

2 Expenditure on welfare services

2.1 Introduction

This chapter presents expenditure data on four welfare services categories:

- family and child welfare services;
- welfare services for the aged;
- welfare services for people with a disability;
- other welfare services – for example, supported accommodation assistance, prisoners' aid, and assistance to migrants.

Expenditures not included in this chapter are cash payments such as income support and housing assistance, and expenditure on nursing homes and domiciliary nursing care.¹ The former represents cash benefits, not services; the latter is predominantly health related. Information on long-term housing assistance can be found in Chapter 5 and on nursing homes and domiciliary nursing care in Chapter 6.

Regular national accounts on expenditure deal only with formal services; they do not include voluntary work and unpaid work for family and friends, such as caring for family members or friends with a disability. This chapter goes beyond the scope of the national accounts framework, however, by providing estimates of the contribution of households either working voluntarily for organisations or helping others independently.

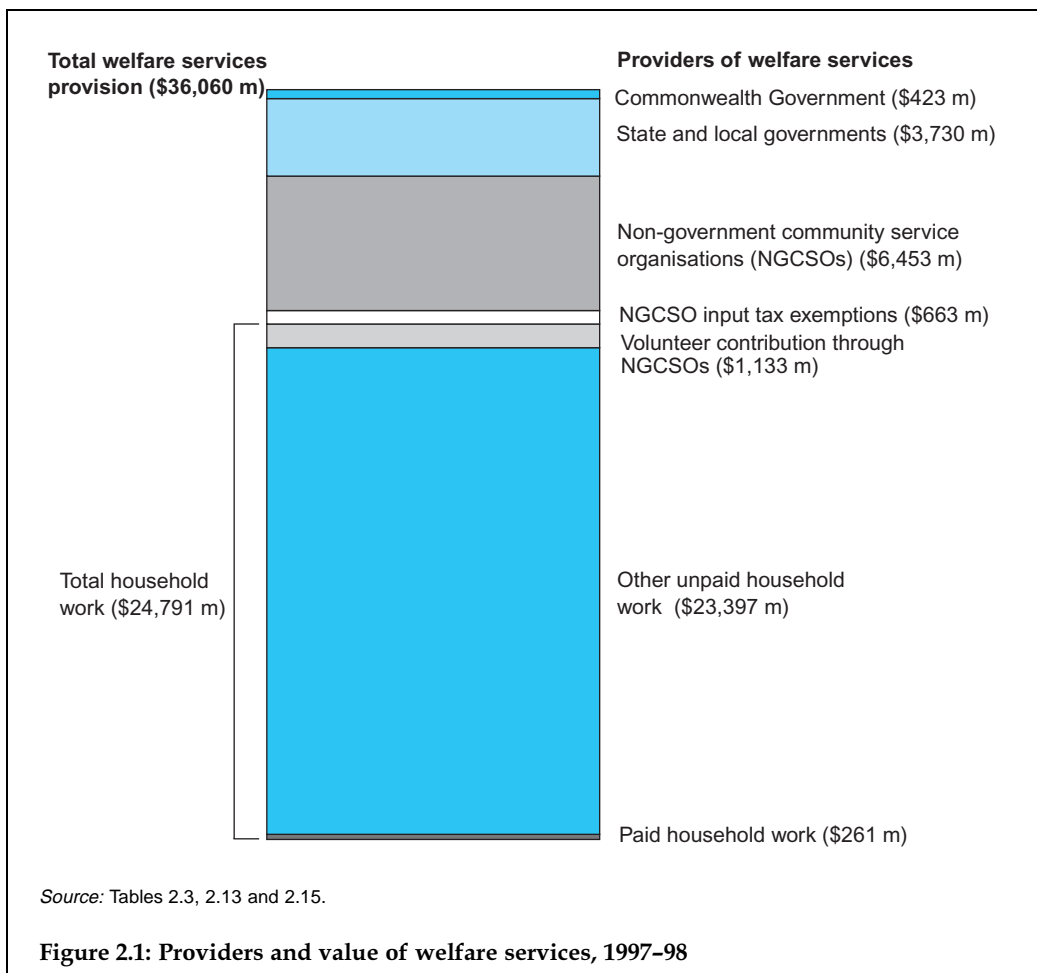
2.2 Total expenditure

Resources devoted to welfare services in 1997–98

In 1997–98 an estimated \$36.1 billion in total resources (monetary and non-monetary) was devoted to welfare services by governments, non-government community service organisations and households (Figure 2.1). Total monetary expenditure on these services was \$10.9 billion, or 30.2% of the estimated total resources allocated to welfare services.

Non-government community service organisations (NGCSOs) delivered \$6.5 billion worth of welfare services in 1997–98; this represents 59% of the total monetary expenditure on welfare services. The funding sources for these services were governments (47.7%), clients (33.3%) and the organisations' own income from fundraising, donations and other sources (19.0%) (Table 2.4, Figure 2.4).

1 In 1997–98 the Commonwealth Government spent \$2,363 million on nursing homes and domiciliary nursing care benefits.



Donations to NGCSOs are partly funded by the Commonwealth Government by allowing the donations to be tax deductible. Total revenue forgone by the Commonwealth Government from this concession was estimated to be \$85 million in 1997-98 (Table 2.13). NGCSOs also receive input tax concessions, such as exemptions from fringe benefits tax and sales tax. The value of these concessions was estimated at \$663 million in 1997-98.

In addition, substantial amounts of unpaid work are performed by volunteers working through community service organisations. The value of this work in 1997-98 was estimated at \$1,133 million. In total, the value (monetary and non-monetary) of production of these organisations was about \$8.3 billion, consisting of \$6.5 billion (monetary), \$0.7 billion (input tax exemptions) and \$1.1 billion (work of volunteers).

The household sector dominates as a provider of welfare services, either independently or by undertaking voluntary work through community service organisations. The total contribution of the household sector was estimated at \$24.8 billion, or 68.7% of the total resources devoted to welfare services, in 1997-98. The majority of their input (98.9%)

was unpaid – work done at home caring for other people, including those who are sick or have a disability, caring for other people’s children, caring for one’s own sick children, and voluntary work through community service organisations. The \$261 million, or 1.1%, of household work that was paid work was for child care services in the informal sector (Table 2.4).

Total monetary expenditure

The provision and funding of monetary expenditure on welfare services is shared by both the government and non-government sectors. The government sector consists of the Commonwealth Government, State and Territory governments, and local governments. The non-government sector consists of the household sector and the non-government community service organisations, which operate as either ‘for-profit’ or ‘not-for-profit’. The household sector is both a provider and a purchaser of services. Householders purchase child care services from other households and partly pay for welfare services provided by governments and NGCSOs.

Table 2.1: Total welfare services expenditure and expenditure per person, current and constant 1996–97 prices^(a) and annual growth rates, 1988–89 to 1997–98

Year	Total expenditure (\$m)		Expenditure per person (\$)	
	Current prices	Constant prices	Current prices	Constant prices
	Amount			
1988–89	4,726	6,052	283	363
1989–90	5,229	6,239	309	368
1990–91	5,721	6,487	333	378
1991–92	6,298	6,787	362	390
1992–93	7,281	7,656	414	435
1993–94	7,864	8,225	443	463
1994–95	8,504	8,849	474	493
1995–96	9,083	9,259	499	509
1996–97	9,955	9,955	540	540
1997–98	10,867	10,707	588	580
	Growth rate (per cent)			
1988–89 to 1989–90	10.6	3.1	9.0	1.6
1989–90 to 1990–91	9.4	4.0	7.9	2.5
1990–91 to 1991–92	10.1	4.6	8.7	3.3
1991–92 to 1992–93	15.6	12.8	14.3	11.6
1992–93 to 1993–94	8.0	7.4	6.9	6.4
1993–94 to 1994–95	8.1	7.6	7.0	6.4
1994–95 to 1995–96	6.8	4.6	5.4	3.3
1995–96 to 1996–97	9.6	7.5	8.2	6.2
1996–97 to 1997–98	9.2	7.5	8.9	7.3
Average annual growth rate	9.7	6.5	8.5	5.3

(a) The government final consumption expenditure (GFCE) implicit price deflator was applied to both government and non-government sector current price expenditure.

Source: Welfare services expenditure—AIHW database; mean resident population 1988–89—ABS 1994; 1989–90 to 1990–91—ABS 1996; 1991–92 to 1995–96—ABS 1998a; 1996–97 to 1997–98—calculated from ABS 1998b, 1999a; GFCE implicit price deflator—ABS 1999b.

In 1997–98 total monetary expenditure on welfare services amounted to \$10.9 billion, more than double the level in 1988–89 (\$4.7 billion), or an increase of 9.7% a year in current prices. The growth rate in real terms—that is, after inflation is accounted for—averaged 6.5% a year over the period (Table 2.1).

The increase in expenditure on welfare services can be disaggregated into three components: the increase due to inflation, the increase due to population growth, and the increase in real expenditure per person. The increase in real expenditure per person was the largest component, contributing 65.8% of the growth in welfare services expenditure between 1988–89 and 1997–98. Inflation accounted for 23.4% of the overall rise in expenditure, and population growth the remaining 10.8%.

Monetary expenditure per person on welfare services

Monetary expenditure on welfare services rose from \$283 per person in 1988–89 to \$588 per person in 1997–98; a total increase of 107.8%, or an average growth of 8.5% a year in current prices. Per person expenditure in constant 1996–97 prices increased from \$363 to \$580 over the period, an average increase of 5.3% a year (Table 2.1).

Annual growth in expenditure per person in real terms ranged from 1.6% in 1989–90 to 11.6% in 1992–93. The economic recession of 1990 and 1991 contributed to the high growth in welfare services expenditure per person in that period. Changes in government policy relating to child care and aged care services also contributed.

