



# 2 Welfare services expenditure

## 2.1 Introduction

The focus of the chapter is on expenditure on welfare services provision. Cash payments in the form of income support and long-term housing assistance are outside the scope of this chapter, as is expenditure on nursing homes and domiciliary nursing care. However, long-term housing assistance is dealt with in Chapter 5, and expenditure on nursing homes and domiciliary nursing care is included in Chapter 8. The three welfare services categories used here are: family and child welfare services (including child care), aged and disabled welfare services, and welfare services not elsewhere classified—for example, supported accommodation, prisoners' aid, and assistance to migrants.

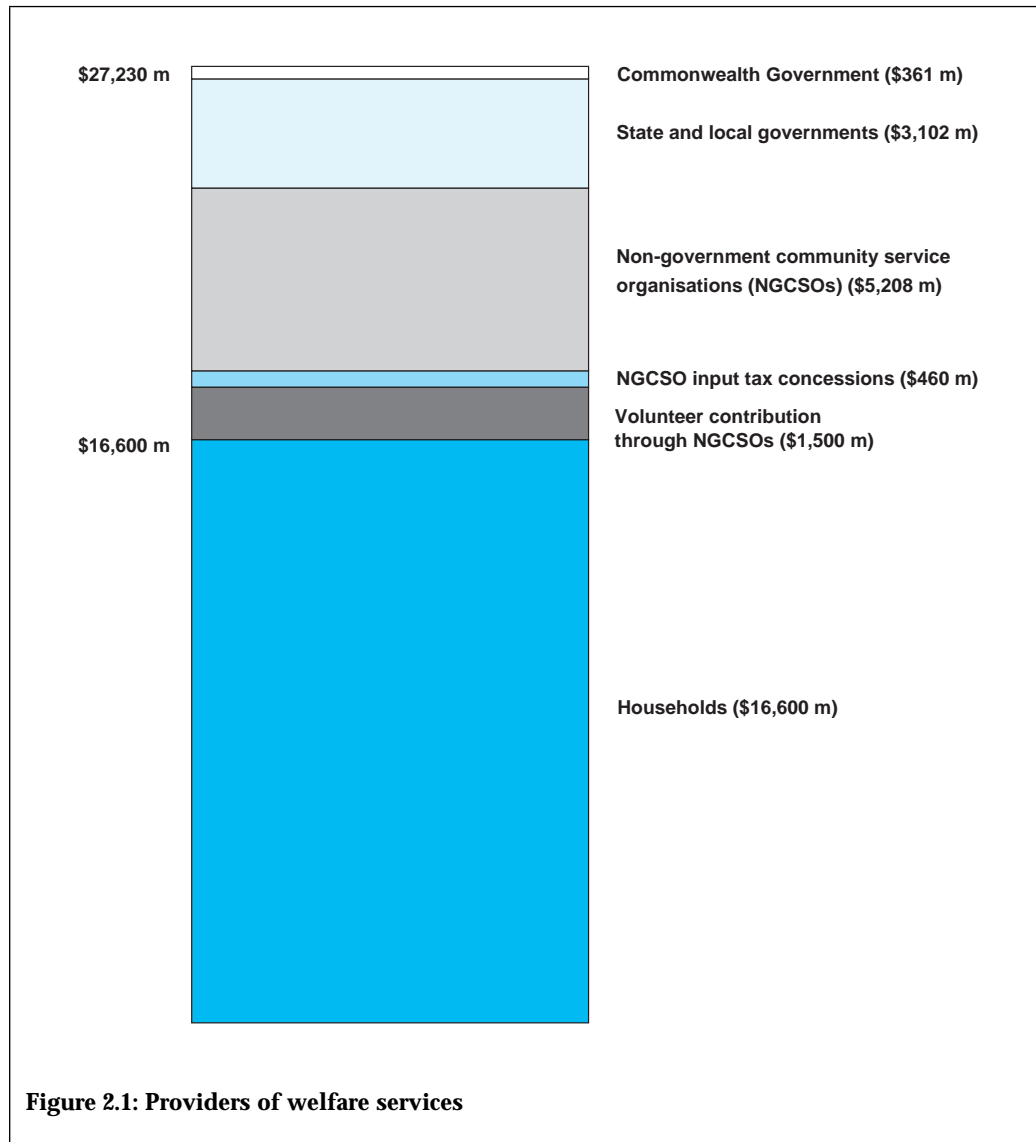
Welfare services in Australia are provided by governments, non-government organisations and households. In the national accounts framework, only welfare services where money changes hands are given a value. Work done at home caring for disabled family members or friends, for example, or volunteer work done to assist non-government organisations is given zero value in the national accounts. This chapter both estimates the contribution welfare services makes within the national accounts to Gross Domestic Product (GDP), and then extends this to include estimates of the value of welfare services work undertaken by volunteers through non-government organisations, and the value of work undertaken by households to assist family, friends and neighbours (AIHW 1995:30–31). However, data on volunteers and household services are limited, so most of the analysis is in regard to monetary expenditure on welfare services, particularly by governments.

