on old age pensions, charitable relief and state insurance in England and the continent of Europe*. Sydney: Government Printer.
- Neilson, L., & Harris, B. (2008). *Chronology of superannuation and retirement income in Australia* (Background Note). Canberra: Parliamentary Library. Retrieved 15 October 2008, from http://www.aph.gov.au/library/pubs/BN/2008–09/Chron_Superannuation.htm
- Roberts, P., & Herscovitch, A. (1980). History of Australian social security. *Social Security Journal*, December, 1–5.
- Shaver, S. (1987). Design for a welfare state: The Joint Parliamentary Committee on Social Security. *Historical Studies*, 22(88), 411–431.
- Stanton, D., & Daprè, R. (1995). *Financing social security pensions* (Policy Research Paper No. 68). Canberra: Department of Social Security.
- Stanton, D., & Fuery, M. (1995). Developments in family payments 1983–96. *Social Security Journal*, December, 120–154.
- Stanton, D., & Herscovitch, A. (1992). Social security and sole parents: Developments in Australia. In *Social security and changing family structures* (Studies and Research No. 29, pp. 157–184). Geneva: International Social Security Association.
- Treasury. (2001). Towards higher retirement incomes for Australians: A history of the Australian retirement income system since Federation. *Economic Roundup, Centenary Edition*, 65–92.
- Tulloch, P. (1979). *Poor policies: Australian income security, 1972–77*. London: Croom Helm.
- Unikoski, I. (1989). *Veterans of labour, veterans of war: Commonwealth payments to the aged, 1909–1987* (Social Security Review Background/Discussion Paper No. 28). Canberra: Department of Social Security.
- Watts, R. (1987). *The foundations of the national welfare state*. Sydney: Allen & Unwin.
- Whiteford, P., Stanton, D., & Gray M. (2001). Families and income security: Changing patterns of social security and related policy issues. *Family Matters*, 60, 24–35.

Andrew Herscovitch is a social policy consultant and David Stanton is a Visiting Fellow in the Policy and Governance Program, Crawford School of Economics and Government, ANU College of Asia and the Pacific.