Monetary expenditure on welfare services and gross domestic product

In current prices, monetary expenditure on welfare services as a proportion of gross domestic product (GDP) rose from 1.4% in 1988–89 to 1.9% in 1997–98 (Table 2.2). This reflected the higher growth of welfare services expenditure (6.5% per year) as

Table 2.2: Welfare services expenditure and GDP, current and constant 1996–97 prices, 1988–89 to 1997–98 (\$m)

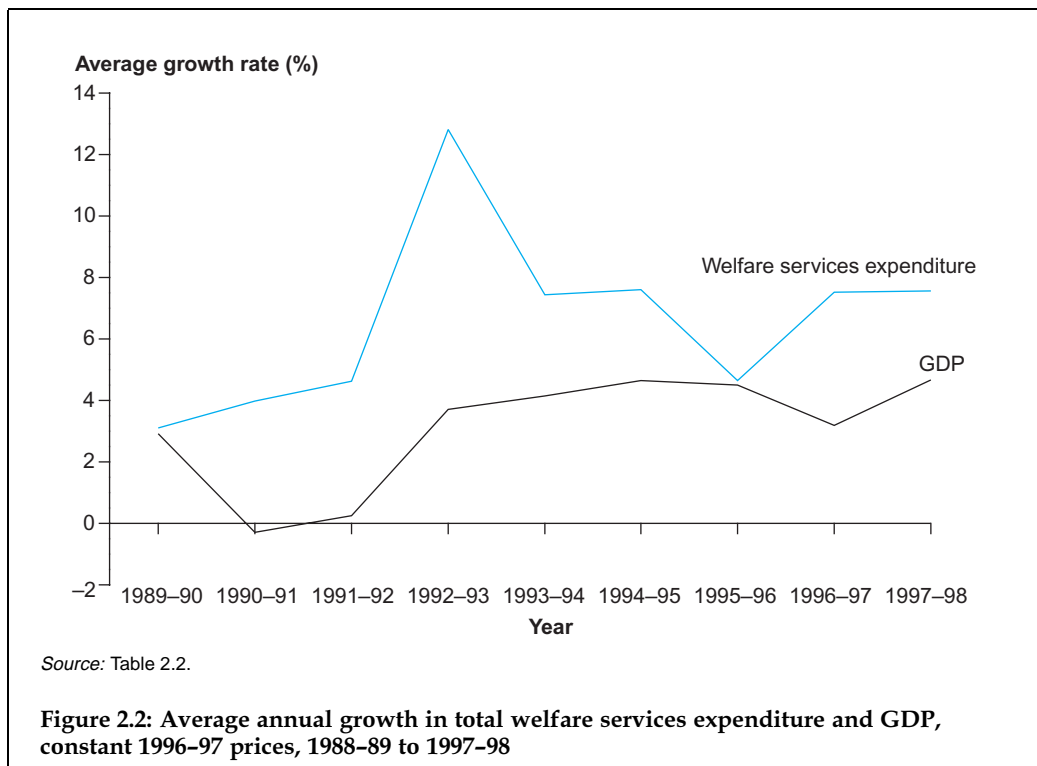
Year	Welfare services expenditure		Gross domestic product ^(a)		Welfare services expenditure as % of GDP	
	Current prices	Constant prices	Current prices	Constant prices	Current prices	Constant prices
1988–89	4,726	6,052	339,907	424,774	1.39	1.42
1989–90	5,229	6,239	383,497	437,092	1.36	1.43
1990–91	5,721	6,487	396,238	435,778	1.44	1.49
1991–92	6,298	6,787	405,933	436,845	1.55	1.55
1992–93	7,281	7,656	426,985	453,061	1.71	1.69
1993–94	7,864	8,225	449,452	471,834	1.75	1.74
1994–95	8,504	8,849	474,646	493,682	1.79	1.79
1995–96	9,083	9,259	508,806	515,866	1.79	1.79
1996–97	9,955	9,955	532,204	532,204	1.87	1.87
1997–98	10,867	10,707	565,071	556,978	1.92	1.92

(a) GDP(I)—the income-based estimate of GDP was used.

Source: Welfare services expenditure—AIHW database; GDP—ABS 1999d.

compared with GDP (3.1% per year). The increase in welfare services expenditure varied across areas of expenditure (Table 2.8).

Following the onset of economic recession in 1990, GDP fell by 0.3% in real terms during 1990–91, but rose slightly by 0.2% the following year (Figure 2.2). The recession increased the demand for welfare services, which in turn affected welfare services expenditure in 1991–92 and 1992–93. Between 1992–93 and 1997–98, real welfare services expenditure growth was above 7% for all years except 1995–96. After the drop in 1990–91, real GDP increased by 3.7% in 1992–93, and then was above 4%, on average, for the rest of the period (Figure 2.2).



Total monetary expenditure on welfare services by source of funds

Between 1988-89 and 1997-98, governments financed an average of 63% of monetary expenditure on welfare services (Table 2.3, Figure 2.3). The remaining 37% was funded by the household and NGCSO sectors.

The Commonwealth Government's share of funding increased from 24.2% in 1988-89 to 34.0% in 1994-95. Its share then declined each year, reaching 31.0% in 1997-98. The proportion of funding by State and Territory governments moved in the opposite direction, declining steadily from 35.9% in 1988-89 to 28.6% in 1995-96, then rising to 30.5% in 1996-97 and 31.3% in 1997-98. (Section 2.4 provides further analysis of expenditure by the Commonwealth Government and State and Territory governments.) The contribution of local governments was small, fluctuating from 0.3% in 1991-92 and

Table 2.3: Monetary expenditure on welfare services (in current prices), by source of funds, 1988–89 to 1997–98

Year	Government sector				Non-government sector			Total expenditure
	Commonwealth	State/Territory	Local	Total	NGCSOs	Households	Total	
Amount (\$m)								
1988–89	1,144	1,698	36	2,878	683	1,165	1,848	4,726
1989–90	1,348	1,819	34	3,201	733	1,294	2,027	5,229
1990–91	1,522	1,995	51	3,568	777	1,376	2,153	5,721
1991–92	1,839	2,199	19	4,056	825	1,417	2,242	6,298
1992–93	2,113	2,347	22	4,483	934	1,864	2,798	7,281
1993–94	2,494	2,360	46	4,900	990	1,974	2,964	7,864
1994–95	2,892	2,464	99	5,455	995	2,055	3,050	8,504
1995–96	3,074	2,602	157	5,833	1,043	2,207	3,250	9,083
1996–97	3,264	3,040	121	6,424	1,146	2,385	3,531	9,955
1997–98	3,365	3,398	219	6,982	1,229	2,657	3,886	10,867
Percentage								
1988–89	24.2	35.9	0.8	60.9	14.4	24.7	39.1	100
1989–90	25.8	34.8	0.7	61.2	14.0	24.8	38.8	100
1990–91	26.6	34.9	0.9	62.4	13.6	24.1	37.6	100
1991–92	29.2	34.9	0.3	64.4	13.1	22.5	35.6	100
1992–93	29.0	32.2	0.3	61.6	12.8	25.6	38.4	100
1993–94	31.7	30.0	0.6	62.3	12.6	25.1	37.7	100
1994–95	34.0	29.0	1.2	64.1	11.7	24.2	35.9	100
1995–96	33.8	28.6	1.7	64.2	11.5	24.3	35.8	100
1996–97	32.8	30.5	1.2	64.5	11.5	24.0	35.5	100
1997–98	31.0	31.3	2.0	64.2	11.3	24.5	35.8	100
10-year average	30.5	31.7	1.1	63.3	12.4	24.4	36.7	100

Source: Commonwealth outlays—DCSH 1989, 1990; DHHCS 1991, 1992; DHHLGCS 1993; DSH 1995a, 1995b; DHFS 1996, 1997, 1998; DHRD 1994, 1995; Department of Immigration and Ethnic Affairs unpublished data; Department of Veterans' Affairs unpublished data. State recurrent outlays—Commonwealth Grants Commission unpublished data. State capital outlays and local government outlays—ABS unpublished data. Deflators—ABS 1999b. NGCSOs—1992–93 estimated by AIHW from Industry Commission 1994; 1993–94 estimated by AIHW from Industry Commission 1995. Child care service clients' contribution—estimated by AIHW from ABS 1997. Government funding—ABS unpublished data; DHFS and DHAC various years; 1994–95 to 1997–98 estimated by AIHW.

1992–93 to a peak of 2.0% in 1997–98. Within the non-government sector, the NGCSOs' contribution declined from 14.4% in 1988–89 to 11.3% in 1997–98. Households' contribution—mainly in the form of payment for services—was relatively stable, starting at 24.7% and finishing slightly lower at 24.5% in 1997–98.

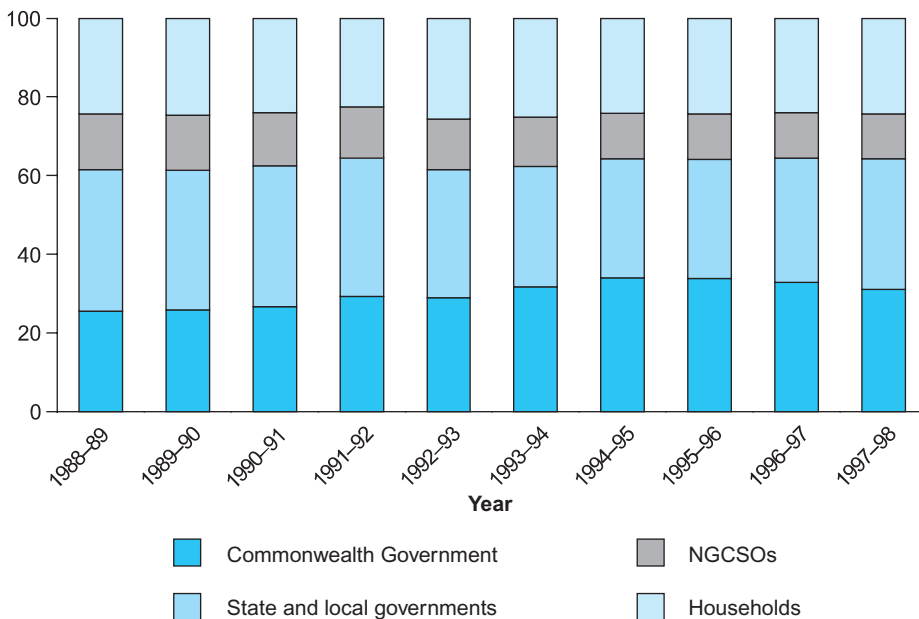
Funding and provision of welfare services

In 1997–98 the government sector funded \$7.0 billion of expenditure on welfare services: 56.0% was for services provided by the government sector itself; the remainder was transferred to non-government community service organisations (Table 2.4, Figure 2.4).

NGCSOs have always been the major providers of welfare services, delivering on average 58% of total welfare services expenditure between 1994–95 and 1997–98²

2 Comparable data for estimates of household contributions go back only to 1994–95.

Percentage



Source: Table 2.3.