Section 2.2 of this chapter provides a broad overview of welfare services produced by both the household and non-household sectors, national welfare services expenditure, per person expenditure, and welfare services expenditure as a proportion of GDP. Section 2.3 analyses government expenditure on welfare services in comparison with other government expenditure, and in particular expenditure in welfare services related areas. Section 2.4 provides statistics on recurrent government expenditure by the three categories of welfare services, and by the Commonwealth Government and State and Territory Governments. Section 2.5 estimates the contribution of non-government community service organisations. Section 2.6 provides estimates of tax expenditures, which when included reveal a greater contribution by the government sector to the funding of welfare services. Section 2.7 estimates the value of volunteer time in welfare services provision. Section 2.8 compares Australia's welfare services expenditure with that of other major OECD countries.

## 2.2 Total expenditure

### Total resources devoted to welfare services

Welfare services are provided by government, non-government community service organisations and by households (Figure 2.1). The total monetary expenditure on these services in 1995–96 was \$8.9 billion. Sixty-six per cent of the funding came from *governments*, but they provided only 39% of the services.



*Non-government community service organisations* provided \$5.2 billion worth of welfare services in 1995–96, which was 59% of the total monetary expenditure on welfare

services. They funded 17% or \$864 million of this \$5.2 billion out of their own fundraising and other income earned by them. Donations to these organisations are partly funded by the Commonwealth Government through allowing such donations to be tax deductible. The cost of this concession was estimated to be about \$70 million in 1995–96.

In addition, the non-government community service organisations receive input tax concessions from the Commonwealth Government and State and Territory Governments, such as sales tax and fringe benefits tax exemptions. The cost of these concessions was estimated to be at least \$460 million in 1995–96.

The work of volunteers within these organisations was estimated to have a value of approximately \$1.5 billion in 1995–96 (see Section 2.7).

Adding together the estimated value of production of the non-government community service organisations as recorded in their financial accounts (\$5.2 billion), the imputed value of the volunteers working for them (\$1.5 billion) and the input tax concessions (\$460 million), gives a total of \$7.2 billion—an estimate of the total value of the welfare services produced by these organisations in 1995–96.

The *household* sector is by far the dominant sector in the welfare services area. In 1995–96, the bulk of services, estimated at about \$16.6 billion, were provided by members of households for the consumption of others in the household or people in other households, mostly without any form of monetary payment. These services included work done at home caring for people who are sick or with a disability, caring for other people's children, caring for one's own sick children and other welfare services. It does not include caring for one's own children when well. Of this \$16.6 billion of services provided, households received payment of \$213 million for child care services provided to other households in 1995–96.

In total, welfare services provided by households, non-government community service organisations and governments in 1995–96 were estimated to have a value of \$27.2 billion, of which \$16.6 billion worth was provided by the household sector, \$7.2 billion worth by non-government community service organisations and \$3.5 billion worth by governments.

### **Total monetary expenditure**

Total monetary welfare services expenditure is the aggregate of expenditure by both government and non-government sectors. The government sector includes the Commonwealth Government, State and Territory Governments, and local governments. The non-government sector comprises the household sector and non-government community service organisations operating on either a for-profit or not-for-profit basis. The household sector is both a provider of services (in the child care area) and a purchaser of services (see Table 2.4).

Estimated total monetary welfare services expenditure in 1995–96 was \$8.9 billion. This was an increase of 7.2% in current prices over the estimate of \$8.3 billion for 1994–95. The increase in real terms, that is, after the effect of inflation was removed, was 4.6% (Table 2.1). Total growth in expenditure in current prices between 1989–90 and 1995–96

**Table 2.1: Total welfare services expenditure and expenditure per person, current and constant (average 1989–90) prices,<sup>(a)</sup> and annual growth rates, 1989–90 to 1995–96**

	Amount (\$m)		Growth rate (%)	
	Current prices	Constant prices	Current prices	Constant prices
<b>Total welfare services expenditure</b>				
1989–90	4,715	4,715		
1990–91	5,539	5,260	17.5	11.6
1991–92	6,523	5,947	17.8	13.1
1992–93	7,360	6,531	12.6	9.6
1993–94	7,722	6,774	4.9	3.7
1994–95	8,285	7,299	7.3	7.8 <sup>(b)</sup>
1995–96	8,885	7,633	7.2	4.6
<b>Average annual growth rate 1989–90 to 1995–96</b>			<b>11.2</b>	<b>8.4</b>
<b>Per person welfare services expenditure</b>				
1989–90	278	278		
1990–91	322	306	15.9	10.0
1991–92	375	342	16.3	11.7
1992–93	419	371	11.6	8.6
1993–94	435	382	3.9	2.7
1994–95	462	407	6.2	6.6
1995–96	489	420	5.9	3.2
<b>Average annual growth rate 1989–90 to 1995–96</b>			<b>9.9</b>	<b>7.1</b>

(a) The Government Final Consumption Expenditure (GFCE) Implicit Price Deflator (IPD) was applied to both government and non-government sector current price expenditure.

(b) The GFCE IPD fell from 114.0 in 1993–94 to 113.5 in 1994–95 due to a fall in wages in the government sector. This led to growth in real terms being higher than growth in current prices.