Figure 2.3: Proportion of welfare services expenditure, by source of funds, 1988-89 to 1997-98

Table 2.4: Funding and provision of welfare services, by service provider 1997-98 (\$m)

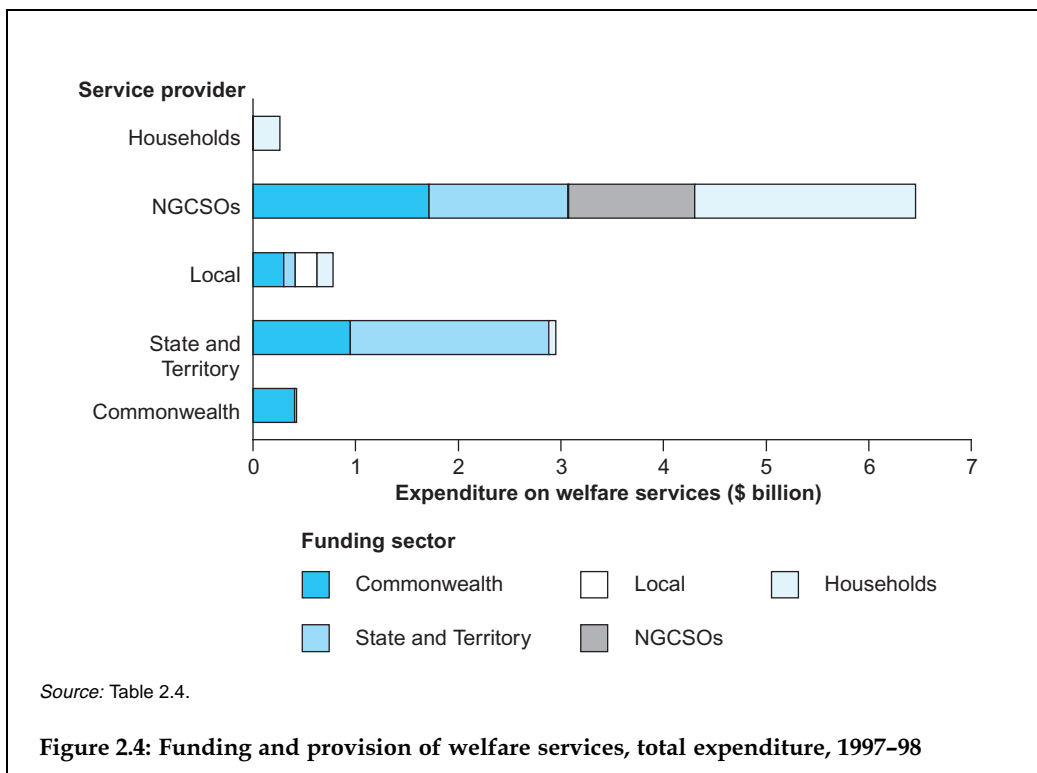
Service provider	Source of funds					Total	Proportion of service provision (%)
	Commonwealth Government	State and Territory governments	Local governments	NGCSOs ^(a)	Households ^(b)		
Commonwealth Government	406	..	..	..	17	423	3.9
State and Territory governments	945	1,933	..	..	73	2,951	27.2
Local governments	300	109	214	..	156	779	7.2
Total government	1,650	2,043	214	..	246	4,154	38.2
NGCSOs	1,714	1,355	5	1,229 ^(c)	2,150	6,453	59.4
Household sector	..	..	..	..	261	261	2.4
Total for all sectors	3,365	3,398	219	1,229	2,657	10,867	100.0
Proportion of funding (%)	31.0	31.3	2.0	11.3	24.5	100.0	

(a) Profit from sale of assets included but not the value of the assets sold.

(b) Funding by the household sector is through fees charged for services, e.g. child care fees, home and community care services.

(c) Capital expenditure funded by NGCSO's own source of funds not known, so not included.

Source: As for Table 2.3.



(Table 2.5). Forty per cent of total welfare services expenditure was provided by government agencies and the remaining 3% was paid informal child care delivered by the household sector.

The Commonwealth Government is a major funder of welfare services, funding 33% of total welfare services expenditure in 1997-98. The Commonwealth funding proportion increases slightly if the \$85 million tax deduction on donations is included. State and Territory governments were significant players in both roles, funding 30% of total welfare services expenditure and providing 28% of the total value of welfare services over the period.

2.3 Expenditure by governments

Expenditure on welfare services in relation to other areas

In 1997-98 outlays by all levels of government in Australia for all purposes totalled \$194.6 billion (Table 2.6). Government outlays for social security income support were \$45.4 billion, for health \$31.9 billion, for education \$25.3 billion, and for defence \$9.8 billion; outlays for welfare services were \$7.0 billion. Social security benefits accounted for 23.3% of total government outlays in 1997-98, followed by health (16.4%), education (13.0%), defence (5.0%) and welfare services (3.6%).

Table 2.5: Funding and provision of welfare services, by sector 1994–95 to 1997–98 (per cent)

	Government sector				Non-government sector		
	Common-wealth	State/ Territory	Local	Total	NGCSOs	House-holds	Total
Funding							
1994–95	34.0	29.0	1.2	64.2	11.7	24.2	35.9
1995–96	33.8	28.6	1.7	64.2	11.5	24.3	35.8
1996–97	34.0	29.0	1.2	64.2	11.7	24.2	35.9
1997–98	31.0	31.3	2.0	64.2	11.3	24.5	35.8
4-year average	33.2	29.5	1.5	64.2	11.5	24.3	35.8
Provision							
1994–95	4.9	28.7	7.4	41.1	56.1	2.8	58.9
1995–96	3.6	27.3	7.8	38.8	58.7	2.5	61.2
1996–97	4.9	28.7	7.4	41.1	56.1	2.8	58.9
1997–98	3.9	27.2	7.2	38.2	59.4	2.4	61.8
4-year average	4.4	28.0	7.5	39.8	57.6	2.6	60.2

Source: As for Table 2.3.

Government outlays on welfare services (in current prices) rose from \$2.9 billion in 1988–89 to \$7.0 billion in 1997–98. Welfare services outlays as a proportion of total government outlays increased from 2.3% to 3.6% over the period (Table 2.6, Figure 2.5).

Between 1988–89 and 1997–98, total government sector outlays (in current prices) grew at an average annual rate of 5.1%. Welfare services had the highest growth rate—10.3% per year.

2.4 Recurrent government expenditure on welfare services by four welfare services categories

From 1992–93 to 1997–98³, just over one-third (34.6%) of recurrent expenditure on welfare services by the Commonwealth and the States and Territories was directed to family and child welfare services and 30.2% was directed to services for people with a disability. Welfare services for the aged received 27.7% and other welfare services 7.5% (calculated from Table 2.7).

Recurrent expenditure by the Commonwealth Government

In 1997–98 recurrent expenditure on welfare services by the Commonwealth Government was allocated as follows: 37.8% to aged care services, 33.2% to family and child welfare services, 23.5% to disability services and 5.6% to other welfare services

3 Detailed information on concessions for pensioners provided by the Commonwealth Grants Commission was available only for 1992–93 to 1997–98. As a result, disaggregation of the aged and disabled welfare services category into two categories—aged care services and welfare services for people with a disability—is possible only from 1992–93.

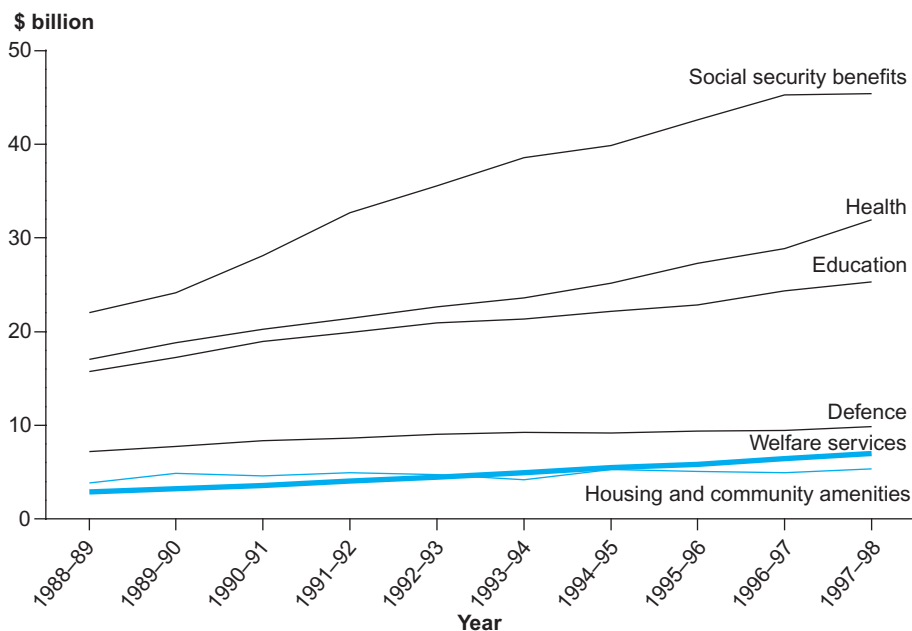
Table 2.6: Total government expenditure^(a) (in current prices), by purpose, 1988–89 to 1997–98 (\$m)

Area of expenditure	1988–89	1989–90	1990–91	1991–92	1992–93	1993–94	1994–95	1995–96	1996–97	1997–98
Social security and welfare										
Social security benefits										
Amount	22,016	24,126	28,106	32,660	35,519	38,561	39,831	42,566	45,233	45,376
Proportion of total (%)	17.7	17.1	18.96	20.6	21.9	23.1	22.7	23.0	23.8	23.3
Welfare services										
Amount	2,878	3,201	3,568	4,056	4,483	4,900	5,455	5,833	6,424	6,982
Proportion of total (%)	2.3	2.3	2.4	2.6	2.8	2.9	3.1	3.1	3.4	3.6
Other social security and welfare										
Amount	982	1,063	1,210	1,453	1,332	1,423	1,504	1,564	1,712	2,137
Proportion of total (%)	0.8	0.8	0.8	0.9	0.8	0.9	0.9	0.8	0.9	1.1
Health										
Amount	17,050	18,838	20,240	21,375	22,647	23,615	25,140	27,270	28,833	31,898
Proportion of total (%)	13.7	13.3	13.4	13.5	13.9	14.2	14.4	14.7	15.1	16.4
Education										
Amount	15,761	17,226	18,950	19,888	20,956	21,338	22,149	22,833	24,334	25,289
Proportion of total (%)	12.7	12.2	12.6	12.6	12.9	12.8	12.6	12.3	12.8	13.0
Defence										
Amount	7,189	7,734	8,326	8,607	9,010	9,237	9,147	9,394	9,454	9,827
Proportion of total (%)	5.8	5.5	5.5	5.4	5.5	5.5	5.2	5.1	5.0	5.0
Housing and community amenities										
Amount	3,835	4,876	4,591	4,898	4,753	4,146	5,306	5,078	4,926	5,349
Proportion of total (%)	3.1	3.4	3.0	3.1	2.9	2.5	3.0	2.7	2.6	2.7
Other purposes^(b)										
Amount	54,659	64,380	65,777	65,271	63,772	63,452	66,645	70,886	69,510	67,776
Proportion of total (%)	43.9	45.4	43.7	41.3	39.3	38.1	38.1	38.2	36.5	34.8
Total	124,370	141,444	150,768	158,208	162,472	166,671	175,176	185,424	190,427	194,634

(a) 'Expenditure' is used in this publication instead of the more technical 'outlays' used by the ABS. It has the same meaning.

(b) ABS number for 'Other purposes' adjusted to allow for difference between AIHW estimate of welfare services expenditure and ABS estimate. 'Other purposes' includes general public services; public order and safety; recreation and culture; fuel and energy; agriculture, forestry, fishing and hunting; mining, manufacturing, construction, etc.; transport and communication; other economic affairs; public debt transactions; general purpose inter-government transactions; natural disaster relief; purposes not elsewhere classified.

Source: Welfare services expenditure—AIHW database; other expenditure—ABS unpublished data.



Source: Table 2.6.

Figure 2.5: Trends in public sector expenditure, in current prices, by selected purposes, 1988-89 to 1997-98

(calculated from Table 2.7). Eighty-eight per cent of Commonwealth expenditure was transfers to other governments and organisations.

In the case of welfare services for the aged, of each \$1 of Commonwealth government transfers during the period, NGCSOs received 52 cents, State and Territory governments 35 cents, and local governments 13 cents.

In the case of services for people with a disability, of every \$1 of Commonwealth government transfers, State and Territory governments received 62 cents, NGCSOs 37 cents, and local governments less than 1 cent.

In the case of family and child welfare services, of every \$1 of Commonwealth transfers, NGCSOs received 72 cents, local governments 19 cents, and State and Territory governments the remaining 9 cents.

In the case of other welfare services, of every \$1 of Commonwealth government transfers, 59 cents went to State and Territory governments, 40 cents to NGCSOs and the remaining 1 cent went to local governments.

Between 1992-93 and 1997-98, growth in Commonwealth government recurrent expenditure (in constant prices) was highest for welfare services for the aged, at 14.2%. This was followed by family and child welfare services, at 10.4%; welfare services for people with a disability, at 5.3%; and other welfare services, at 2.8% (Table 2.8, Figures 2.6 to 2.8).

Table 2.7: Commonwealth and State and Territory recurrent expenditure on welfare services, current prices, 1992-93 to 1997-98 (\$'000)

Area of expenditure	Recipients of Commonwealth transfer payments				Total Commonwealth outlays	State expenditure net of Commonwealth transfers	Total Commonwealth and State and Territory outlays
	Commonwealth direct outlays	State and Territory governments	Local governments	NGCSOs ^(a) and households			
Family and child welfare services							
1992-93	24,456	77,466	152,753	356,879	611,554	772,125	1,383,679
1993-94	35,873	86,256	166,627	470,117	758,873	814,357	1,573,230
1994-95	46,255	80,406	177,280	648,621	952,562	835,897	1,788,459
1995-96	60,842	91,913	182,079	753,600	1,088,434	931,975	2,020,409
1996-97	62,975	86,392	178,504	833,556	1,161,427	997,339	2,158,766
1997-98	95,665	78,680	150,153	764,672	1,089,170	1,069,500	2,158,670
Welfare services for the aged							
1992-93	68,421	156,954	87,623	273,627	586,625	413,988	1,000,613
1993-94	131,041	309,003	97,369	263,253	800,666	354,179	1,154,846
1994-95	129,676	297,262	97,196	387,213	911,347	482,886	1,394,233
1995-96	33,656	317,684	103,887	461,604	916,831	546,369	1,463,200
1996-97	46,921	330,333	121,513	524,968	1,023,734	721,180	1,744,914
1997-98	90,354	348,204	142,243	657,390	1,238,192	887,691	2,125,883
Welfare services for people with a disability							
1992-93	241,007	162,056	4,546	140,346	547,956	814,041	1,361,997
1993-94	153,434	298,749	3,722	140,346	596,251	919,425	1,515,675
1994-95	166,415	339,303	2,825	189,638	698,181	883,553	1,581,734
1995-96	150,780	368,328	3,113	206,858	729,079	886,067	1,615,146
1996-97	143,390	364,567	1,796	218,286	728,039	1,009,381	1,737,421
1997-98	135,300	392,824	1,982	239,651	769,757	1,090,753	1,860,510
Other welfare services							
1992-93	72,515	42,771	1,044	30,297	146,628	207,345	353,972
1993-94	64,518	45,713	1,111	44,126	155,468	211,333	366,801
1994-95	67,408	38,429	881	55,003	161,721	227,012	388,733
1995-96	65,975	82,799	1,244	52,402	202,420	191,373	393,793
1996-97	69,276	75,495	1,356	38,414	184,541	235,748	420,289
1997-98	84,723	74,311	783	22,719	182,536	288,448	470,984
Total welfare services							
1992-93	406,400	439,247	245,966	801,149	1,892,762	2,207,499	4,100,261
1993-94	384,865	739,721	268,829	917,842	2,311,258	2,299,294	4,610,552
1994-95	409,754	755,400	278,182	1,280,475	2,723,811	2,429,348	5,153,159
1995-96	311,253	860,724	290,323	1,474,464	2,936,764	2,555,784	5,492,548
1996-97	322,562	856,787	303,169	1,615,224	3,097,742	2,963,648	6,061,390
1997-98	406,043	894,020	295,161	1,684,432	3,279,656	3,336,392	6,616,047

(a) 'NGCSOs' includes for-profit and not-for-profit organisations.

Source: As for Table 2.3.

Table 2.8: Commonwealth and State and Territory recurrent expenditure on welfare services, constant 1996-97 prices, 1992-93 to 1997-98 (\$'000)

Area of expenditure	Recipients of Commonwealth transfer payments				Total Commonwealth outlays	State expenditure net of Commonwealth transfers	Total Commonwealth and State and Territory outlays
	Commonwealth direct outlays	State and Territory governments	Local governments	NGCSOs ^(a) and households			
Family and child welfare services							
1992-93	26,138	82,794	163,260	381,427	653,620	825,237	1,478,858
1993-94	37,721	90,698	175,209	494,329	797,957	856,298	1,654,255
1994-95	48,108	83,626	184,379	674,596	990,709	869,371	1,860,080
1995-96	61,949	93,584	185,390	767,302	1,108,224	948,920	2,057,144
1996-97	62,975	86,392	178,504	833,556	1,161,427	997,339	2,158,766
1997-98	94,140	77,426	147,758	752,479	1,071,803	1,052,446	2,124,249
Average annual growth (%) ^(b)	29.2	-1.3	-2.0	14.6	10.4	5.0	7.5
Welfare services for the aged							
1992-93	73,128	167,750	93,650	292,449	626,977	442,465	1,069,442
1993-94	137,790	324,918	102,384	276,811	841,902	372,420	1,214,323
1994-95	134,869	309,166	101,088	402,719	947,843	502,224	1,450,067
1995-96	34,268	323,460	105,776	469,997	933,501	556,303	1,489,804
1996-97	46,921	330,333	121,513	524,968	1,023,734	721,180	1,744,914
1997-98	88,914	342,652	139,975	646,908	1,218,449	873,537	2,091,986
Average annual growth (%) ^(b)	4.0	15.4	8.4	17.2	14.2	14.6	14.4
Welfare services for people with a disability							
1992-93	257,586	173,203	4,859	150,000	585,648	870,036	1,455,684
1993-94	161,336	314,135	3,914	147,574	626,959	966,777	1,593,736
1994-95	173,079	352,891	2,938	197,232	726,141	918,936	1,645,077
1995-96	153,522	375,025	3,170	210,619	742,335	902,178	1,644,512
1996-97	143,390	364,567	1,796	218,286	728,039	1,009,381	1,737,421
1997-98	133,143	386,560	1,950	235,830	757,483	1,073,360	1,830,843
Average annual growth (%) ^(b)	-12.4	17.4	-16.7	9.5	5.3	4.3	4.7
Other welfare services							
1992-93	77,503	45,713	1,116	32,381	156,714	221,607	378,321
1993-94	67,841	48,067	1,168	46,399	163,475	222,218	385,692
1994-95	70,107	39,968	916	57,206	168,197	236,103	404,301
1995-96	67,175	84,305	1,267	53,355	206,101	194,852	400,953
1996-97	69,276	75,495	1,356	38,414	184,541	235,748	420,289
1997-98	83,372	73,126	771	22,357	179,626	283,849	463,474
Average annual growth (%) ^(b)	1.5	9.9	-7.1	-7.1	2.8	5.1	4.1

(continued)

Table 2.8 (continued): Commonwealth and State and Territory recurrent expenditure on welfare services, constant 1996–97 prices, 1992–93 to 1997–98 (\$'000)

Area of expenditure	Recipients of Commonwealth transfer payments				Total Commonwealth outlays	State expenditure net of Commonwealth transfers	Total Commonwealth and State and Territory outlays
	Commonwealth direct outlays	State and Territory governments	Local governments	NGCSOs ^(a) and households			
Total welfare services							
1992–93	434,355	469,461	262,885	856,257	2,022,959	2,359,345	4,382,304
1993–94	404,687	777,818	282,674	965,113	2,430,292	2,417,713	4,848,005
1994–95	426,163	785,651	289,322	1,331,753	2,832,890	2,526,635	5,359,525
1995–96	316,913	876,374	295,602	1,501,272	2,990,160	2,602,253	5,592,413
1996–97	322,562	856,787	303,169	1,615,224	3,097,742	2,963,648	6,061,390
1997–98	399,568	879,764	290,455	1,657,573	3,227,361	3,283,192	6,510,552
Average annual growth (%) ^(b)	-1.7	13.4	2.0	14.1	9.8	6.8	8.2

(a) 'NGCSOs' includes for-profit and not-for-profit organisations.

(b) Five-year average annual growth rates are calculated using exponential growth.

Source: As for Table 2.3.