Sources: Welfare services expenditure: AIHW database; Mean resident population: 1989–90—ABS 1996a; 1990–91 to 1995–96—ABS 1997b.

was 89%, averaging 11.2% per year. Total growth in real terms in the same period was 62%. This represented an average growth of 8.4% per year.

The increase in expenditure on welfare services can be separated into three components: the increase due to inflation, the increase due to population growth, and the increase in real expenditure per person. In the 6 years to 1995–96, the increase in real expenditure per person was the biggest component of the total increase in welfare services expenditure, averaging 69%. Inflation accounted for 21% of the increase while population growth accounted for 10%. Between 1994–95 and 1995–96, 79% of the total expenditure increase was due to the increase in real expenditure per person, inflation accounted for 9% and population growth 12%.

## Welfare services expenditure per person

Welfare services expenditure per person in current prices in 1995–96 was \$489, an increase of 5.9% over the 1994–95 expenditure of \$462. Between 1989–90 and 1995–96, the increase averaged 10% per year (Table 2.1). In constant prices, expenditure per person increased 3.2% from \$407 in 1994–95 to \$420 in 1995–96. The real growth per person over the period 1989–90 to 1995–96 was 51%, averaging 7.1% per year.

Annual growth in expenditure per person in real terms ranged from 2.7% in 1993–94 to 11.7% in 1991–92. The high growth in 1991–92 was partly attributable to the economic recession of 1990 and 1991 which then led to increased demand on welfare services, and partly due to changes in government policy which led to increases in government expenditure on child care and welfare services for the aged.

## Total welfare services expenditure and gross domestic product

In current prices, welfare services expenditure as a percentage of GDP increased from 1.3% in 1989–90 to 1.8% in 1992–93, after which it remained at that level for the next 3 years (Table 2.2).

**Table 2.2: Total welfare services expenditure and GDP in current and constant (average 1989–90) prices, 1989–90 to 1995–96 (\$m)**

	Total welfare services expenditure		Gross Domestic Product <sup>(a)</sup>		Total welfare services expenditure as % of GDP	
	Current prices	Constant prices	Current prices	Constant prices	Current prices	Constant prices
1989–90	4,715	4,715	370,189	370,189	1.3	1.3
1990–91	5,539	5,260	378,716	367,098	1.5	1.4
1991–92	6,523	5,947	387,067	368,567	1.7	1.6
1992–93	7,360	6,531	404,798	380,614	1.8	1.7
1993–94	7,722	6,774	429,785	399,508	1.8	1.7
1994–95	8,285	7,299	457,667	417,494	1.8	1.7
1995–96	8,885	7,633	488,967	433,685	1.8	1.8

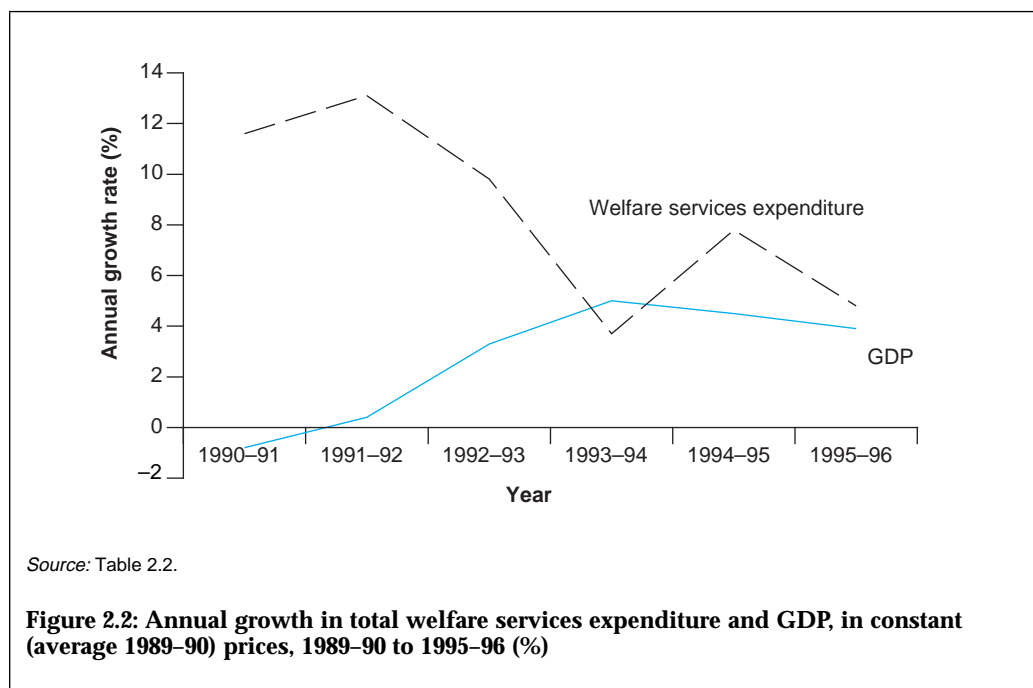
(a) The income-based estimate of GDP—GDP(I) was used.

Sources: Welfare services expenditure: AIHW database; GDP: ABS 1997c.