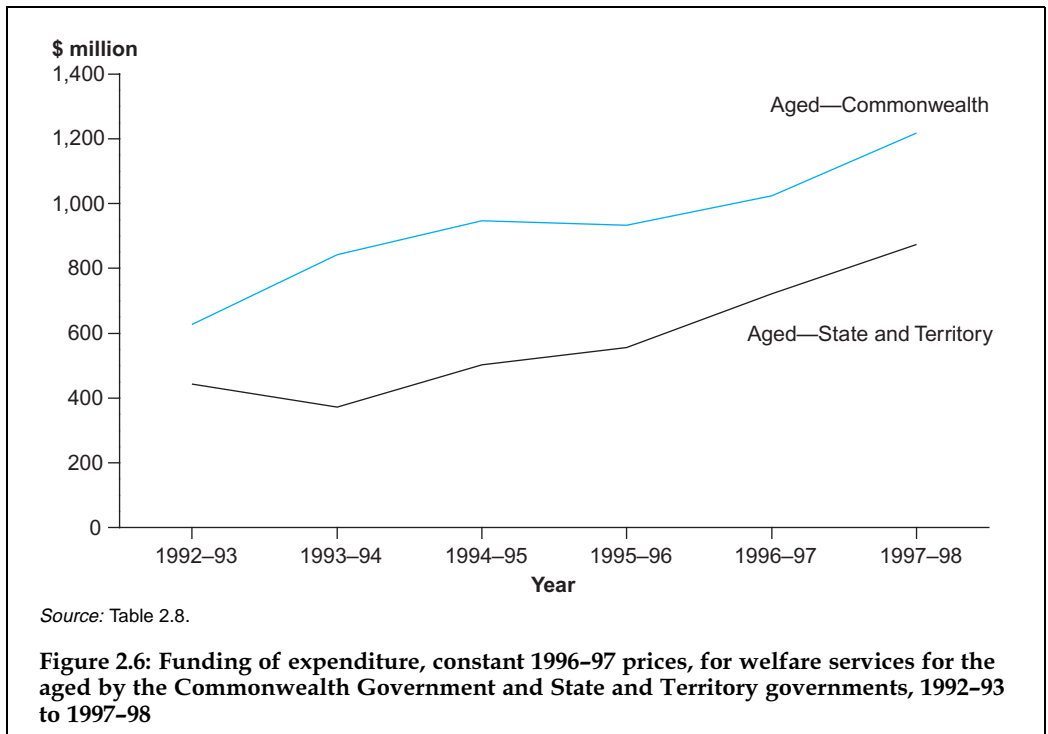
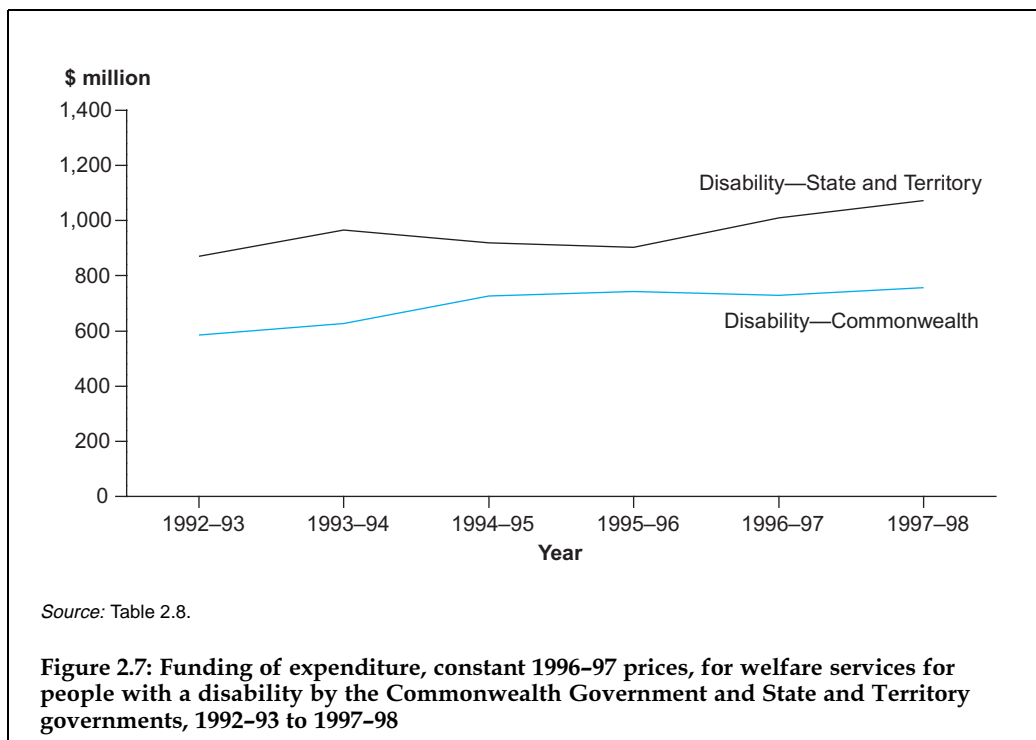


Figure 2.6: Funding of expenditure, constant 1996–97 prices, for welfare services for the aged by the Commonwealth Government and State and Territory governments, 1992–93 to 1997–98

In 1997–98 Commonwealth government recurrent expenditure on welfare services for the aged grew by 19.0% (in constant prices). This high growth rate was mainly a result of an increase in subsidies for hostels and the estimated welfare component of



residential care⁴ and flexible care packages (\$83.8 million) and an increase in funding for community aged care packages (\$32 million).

For family and child welfare services, funding by the Commonwealth Government between 1992-93 and 1996-97 increased by 15.5% a year on average, but then fell by 7.7% in 1997-98. The fall was the result of a decrease in Childcare Assistance paid out (\$79 million in constant prices), a decrease in operational subsidies for long day care centres (\$49.7 million in constant prices) and a decrease in the Childcare Rebate (\$5.7 million in constant prices). The decrease in the Childcare Rebate was the result of a change in eligibility requirements: from 1 April 1997 the rebate was reduced from 30% to 20% for a one-child family whose annual income was in excess of \$70,000 (plus \$3,000 for each dependent child).

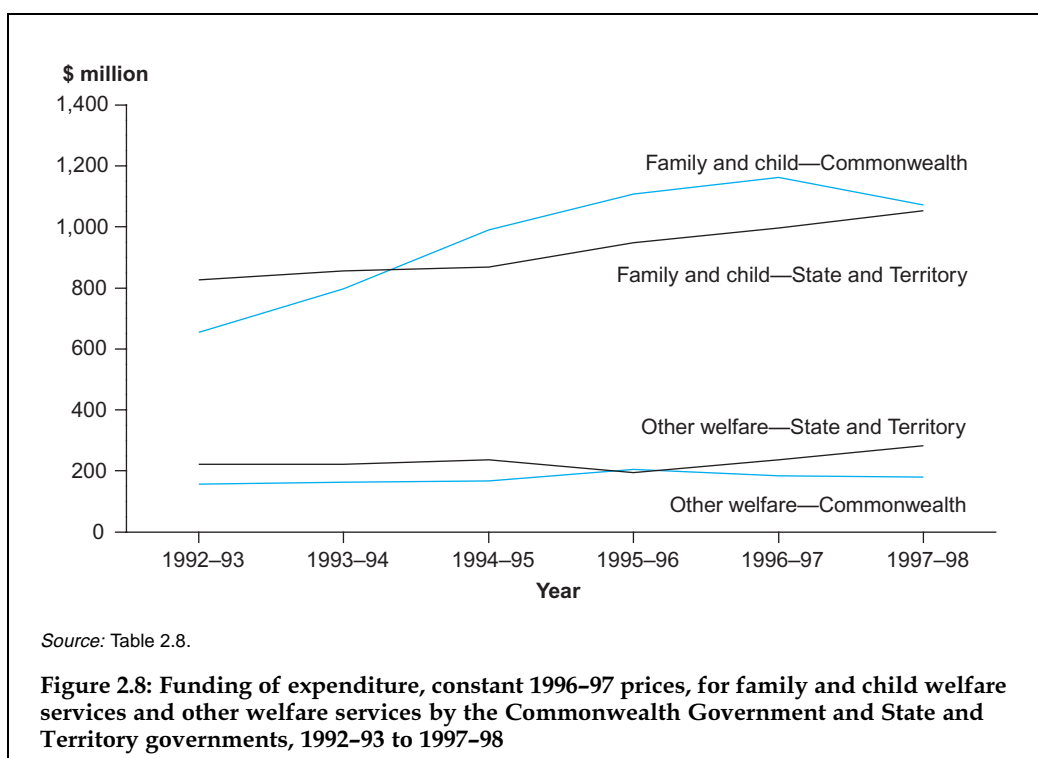
For welfare services for people with a disability, the average annual growth rate of Commonwealth funding between 1992-93 and 1997-98 was 5.3%.

The data can be analysed in two main periods: 1992-93 to 1995-96 and 1995-96 to 1997-98. From 1992-93 to 1995-96, as the Commonwealth/State Disability Agreement (CSDA) was implemented, the growth rate of funding by the Commonwealth Government was 8.2% per year (in constant 1996-97 prices) and that of the State and Territory governments 1.2% per year. Under the CSDA, which most States and Territories signed in 1991, responsibilities for services for people with a disability were

4 From 1 October 1997 hostel subsidies and nursing home subsidies were combined into one category: 'residential care'. The Department of Health and Aged Care estimated the proportion of the health component (nursing home) of total residential care, which made it possible to estimate hostel subsidies for the remainder of 1997-98.

rearranged. The Commonwealth assumed responsibility for employment services, and the States and Territories assumed responsibility for accommodation services; responsibility for the remaining disability services was shared between the Commonwealth and the States. This arrangement led to a substantial increase in Commonwealth government funding, although it took until 1993–94 before the full effect of this rearrangement became evident in the numbers, because some States, such as New South Wales, did not fully participate in the Agreement until 1993–94. Between 1995–96 and 1997–98 the growth rate of Commonwealth funding was 1.0% and that of State and Territory government funding was 9.1%. Commonwealth funding grew because of increases in CSDA and HACC (Home and Community Care) funding.

For other welfare services, there was a 2.7% fall in Commonwealth expenditure (in constant prices) between 1996–97 and 1997–98. This was partly the result of a fall in expenditure on the Supported Accommodation Assistance Program, from \$127.6 million in 1996–97 to \$125.2 million in 1997–98 (DHFS 1998:148).



Recurrent expenditure by State and Territory Governments

Distribution of welfare services expenditure

Between 1992–93 to 1997–98, the bulk (63.5%) of State and Territory government recurrent expenditure on welfare services went to welfare services for the aged and people with a disability. This was followed by expenditure on family and child welfare services (27.9%); other welfare services accounted for the remaining 8.6% (Table 2.9, Figure 2.9).

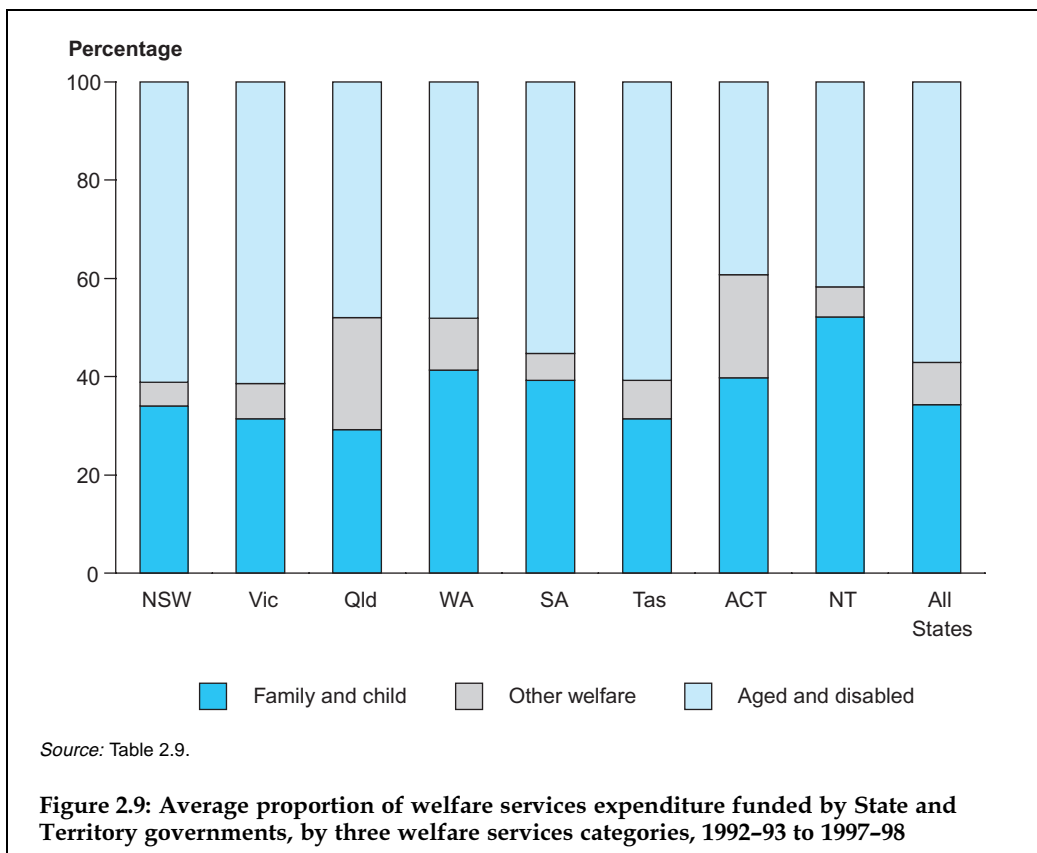
Table 2.9: State and Territory recurrent expenditure on welfare services, including Commonwealth transfers, current prices, 1992–93 to 1997–98 (\$'000)

Service type	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
Family and child welfare services									
1992–93	246,416	228,289	69,891	108,121	110,883	25,836	12,739	14,980	817,154
1993–94	275,539	241,970	78,049	112,833	97,798	25,725	11,762	18,294	861,968
1994–95	288,863	209,402	87,121	118,167	96,900	27,497	29,866	18,711	876,528
1995–96	317,807	268,686	87,659	131,782	117,099	29,648	22,289	20,524	995,493
1996–97	330,958	290,317	108,742	144,297	102,148	30,736	25,024	23,691	1,055,912
1997–98	349,214	317,088	105,094	151,101	124,177	29,322	25,938	25,231	1,127,165
Aged and disabled welfare services									
1992–93	527,577	555,784	165,348	140,658	124,355	63,147	24,213	14,387	1,615,469
1993–94	624,506	623,476	194,507	186,651	210,414	73,209	28,638	19,615	1,961,016
1994–95	695,609	613,790	251,519	193,583	207,831	70,798	24,040	19,510	2,076,680
1995–96	758,199	590,897	300,663	205,445	223,522	67,794	29,420	21,038	2,196,978
1996–97	866,315	756,777	306,486	208,844	243,213	77,467	27,696	28,224	2,515,022
1997–98	1,048,150	818,519	319,555	237,219	263,979	83,389	28,242	22,414	2,821,468
Other welfare services									
1992–93	57,454	78,189	54,672	27,848	21,839	7,257	12,684	5,704	265,648
1993–94	62,404	85,412	45,475	26,397	28,710	7,662	14,715	2,772	273,549
1994–95	60,676	68,920	65,626	37,513	21,930	7,883	11,010	4,866	278,423
1995–96	52,696	71,592	78,900	32,943	11,584	10,001	11,934	3,628	273,279
1996–97	68,360	69,354	82,921	45,852	14,893	13,435	13,704	3,304	311,824
1997–98	78,616	70,118	116,601	53,131	17,274	9,302	12,661	4,614	362,317
Total welfare services									
1992–93	831,447	862,262	289,911	276,627	257,077	96,240	49,636	35,071	2,698,271
1993–94	962,449	950,858	318,031	325,881	336,922	106,596	55,115	40,681	3,096,533
1994–95	1,045,148	892,112	404,266	349,263	326,661	106,178	64,916	43,087	3,231,631
1995–96	1,128,702	931,175	467,222	370,170	352,205	107,443	63,643	45,190	3,465,750
1996–97	1,265,633	1,116,448	498,149	398,993	360,254	121,638	66,424	55,219	3,882,758
1997–98	1,475,980	1,205,725	541,250	441,451	405,430	122,013	66,841	52,259	4,310,950

Source: Commonwealth Grants Commission unpublished data.

The distribution of State and Territory government expenditure across the three welfare services categories⁵ varied significantly between jurisdictions. The Northern Territory had the highest proportion of expenditure on family and child welfare services in the six years from 1992–93 to 1997–98, at 44.6%, reflecting the younger age structure of the population (Table 2.10). Queensland had the smallest proportion of total welfare services expenditure in the family and child welfare services area (21.7%). New South Wales had the highest proportion of expenditure on aged care and disability services (66.9%) and the Australian Capital Territory had the lowest proportion (44.7%). The Australian Capital Territory had the highest proportion of expenditure on other welfare services, averaging 21.3% during the period compared with the national average of 8.6%.

5 A State breakdown of the aged and disabled welfare services category is not given as the figures are not reliable at individual State and Territory level.



In per person terms, the Northern Territory Government's recurrent expenditure on welfare services has been higher than that of other States and the Australian Capital Territory since 1992-93. In 1997-98, the Northern Territory spent \$224 per person (in current prices) from its own funds, which was well above the national average of \$179 (Table 2.10). When Commonwealth transfers are included, the Northern Territory's expenditure on welfare was \$277 per person; it was followed by South Australia (\$273), Victoria (\$260) and Tasmania (\$258) (Table 2.11). Queensland had the lowest spending of all jurisdictions throughout the period 1992-93 to 1997-98. The Queensland Government's spending in 1997-98 was \$110 per person in net terms and \$158 when Commonwealth transfers were included; this compares with the national average figures of \$179 and \$231. The variation in government expenditure per person on welfare services could be attributable to differences in population age and sex structures, the distribution of Aboriginal and Torres Strait Islander populations, total population size, the historical role of NGCSO involvement, the boundaries around what are classified as 'welfare services', and State and Territory government policies relating to the provision and funding of welfare services.

There was variation from State to State in the rate of growth between 1992-93 and 1997-98 in expenditure per person on welfare services (in constant prices). Average annual growth in expenditure, including Commonwealth transfers, ranged from

Table 2.10: Per person recurrent expenditure on welfare services from State and Territory governments' own funds, current and constant 1996-97 prices, 1992-93 to 1997-98 (\$)

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	National average
Current prices									
1992-93	113	160	64	146	157	161	137	178	126
1993-94	107	172	61	160	179	169	149	194	129
1994-95	126	154	84	168	166	167	176	197	135
1995-96	131	158	92	168	179	165	170	204	140
1996-97	150	198	103	181	179	184	177	247	161
1997-98	181	209	110	200	205	188	176	224	179
Average annual growth (%)	9.9	5.5	11.2	6.5	5.5	3.1	5.1	4.7	7.4
Constant prices									
1992-93	119	165	69	156	168	170	149	191	132
1993-94	113	178	64	167	184	176	159	204	135
1994-95	131	161	87	175	171	173	186	205	141
1995-96	134	161	94	170	181	168	175	207	143
1996-97	150	198	103	181	179	184	177	247	161
1997-98	177	205	108	198	202	186	174	221	176
Average annual growth (%)	8.2	4.4	9.5	4.9	3.8	1.8	3.2	3.0	5.9

Source: Expenditure—Table 2.9; mean resident population—Table 2.1; GFCE implicit price deflator—Table 2.1.

Table 2.11: Per person recurrent expenditure on welfare services by State and Territory governments, including Commonwealth transfers, current and constant 1996-97 prices, 1992-93 to 1997-98 (\$)

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	National average
Current prices									
1992-93	139	193	94	166	176	204	167	207	153
1993-94	159	212	101	193	230	226	184	236	174
1994-95	172	198	125	203	223	224	214	246	180
1995-96	183	205	141	212	239	227	208	251	190
1996-97	203	244	148	224	244	257	215	299	211
1997-98	234	260	158	243	273	258	217	277	231
Average annual growth (%)	11.0	6.2	10.8	8.0	9.2	4.8	5.4	6.0	8.6
Constant prices									
1992-93	146	200	101	177	189	216	182	221	162
1993-94	168	220	106	201	236	236	196	248	182
1994-95	178	207	130	211	229	233	226	256	187
1995-96	187	210	144	215	242	231	213	256	194
1996-97	203	244	148	224	244	257	215	299	211
1997-98	228	256	155	241	270	256	216	273	227
Average annual growth (%)	9.4	5.0	9.1	6.4	7.4	3.4	3.5	4.3	7.1

Source: Expenditure—Table 2.9; mean resident population—Table 2.1; GFCE implicit price deflator—Table 2.1.

3.4% for Tasmania to 9.4% for New South Wales. This compares with the national average of 7.1%. The jurisdictions with above-average growth rates were New South Wales, Queensland and South Australia (Table 2.11).

When Commonwealth government transfers are removed, expenditure in all States and Territories grew at a much lower rate, averaging 5.9% and ranging from 1.8% for Tasmania to 9.5% for Queensland. New South Wales and Queensland had above-average growth rates (Table 2.10).

2.5 The contribution of community service organisations

As mentioned earlier, non-government community service organisations operate as either for-profit or not-for-profit.⁶ Between 1992–93 and 1997–98 NGCSO recurrent expenditure was estimated to have increased at an average annual rate of 8.9%, from \$3,928 million to \$6,013 million (Table 2.12). The sources of funding of NGCSOs' recurrent expenditure are government contributions, NGCSOs' own income sources, and client fees. In the six years from 1992–93 to 1997–98, 47.3% of their expenditure was funded by governments, 22.2% from the NGCSOs' own income sources, and 30.6% from client fees.

The proportion of government funding of NGCSOs fluctuated: it was 47.0% in 1992–93 and 48.1% in 1997–98. The proportion of NGCSOs' funding from their own income declined fairly consistently, from 23.8% in 1992–93 to 20.4% in 1997–98. The proportion

Table 2.12: Sources of recurrent income,^(a) all government-funded NGCSOs, 1992–93 to 1997–98

Income source	1992–93	1993–94	1994–95	1995–96	1996–97	1997–98
	Amount (\$m)					
Government funding ^(b)	1,846	2,074	1,973	2,305	2,493	2,895
NGCSO funding ^(c)	934	990	995	1,043	1,146	1,229
Client fees ^(d)	1,148	1,266	1,151	1,524	1,667	1,889
Total	3,928	4,330	4,321	4,872	5,368	6,013
	Percentage					
Government funding ^(b)	47.0	47.9	45.7	47.3	47.5	48.1
NGCSO funding ^(c)	23.8	22.9	23.0	21.4	21.4	20.4
Client fees ^(d)	29.2	29.3	31.3	31.3	31.1	31.5

(a) The terms 'recurrent income' and 'recurrent expenditure' are used interchangeably since the recurrent expenditure of these organisations is almost the same as their recurrent income (Industry Commission 1995:C16).

(b) Includes Commonwealth government grants to providers of child care services.

(c) Includes revenue from fundraising and revenue from business undertakings such as opportunity shops and disability workshops.

(d) Includes estimates of client fees for not-for-profit government-funded organisations from the Industry Commission study. Data on overseas aid organisations are excluded.