During the economic recession starting in March 1990, real GDP in 1990–91 declined 0.8%. Because of the recession, more services were needed and were provided. The increase in service usage due to greater need, and changes in government policy such as increases in child care support and services for the aged, coupled with the fall in GDP, explained the relatively high current prices increase in total welfare services expenditure as a proportion of GDP of 0.4 percentage points: from 1.3% in 1989–90 to 1.7% in 1991–92.

The increase in this period in the welfare services expenditure to GDP ratio in constant prices was not quite as marked, because inflation in the government sector was higher than in the economy as a whole. Over the period from 1989–90 to 1995–96, real growth

in GDP averaged 2.7% per year, compared with an 8.4% per year real growth in total welfare services expenditure (Figure 2.2).



### Total welfare services expenditure by source of funds

Over the whole period from 1989-90 to 1995-96, 64% of total welfare services expenditure was financed by the government sector, and the remaining 36% by the non-government sector—non-government community service organisations and client fees. Of the total government funding, 50% was by State and Territory Governments, 49% by the Commonwealth Government, and 1% by local governments. Client fees constituted 71% of total non-government sector funding, while the remaining 29% came from donations to, or income earned by, non-government community service organisations (Table 2.3; Figure 2.3).

The share of the Commonwealth Government increased over the period, while that of the State and Territory Governments declined. The contribution by local governments was relatively stable, increasing somewhat in 1994-95 and 1995-96. Non-government community service organisations and clients mostly maintained their share over the whole period.

### Funding and provision of welfare services

Non-government community service organisations were the major providers of welfare services. In 1995-96, 59% of total welfare services expenditure was delivered by them, and 39% by government agencies. The remaining 2% constituted services provided by the household sector (Table 2.4).

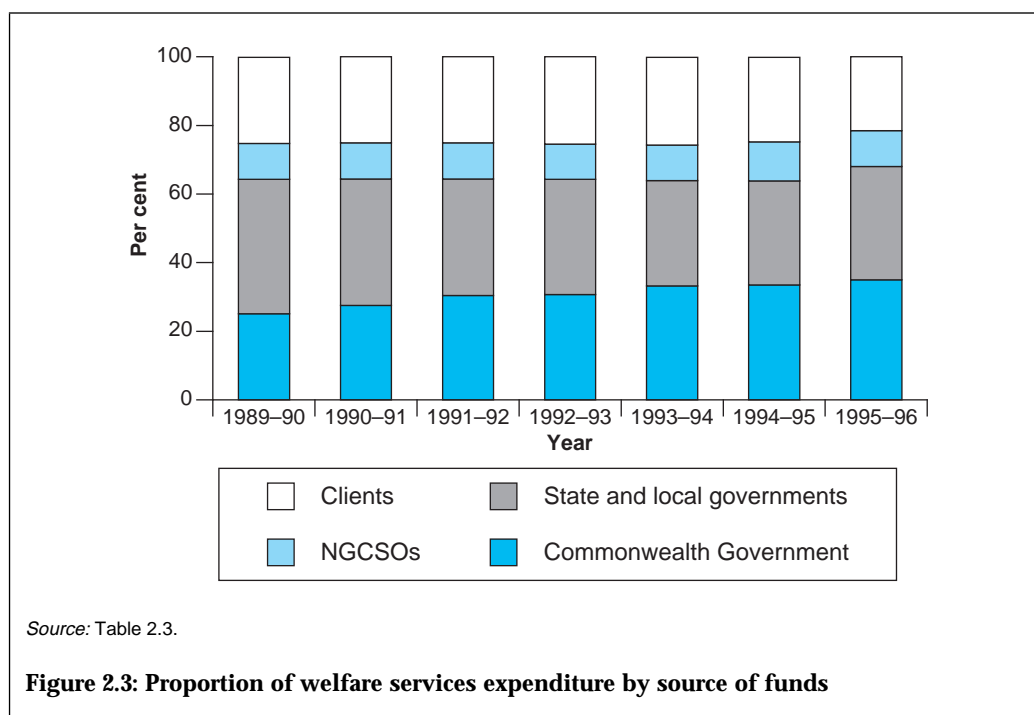
**Table 2.3: Total welfare services expenditure in current prices, by source of funds, 1989–90 to 1995–96 (\$m)**

	Government sector				Non-government sector			Total expenditure
	Commonwealth	State/Territory	Local	Total	NGCSOs	Client fees	Total	
1989–90	1,184	1,819	34	3,037	493 <sup>(a)</sup>	1,185 <sup>(b)</sup>	1,678	4,715
1990–91	1,522	1,995	51	3,568	579 <sup>(a)</sup>	1,392 <sup>(b)</sup>	1,971	5,539
1991–92	1,983	2,199	20	4,202	682 <sup>(a)</sup>	1,639 <sup>(b)</sup>	2,321	6,523
1992–93	2,260	2,443	29	4,732	760	1,868	2,628	7,360
1993–94	2,567	2,319	51	4,937	805	1,980	2,785	7,722
1994–95	2,779	2,414	98	5,290	945	2,049	2,994	8,285
1995–96	3,131	2,534	165	5,830	864	2,191	3,055	8,885

(a) Estimates of contribution by non-government community service organisations (NGCSOs) for 1989–90 to 1991–92 were obtained by applying the average ratio, for the period from 1992–93 to 1995–96, of their contribution to the respective year's total government sector expenditure.

(b) Estimates of client fees for 1989–90 to 1991–92 were obtained by applying the average ratio, for the period from 1992–93 to 1995–96, of client fees to the respective year's total government sector expenditure.

Sources: Commonwealth direct expenditure: DCSH 1990, DHHCS 1991 and 1992, DHHLGCS 1993, DSHS 1994 and 1995, DHFS 1996, DHRD 1994 and 1995, Department of Immigration and Ethnic Affairs unpublished data, and DVA unpublished data; State expenditure: CGC unpublished data; Commonwealth capital expenditure: DHFS unpublished data; Local government expenditure: ABS unpublished data; State capital expenditure net of Commonwealth transfer payments: estimated by AIHW based on ABS data; 1992–93 NGCSOs: estimated by AIHW from Industry Commission 1994; 1993–94 NGCSOs: estimated by AIHW from Industry Commission 1995; 1994–95 and 1995–96 NGCSOs: estimated by AIHW; Child care service clients' contribution: estimated by AIHW from ABS 1997d; Other client fees for services provided by NGCSOs: estimated by AIHW; Other client fees for services provided by government agencies: ABS unpublished data.



Source: Table 2.3.

**Figure 2.3: Proportion of welfare services expenditure by source of funds**

**Table 2.4: Funding and provision of welfare services, 1995–96 (\$m)**

Provider of services	Source of funds					Total	Proportion of service provision (%)
	Common wealth Government	State and Territory Governments	Local governments	NGCSOs <sup>(a)</sup>	Client fees		
Government							
Commonwealth	351	—	—	—	10	361	4.1
State and Territory	952	1,325	—	—	124	2,401	27.0
Local	298	110	163	—	131	701	7.9
Total government	1,601	1,435	163	—	265	3,463	39.0
NGCSOs	1,530	1,099	2	864	1,713	5,208	58.6
Household sector					213	213	2.4
<b>Total for all sectors</b>	<b>3,131</b>	<b>2,534</b>	<b>165</b>	<b>864</b>	<b>2,191</b>	<b>8,885</b>	
Proportion of funding (%)	35.2	28.5	1.9	9.7	24.7		

(a) Profits from sales of assets are included but not the value of the assets sold.

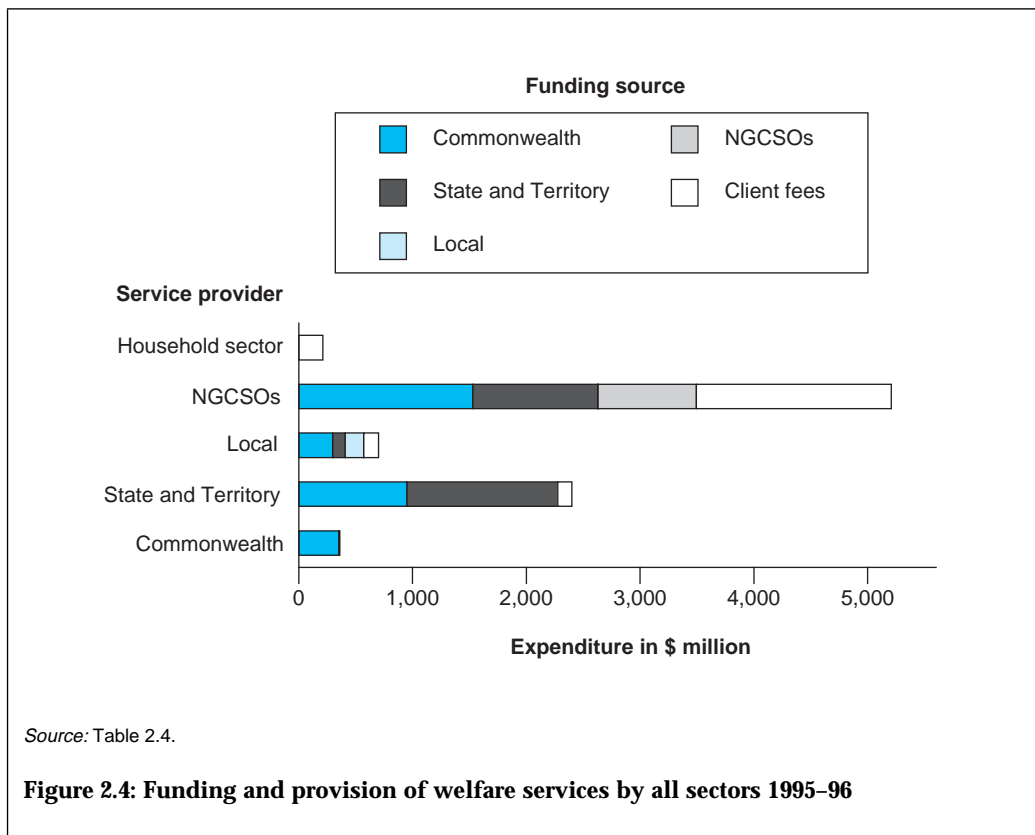
Sources: As for Table 2.3.