Source: 1992–93—estimated by AIHW from Industry Commission 1994; 1993–94—estimated by AIHW from Industry Commission 1995; child care service clients' contribution—estimated by AIHW from ABS 1997; government funding—ABS unpublished data, and DHFS and DHAC various years; 1994–95 to 1997–98—estimated by AIHW.

6 The 1995–96 ABS Community Services Industry Survey showed that 76.3% of non-government organisations were not-for-profit (ABS 1998c).

of funding from client fees increased in the first three years, from 29.2% in 1992–93 to 31.3% in 1994–95, after which it was stable, at around 31%.

Over half of client fees were charges for child care services. About one-quarter were for aged care hostel services and the remainder were fees for other services. Residents of aged care hostels finance their fees from their retirement income, which consists mainly of age pensions and superannuation.

The data in Table 2.12 do not provide a complete picture of the non-government sector's contribution to welfare services because detailed time-series data on the contribution of NGCSOs not funded by governments are not available. Furthermore, capital expenditure by these NGCSOs (for example, expenditure on building new hostels) is not included. The estimates of NGCSOs' own income and client fees in Table 2.12, therefore, are conservative. Some information on this area is available from the Community Services Survey (ABS 1998c).

2.6 Tax expenditures in the community services sector

Tax expenditures are measures such as tax exemptions, deductions, rebates and reductions. The tax deductibility of donations to non-government community service organisations is an example of a tax expenditure in the community services sector. Tax expenditures are measured in terms of the amount of tax revenue forgone by government as a result of concessional taxation treatment.

For NGCSOs, tax expenditures are an important and valuable form of assistance, accounting for about 7% of total expenditure. However, this is likely to be an underestimate of the actual proportion as many tax expenditures in this area go uncoded as a result of lack of data and conceptual difficulties associated with choosing a suitable tax benchmark. The data that are available came from the Commonwealth Treasury's *Tax Expenditures Statement 1997–98* (Treasury 1999) and the Industry Commission's report *Charitable Organisations in Australia* (Industry Commission 1995).

In this section an accrual accounting approach is followed in that tax expenditures are recorded against the year in which use of the provision was made. This will generally differ from the year of impact on revenue because of lags in collection.

Treasury identified nine Commonwealth tax expenditure items applying to community services. They follow with their dates of implementation:

- deductibility of donations to charitable institutions (pre-1985);
- no taxation on the income of charitable institutions (pre-1985);
- deductibility of expenses incurred in entertaining members of the public who are sick, disabled, poor or otherwise disadvantaged (1985);
- fringe benefits tax (FBT) exemption for the provision of recreational or child care facilities on an employer's premises (1986);
- FBT exemption for employer contributions to guarantee places for employees' children in certain child care centres (1986);

- FBT exemption for benefits provided to employees by public benevolent institutions (excluding public hospitals) (1986);
- FBT exemption for accommodation, fuel and meals for live-in employees caring for the elderly or disadvantaged (1986);
- FBT exemption for employer-provided property and facilities for immediate relief of employees and their families in times of emergency (1986);
- wholesale sales tax exemption on goods for use by public benevolent institutions.

Of these tax expenditure items, Treasury reported that it could cost only the FBT exemption for benefits provided to employees by public benevolent institutions (Table 2.13).

The Institute estimated the cost to government of tax deductions on donations to NGCSOs. The 1994–95 figure (\$73 million) was estimated first; figures for other years were obtained by applying annual growth rates of NGCSOs' fundraising income (see AIHW 1997, Section 2.6, for a description of the method).

The costs of government input tax exemptions (besides FBT) in 1993–94 were obtained from the Industry Commission's study and then estimated for subsequent years by applying growth rates of NGCSOs' total expenditure.

Estimated total revenue forgone from tax expenditures in the community services sector increased from \$486 million in 1993–94 to \$748 million in 1997–98, an average growth rate of 11.4% a year. The revenue forgone from government input tax exemptions made up the bulk of revenue forgone from all tax expenditures in the sector, averaging 86.7% of the total over the five-year period.

With the introduction of the new tax system from 1 July 2000, NGCSOs will be limited to an FBT exemption of \$17,000 per employee.

Table 2.13: Estimates of tax expenditures^(a) granted to NGCSOs, 1993–94 to 1997–98^(b) (\$m)

	1993–94	1994–95	1995–96	1996–97	1997–98
Tax expenditures					
Tax deductibility for donations	76	73	69	88	85
<i>Commonwealth input tax exemptions</i>					
Fringe benefits tax	70	75	150 ^(c)	180	190
Wholesale sales tax	120	120	135	149	167
<i>State and Territory input tax exemptions</i>					
Payroll tax	80	80	90	99	111
Land tax	40	40	45	50	56
Stamp duty and bank taxes	100	100	113	124	139
<i>Total government input tax exemptions</i>	410	415	533	602	663
Total tax expenditures	486	487	602	690	748
Total welfare services expenditure	7,864	8,504	9,083	9,955	10,867
Tax expenditure as proportion of total expenditure (%)	6.2	5.7	6.6	6.9	6.9

(a) Tax expenditures are recorded against the year in which the liability was incurred, not the year the expenditure is paid.

(b) 1994–95 to 1997–98 figures are AIHW estimates, except for the FBT exemption, which was provided by Treasury.

(c) The large increase in the FBT exemption between 1994–95 and 1995–96 was due in part to Treasury receiving more detailed information through discussions with the NGCSO sector.

Source: Industry Commission 1995; Treasury 1999; AIHW welfare services expenditure database.

2.7 The contribution of the household sector

The household sector has a vital role in providing welfare services for family, friends and neighbours and for the wider community through community service organisations. This work reduces the demand for services provided by governments and non-government community service organisations. The household sector therefore brings to the community large social gains that are not included in the national accounts.

The Institute estimated expenditure on welfare services by the household sector using the 1997 Time Use Survey conducted by the Australian Bureau of Statistics. The Survey provides information on how Australians use their time in various activities. The classifications relevant to welfare services are Classification 5 (Child care), Subclassification 625 (Purchasing child care services), and Classification 7 (Voluntary work and care activities).

From Classification 5, only child care for other children and for one's own sick children are included as welfare services in this analysis. Classification 7 included time spent working for sports, arts, education/youth, religious and emergency services organisations. These were not counted as welfare services. It was assumed that work for health, welfare and some of 'community—other' organisations was mainly for a welfare services purpose.⁷

In 1997 households spent 1,727 million hours providing welfare services; of these, 1,144 million hours (66.2%) was time spent helping other adults, friends and neighbours, 503 million hours (29.1%) was time spent on child care-related activities, and 80.3 million hours (4.6%) was time spent on voluntary work through community service organisations (Table 2.14).

Women spent more time than their male counterparts caring for or providing services for others. Of the 1,727 million hours spent by households on welfare services in 1997, 62.2% was services or care provided by women. However, there were significant differences in the share of time for men and women by type of service. Men contributed 21.5% and women 33.8% of the time spent providing child care-related activities. Women were also responsible for the bulk of voluntary work delivered through community service organisations. The ABS Survey shows that women devoted around 54.2 million hours, or 67.5% of the 80.3 million hours total time provided in this area, while male household members provided the other 32.5% of the total time.

Both men and women devoted the majority of their time in the welfare services area caring for other adults. The proportion for men was 74.5%; for women it was 61.2%. Child care-related activities constituted the second most time consuming area of welfare assistance for both men and women carers, with women spending proportionately more of their time (33.8%) than men (21.5%). For welfare services provided to the community through community service organisations, women devoted 5.0% of their welfare services time to this activity, while men devoted 4.0%.

⁷ The variables used to obtain time spent on 'own sick children' are 'withc' (health status) = 3, 5, 6 and 7. The variables used to obtain time spent on 'caring for others' children' are 'withc' (household status) = 2 and 3. For Classification 7 (the 'voluntary work and care' classification), the variable used was 'purpmn' (purpose of activity).

Table 2.14: Estimates of time spent providing welfare services, household sector, 1997

		Child care– related	Voluntary work and care		Total
			Services for adults	Voluntary work	
'000 hours per year					
Aged 15–64 years	Males	123,396	423,111	7,829	554,335
	Females	320,671	544,155	41,319	906,145
	Persons	444,066	967,266	49,148	1,460,480
Aged 65+ years	Males	16,673	63,555	18,288	98,516
	Females	42,161	113,464	12,835	168,461
	Persons	58,834	177,019	31,123	266,976
All	Males	140,068	486,666	26,117	652,851
	Females	362,832	657,619	54,154	1,074,606
	Persons	502,900	1,144,285	80,271	1,727,456
Percentage					
Aged 15–64 years	Males	22.3	76.3	1.4	100
	Females	25.4	60.1	4.6	100
	Persons	30.4	66.2	3.4	100
Aged 65+ years	Males	16.9	64.5	18.6	100
	Females	25.0	67.4	7.6	100
	Persons	22.0	66.3	11.7	100
All	Males	21.5	74.5	4.0	100
	Females	33.8	61.2	5.0	100
	Persons	29.1	66.2	4.6	100

Source: ABS 1999c and AIHW analysis of Time Use Survey Unit Record File.

Household members of working age (15 to 64 years) accounted for the bulk (84.5%) of the 1,727 million hours of welfare services provided by households in 1997. Older household members (aged 65 years and over) provided the remaining 15.5%, or 267 million hours.

These proportions varied somewhat according to service type, ranging from 61.2% for household members aged 15 to 64 years providing voluntary work through community service organisations to 88.3% for child care-related activities. For household members aged 65 years and over, the proportions varied from a low of 11.7% for child care-related services to a high of 38.8% for voluntary work through community service organisations. Almost the same proportion of time was spent caring for other adults by household members of working age (66.2%), compared to older household members (66.3%). However, household members aged 65 years and over devoted more of their time to voluntary work through community service organisations (11.7%), compared to those of working age (3.4%).

Imputed value of household work

The Institute estimated the imputed value of time households spent in providing welfare services in 1997 using the ABS Time Use Survey data and figures of hourly wage rates for adult carers and aides.

Wage estimations were based on May 1998 ABS wage data. The ordinary-time wage rate for adult male carers and aides (full-time non-managerial employees) was \$585.60 per week, based on an average of 38.6 hours per week. This gave an hourly wage rate of \$15.17. The wage rate for female carers and aides was \$502.20 per week for a 36.9-hour week, or \$13.61 per hour.

Using these wage rates, the value of unpaid welfare services provided by households during 1997 was estimated at \$24.5 billion (Table 2.15). This valuation uses the alternative provider cost method, and as such is an estimate of the cost that would be incurred by governments and non-government community service organisations if they were to provide these services themselves, instead of households. However, it is a conservative estimate since the valuation does not include overheads related to employing workers (superannuation, annual leave, sick leave, and so on), nor does it include the cost of providing office and work space for employees.