The government sector, however, was the major funder: 66% of total welfare services expenditure. Client contributions funded 25%, while non-government organisations contributed 10% from fundraising and other sources of income.

The extent of direct services provided by the government sector varied. The Commonwealth was predominantly a funder of services rather than a provider of services. Of its \$3.1 billion of funding, 11% went to providing services directly to the community, while the rest (89%) was transferred either to the other two levels of government or to non-government community service organisations (Table 2.4; Figure 2.4).

State and Territory Governments spent \$2.4 billion on direct services provision and administration and provided \$2.5 billion of funding, 43% of which was transferred to non-government community service organisations. Local governments are predominantly providers of services. Their funding of expenditure on welfare services was \$165 million, but they provided \$701 million worth of services.

Fees paid by clients for services amounted to 25% of total welfare services expenditure in 1995–96. Of total client fees of \$2.2 billion, \$213 million (10%) was for informal child care services, \$265 million (12%) was for government-provided services, and \$1.7 billion (78%) was paid to non-government community service organisations. Of this \$1.7 billion, 50% related to fees charged for formal child care services. Aged care services, mainly hostels, accounted for 35%. The remaining 15% was fees for services provided to people with a disability, and other welfare services. Some of the users of these services were also recipients of social security benefits, such as the age and disability pensions. Thus, some of these client fees were indirectly funded by government.



## 2.3 Expenditure by governments

### Welfare services expenditure in relation to other areas

In 1995-96, total expenditure by all levels of government in Australia for all purposes was \$175 billion (ABS 1997a), a decline from the previous year of 1.2%. Expenditure on income support was \$42.6 billion, on health \$27.2 billion, on education \$23.8 billion, and on defence \$9.4 billion—compared with expenditure on welfare services of \$5.8 billion. In terms of proportions, social security accounted for 24.4% of total expenditure, followed by health (15.6%) and education (13.6%). Welfare services accounted for 3.3% of total expenditure (Table 2.5; Figure 2.5).

Between 1989-90 and 1995-96, expenditure on welfare services in current prices rose from \$3.0 billion to \$5.8 billion, representing a rise of 91.2% in this six-year period. This increase was greater than for most other major purposes. Welfare services as a proportion of total public expenditure increased from 2.1% to 3.3%.

Between 1989-90 and 1995-96, total public sector expenditure in current prices grew at an average annual rate of 3.6% (Table 2.5). Among the six selected purposes included in Figure 2.5, welfare services had the highest growth of 11.5%, followed by social security (9.9%), health (6.3%), education (5.5%), defence (3.3%), and housing (0.4%). In real

**Table 2.5: Total government expenditure<sup>(a)</sup> in current prices, by purpose, 1989–90 to 1995–96 (\$m)**

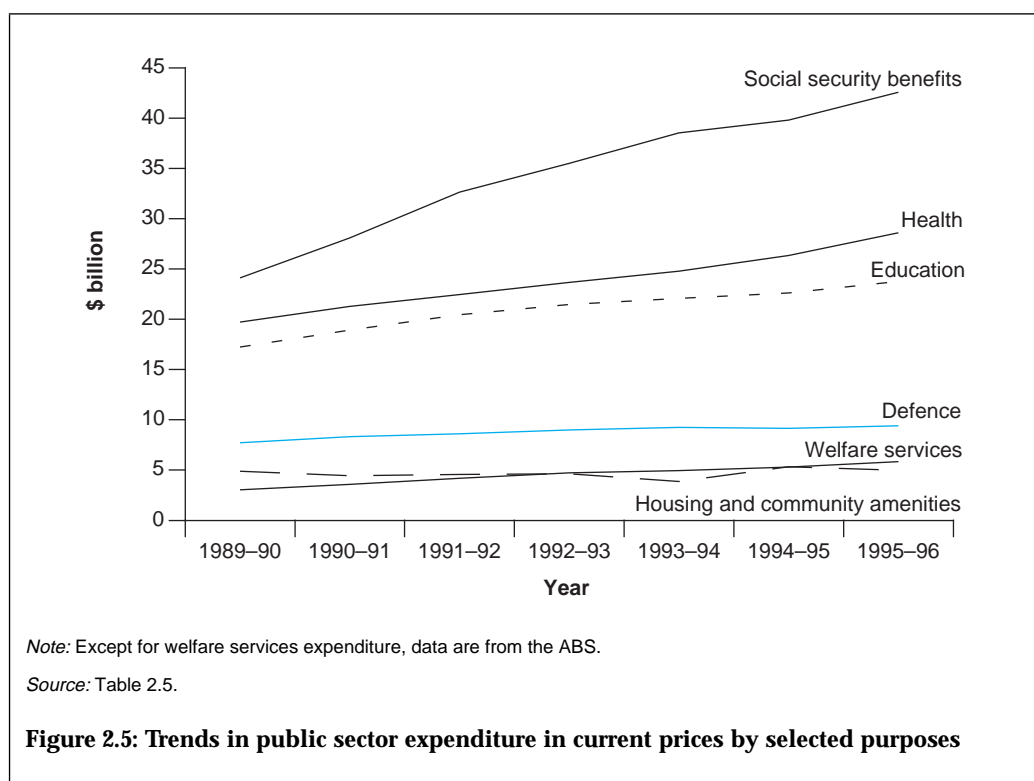
	1989–90	1990–91	1991–92	1992–93	1993–94	1994–95	1995–96
<b>Social security and welfare</b>							
<i>Social security benefits</i>							
Amount	24,126	28,106	32,660	35,513	38,554	39,815	42,575
Proportion of total (%)	17.1	18.6	20.4	21.7	23.3	22.5	24.4
<i>Welfare services</i>							
Amount	3,037	3,568	4,202	4,732	4,937	5,290	5,830
Proportion of total (%)	2.1	2.4	2.6	2.9	3.0	3.0	3.3
<i>Other social security and welfare</i>							
Amount	1,063	1,210	1,453	1,338	1,429	1,499	1,562
Proportion of total (%)	0.8	0.8	0.9	0.8	0.9	0.8	0.9
<b>Health</b>							
Amount	18,838	20,240	21,302	22,447	23,404	25,013	27,168
Proportion of total (%)	13.3	13.4	13.3	13.7	14.2	14.2	15.6
<b>Education</b>							
Amount	17,226	18,950	20,453	21,491	22,086	22,635	23,778
Proportion of total (%)	12.2	12.6	12.8	13.1	13.4	12.8	13.6
<b>Defence</b>							
Amount	7,734	8,326	8,607	9,010	9,237	9,147	9,394
Proportion of total (%)	5.5	5.5	5.4	5.5	5.6	5.2	5.4
<b>Housing and community amenities</b>							
Amount	4,876	4,591	4,577	4,629	3,884	5,286	4,995
Proportion of total (%)	3.4	3.0	2.9	2.8	2.4	3.0	2.9
<b>Other purposes<sup>(b)</sup></b>							
Amount	64,544	65,777	66,773	64,320	61,603	67,925	59,272
Proportion of total (%)	45.6	43.6	41.7	39.3	37.3	38.5	34.0
<b>Total</b>	<b>141,444</b>	<b>150,768</b>	<b>160,027</b>	<b>163,480</b>	<b>165,134</b>	<b>176,610</b>	<b>174,574</b>

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

(b) ABS number for 'other purposes' adjusted to allow for difference between AIHW estimate of welfare services and ABS estimate. Other purposes include 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; and other purposes not elsewhere classified.

Sources: Welfare services expenditure: AIHW expenditure database; Others: ABS 1997a.

terms, that is, after adjusting for inflation using the GFCE deflator, total government expenditure grew at 1.0%, again headed by welfare services (8.7%), while housing experienced a decline of 2.1% per year.



## Definitions of welfare services expenditure

Welfare services expenditure, in this chapter, is as defined by the ABS Government Purpose Classification (GPC), which is used for all government expenditure. The classification allocates expenditure to a particular category according to the purpose of the expenditure, not the type of service activity. Thus, the counselling of police after traumatic episodes is classified to the public order and safety purpose category, whereas counselling within hospitals has a health purpose, and the counselling of victims of disaster has a welfare services purpose.

Welfare services expenditure is defined in the ABS classification as assistance delivered to clients, or groups of clients, with special needs, such as the young, the old or people with a disability. This is in accord with the international definition (UN 1980). This category is further subdivided into:

- (a) family and child welfare services;
- (b) welfare services for the aged and people with a disability (often abbreviated to 'aged and disabled welfare services'); and
- (c) welfare services not elsewhere classified, for example supported accommodation, prisoners' aid, and assistance to migrants.

In the latest GPC (ABS 1996b), 'aged and disabled welfare services' has been divided into two categories: 'welfare services for the aged' and 'welfare services for people with

a disability'. The Institute will be reporting according to these new categories for 1996–97 data onwards.

This definition of welfare services expenditure does not include all government expenditure that is of relevance to welfare services policy and programs in Australia. In the area of services for people with a disability, for example, the expenditure on the disability services pension, and on the carers pension, is of crucial importance in analysing the appropriateness of services to people with a disability. Because these pensions primarily have an income support function, however, they are classified as social security benefits in the GPC, not as welfare services. Similarly, grants by the Commonwealth to the States for special education programs for the disabled are considered to have primarily an education purpose, so they are classified to the education GPC category. In this volume, the chapters on aged care and disability services include information about the many different sorts of expenditure that are relevant to older people and to those with a disability, whatever the GPC category used to classify that expenditure.

Some of the many welfare services related programs which are outside of the welfare services area, as defined by the GPC, are shown in Table 2.6. Programs that are relevant to people with a disability range from the education and social security categories, through to the housing and community development categories. Programs that are relevant to children's services policy include preschool programs, which are categorised under education, and child care which is categorised in the family and child welfare services section of the welfare services category.

The definitions in the GPC are set in accord with international definitions, so as to enable greater comparability with data from other countries.