The imputed value of household welfare assistance (\$24.5 billion) is more than double the \$10.9 billion total monetary expenditure on welfare services in 1997–98. Sixty-seven per cent of the household contribution (\$16.3 billion) could be attributed to the imputed value of care provided to other adult family members, friends or neighbours. A further \$7.1 billion (29%) was the estimated value of households providing child care-related activities. The remaining \$1.1 billion was the imputed value of voluntary welfare assistance provided through community service organisations. The total value attributable to men in 1997 was \$9.9 billion, or 40.4% of the total cost, while for women it was \$14.6 billion, or 59.6% of the total.

Table 2.15: Estimates of the value of time devoted to welfare services by the household sector, by type of service (\$m)

Service type	Men	Women	Persons
Child care related	2,125	4,938	7,063
Voluntary work			
Welfare services for adults	7,383	8,950	16,333
Voluntary work	396	737	1,133
Total	9,904	14,625	24,530

Source: Time—ABS 1999c; wage—ABS 1998d.

2.8 International comparison of government expenditure on welfare services

This section compares government welfare services expenditure of Australia with that of other members of the Organisation for Economic Co-operation and Development (OECD) between 1980 and 1995 (see Box A2.1, page 333, for an explanation of the OECD financial year). Of the 29 OECD member countries, Hungary and Poland are excluded from this comparison because they did not report data on welfare services expenditure for any years covered by the OECD collection. Greece's reported expenditure on welfare services was so low that it did not register as a proportion of GDP. As a result, data for Greece appear only in Table 2.17.

Table 2.16: Government expenditure on welfare services as a proportion of GDP, OECD member countries, 1980–1995 (per cent)

Country	OECD financial year ^(a)				Rank of countries in 1995
	1980	1985	1990	1995	
Australia	n.a.	n.a.	0.9	1.1	=9
Austria	0.8	0.8	0.9	1.1	=9
Belgium	0.3	0.3	0.5	0.3	=21
Canada	1.1	1.2	1.1	1.1	=9
Czech Republic	n.a.	n.a.	0.4	0.8	=14
Denmark	4.6	4.7	4.7	5.6	1
Finland	1.8	2.3	2.8	3.3	4
France	0.9	1.0	1.1	1.3	7
Germany ^(b)	0.9	0.9	0.9	1.4	6
Iceland	n.a.	n.a.	n.a.	3.1	5
Ireland	0.6	0.7	0.7	0.8	=14
Italy	0.3	0.3	0.3	0.3	=21
Japan	0.4	0.4	0.4	0.5	=17
Korea	n.a.	n.a.	0.2	0.3	=21
Luxembourg	0.4	0.5	0.8	0.9	13
Mexico	n.a.	0.1	0.2	0.2	=24
Netherlands	1.1	0.9	1.1	1.1	=9
New Zealand ^(c)	0.2	0.2	0.2	0.2	=24
Norway	2.0	2.2	4.6	5.4	2
Portugal	0.1	0.2	0.3	0.5	=17
Spain	0.1	0.2	0.4	0.4	20
Sweden	4.1	4.3	4.7	5.3	3
Switzerland	0.2	0.2	0.5	0.5	=17
Turkey	0.3	0.1	0.1	0.1	26
United Kingdom	1.1	0.9	1.1	1.2	8
United States of America ^(d)	0.8	0.7	0.5	0.7	16
All countries' average	1.1	1.1	1.2	1.4	

(a) See definition of 'OECD financial year' in Box A2.1.

(b) Data for 1980, 1985 and 1990 relate to West Germany only; 1995 data refer to the unified Germany.

(c) Data for 1980 and 1985 are for the financial year commencing 1 April; data for 1990 and 1995 are for the financial year commencing 1 July.

(d) Data relate to the preceding US financial year, except for 1980 data, which refer to the US 1980 financial year (1 October 1980 to 30 September 1981).

Source: Australia—AIHW welfare services expenditure database; other countries—OECD unpublished data.

The data used here were obtained from the OECD's social expenditure database. (For a description of this database, see Box 2.3, page 44, in *Australia's Welfare 1997*.) The 1999 issue of the database covers the period 1980 to 1996, but 1996 data were not provided for most countries, so 1995 has been taken here as the final year of the analysis. The data in Tables 2.16 and 2.17 relate only to government-funded expenditure on welfare services; expenditure funded by non-government organisations is not included.

The welfare services expenditures of different countries are compared in terms of their proportion of GDP and in terms of expenditure per person. Expenditure per person removes the influence of population differences between countries. In order to compare

expenditure per person it was necessary to convert all expenditures to a common currency unit. In this case, expenditure is expressed in Australian dollars (A\$) using GDP purchasing power parities. It should be borne in mind that such a conversion does not remove the effects of inflation; rather, it adjusts each country's expenditure in such a way as to have the Australian rate of inflation apply in each year.

The OECD has a set of standardised definitions for its areas of social expenditure and all member countries are required to apply these definitions when providing data updates. Although this should ensure that the social expenditures of different countries

Table 2.17: Per person government expenditure on welfare services, OECD member countries, 1980–1995 (A\$)

Country	OECD financial year ^(a)				Rank of countries in 1995
	1980	1985	1990	1995	
Australia	n.a.	n.a.	208	321	9
Austria	72	120	200	298	11
Belgium	25	37	107	79	=21
Canada	117	199	295	309	10
Czech Republic	n.a.	n.a.	42	126	18
Denmark	414	714	1,067	1,626	2
Finland	149	320	628	792	5
France	90	152	273	341	8
Germany ^(b)	68	110	188	392	6
Greece	n.a.	1	2	n.a.	n.a.
Iceland	n.a.	n.a.	n.a.	917	4
Ireland	33	57	102	174	15
Italy	26	42	72	79	=21
Japan	34	53	93	157	17
Korea	n.a.	n.a.	21	47	24
Luxembourg	46	81	247	381	7
Mexico	n.a.	3	14	18	25
Netherlands	102	129	249	291	12
New Zealand ^(c)	28	54	68	82	20
Norway	186	351	1,125	1,662	1
Portugal	7	14	45	89	19
Spain	8	14	59	75	23
Sweden	393	667	1,118	1,342	3
Switzerland	20	36	136	162	16
Turkey	7	3	4	7	26
United Kingdom	90	129	239	283	13
United States of America ^(d)	105	127	160	250	14
All countries' average	96	148	260	396	

(a) See definition of 'OECD financial year' in Box A2.1.

(b) Data for 1980, 1985 and 1990 relate to West Germany only; 1995 data refer to the unified Germany.

(c) Data for 1980 and 1985 are for the financial year commencing 1 April; data for 1990 and 1995 are for the financial year commencing 1 July.

(d) Data relate to the preceding US financial year, except for 1980 data, which refer to the US 1980 financial year, (1 October 1980 to 30 September 1981).

Source: Australia—AIHW welfare services expenditure database; other countries—OECD unpublished data.

are comparable to a large extent, ultimately it is the member countries that interpret the OECD's requirements for each area of expenditure. As a result, caution is necessary when comparing the data presented here, as there is likely to be significant inconsistency, between countries and over time, in the allocation of expenditure to government welfare services.

The Nordic countries—Denmark, Finland, Norway and Sweden—have consistently been the highest spenders on welfare services. This is partly because they classify as welfare services some activities that in most other countries would be coded as 'health'. In particular, most aged care services are classified as 'welfare services' in the Nordic countries.

Throughout the period 1980 to 1995 Denmark spent the most on welfare services in terms of expenditure as a proportion of GDP. In 1995 it devoted 5.6% of its GDP to welfare services, Norway followed with 5.4%, then came Sweden with 5.3% (Table 2.16). Australia was ranked ninth in the group, albeit below the average of 1.4%. Data for Australia are available only from 1987 onwards, as this was the first year State and Territory government expenditures were included in the collection. Turkey spent the smallest amount on welfare services, devoting 0.1% of GDP to this area in 1985, 1990 and 1995. Other OECD countries that were consistently low spenders were Mexico and New Zealand. During the early 1980s Portugal and Spain were relatively low spenders.

In terms of expenditure per person, the trends were almost identical. Of all member countries, Denmark spent the most on welfare services in 1980 and 1985. Its per person government outlays were \$A414 and \$A714 respectively (Table 2.17). Norway, which had been the third-highest spender in 1980 and 1985, moved to being the highest spender in 1990 and 1995. Its expenditure grew rapidly between 1980 and 1995, from \$A186 to \$A1,662, an average growth rate of 15.7% a year. After Norway came Denmark, Sweden and Iceland as the highest welfare spenders in 1995, all well above the OECD average of \$A396 for that year. Australian government outlays on welfare services, in terms of expenditure per person, were again below the average in 1990 and 1995. Greece and Turkey had the lowest levels of per person expenditure on welfare services.

2.9 Summary

Between 1988–89 and 1997–98 Australian expenditure on welfare services as a proportion of GDP increased steadily, from 1.4% in 1988–89 to 1.9% in 1997–98.

Welfare services are provided by governments, non-government community service organisations and households. NGCSOs are the major providers of welfare services, delivering 59% of monetary expenditure on welfare services in 1997–98. In the government sector, the Commonwealth Government is predominantly a funder of welfare services, while local governments are mainly providers of services. State and Territory governments are important as both funders and providers.

In 1997–98, 64% (\$7.0 billion) of total monetary welfare services expenditure was funded by the government sector, 11% (\$1.2 billion) by non-government community service organisations and 25% (\$2.7 billion) by households. Of the total government

sector funding in 1997–98, 48% was provided by the Commonwealth, 49% by State and Territory governments, and 3% by local governments.

Governments provided an estimated \$750 million in tax expenditure benefits to NGCSOs in 1997–98. Of this, \$85 million was government revenue forgone through tax deductions for donations to these organisations.

In the six years to 1997–98 about 35% of the combined Commonwealth and State and Territory government recurrent expenditure was allocated to family and child welfare services and 28% to welfare services for the aged. Welfare services for people with a disability accounted for around 30%, and other welfare services received the remaining 7%.

In 1997–98 the Northern Territory Government spent more per person (\$224) from its own funds compared with other States and the Australian Capital Territory, while Queensland spent the least (\$110). The national average spent by State governments out of their own funds was \$179 per person.

Between 1988–89 and 1997–98, expenditure on welfare services in current prices more than doubled, increasing from \$4.7 billion to \$10.9 billion. The average annual growth rate in real terms was 5.3%, or a total increase of 77%. During the same period, real GDP growth averaged 3.1% per year.

Per person expenditure on welfare services increased over the same period, from \$283 to \$588 per head in current prices. This was an average increase of 5.3% per year in real terms.

The recurrent expenditure of non-government community service organisations increased from \$3.9 billion in 1992–93 to \$6.0 billion in 1997–98. Of the \$6.0 billion NGCSO recurrent expenditure in 1997–98, 20% was from NGCSOs' own funds, 32% from client fees and 48% from government grants.

In 1997, households provided around 1,727 million hours of welfare services which, when costed, gave an imputed value of \$24.5 billion.

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