There is great merit in using a classification like the GPC which applies to the whole of government expenditure, because it provides a framework within which all expenditure numbers can be reconciled. Any program expenditure is classified once and only once within the GPC, so that everything adds up. However, such a classification does not constrain the policy maker in, say, the disability area to only consider data from the disability welfare services category. In fact, it is highly relevant to policy for people with a disability to consider expenditure in a range of categories. Some of the programs of policy relevance to the disability area are listed in Table 2.6, and many of these programs are classified to non-welfare service GPC categories. A similar situation arises in the aged care area and in the housing area.

## **2.4 Recurrent government welfare services expenditure**

This section covers recurrent expenditure on welfare services by the Commonwealth Government and the State and Territory Governments. Expenditures on nursing home care and on domiciliary nursing care are not included here as they are classified in the GPC used in this analysis as health expenditure. Problems of data reliability do not allow analysis of capital expenditure by State and Territory Governments or local government expenditure.

**Table 2.6 : Government programs of policy relevance to particular welfare areas, by Government Purpose Classification (GPC) in 1995–96**

Government Purpose Classification	Welfare areas				
	Assistance to families/ people in crisis	Children's services	Housing assistance	Aged care services	Services for people with a disability
<b>Public order and safety</b>	• Juvenile justice				
<b>Education</b>		• Preschool services			• Employment and training
<b>Health</b>				• Nursing homes • HACC (home nursing)	• Hearing aids • Medical rehabilitation
<b>Welfare services</b>	• Supported Accommodation Assistance Program • Youth services • Counselling • Child protection • Support for carers <sup>(a)</sup>	• Long day care • Before and after school care • Occasional care • Family day care • Child care for migrants • Subsidies for child care costs		• HACC (excluding home nursing) • Hostels • Community aged care packages • Transport concessions • Aged care assessment • Support for carers <sup>(a)</sup>	• HACC (excluding home nursing) • Group homes • Residential institutions • Transport concessions • Print disability services • Non medical rehabilitation • Support in private home
<b>Social security</b>	• Family payments		• Rent assistance	• Aged pensions • DVA pensions • Carer pension	• Disability support pension • Child disability allowance • Mobility allowance • Sickness allowance • Wife pension (DSP) • Carer pension

*(continued)*

**Table 2.6 (continued): Government programs of policy relevance to particular welfare areas, by Government Purpose Classification (GPC) in 1995–96**

Government Purpose Classification	Welfare areas				
	Assistance to families/ people in crisis	Children's services	Housing assistance	Aged care services	Services for people with a disability
<b>Housing and community development</b>			<ul style="list-style-type: none"> <li>• Aboriginal rental housing program</li> <li>• Loan and mortgage subsidies</li> <li>• Crisis Accommodation Program</li> <li>• Public rental and community housing</li> </ul>	<ul style="list-style-type: none"> <li>• Self care units in retirement villages</li> </ul>	<ul style="list-style-type: none"> <li>• Accommodation</li> </ul>
<b>Recreation and culture</b>				<ul style="list-style-type: none"> <li>• Senior citizen centres</li> </ul>	

(a) Support for carers is undertaken through the following programs—the National Respite for Carers Program, the Domiciliary Nursing Care Benefit, and the carers package.

Over the period 1989–90 to 1995–96, about 60% of public sector recurrent expenditure on welfare services by the Commonwealth and States and Territories combined was directed to services for older people and those with a disability. Family and child welfare services accounted for 30% and other welfare services 10% (Table 2.7).

**Table 2.7 : Commonwealth and State and Territory government recurrent expenditure on welfare services in current prices, 1989–90 to 1995–96 (\$'000)**

	Recipients of Commonwealth transfer payments				Total Commonwealth expenditure	State expenditure net of Commonwealth transfers	Total Commonwealth and State and Territory expenditure
	Commonwealth direct expenditure	State and Territory Governments	Local governments	NGCSOs <sup>(a)</sup>			
<b>Family and child welfare services</b>							
1989–90	13,643	14,994	79,123	112,669	220,429	582,812	803,241
1990–91	17,526	15,746	76,144	144,939	254,355	594,871	849,226
1991–92	21,053	25,038	124,904	273,997	444,992	636,282	1,081,274
1992–93	22,205	28,009	152,753	354,643	557,610	689,042	1,246,652
1993–94	24,083	26,524	166,627	470,526	687,760	751,034	1,438,794
1994–95	29,086	28,692	177,279	562,664	797,721	775,401	1,573,122
1995–96	58,056	33,772	182,079	629,327	903,234	847,651	1,750,885
<i>Average annual growth rate (%)</i>	27.3	14.5	14.9	33.2	26.5	6.4	13.9
<i>7-year average proportion of total<sup>(b)</sup> (%)</i>	11.0	4.6	60.8	36.9	27.7	32.5	30.2
<b>Aged and disabled welfare services</b>							
1989–90	74,358	167,425	58,912	315,719	616,414	996,571	1,612,985
1990–91	112,985	190,461	71,163	535,753	910,363	1,119,163	2,029,526
1991–92	153,745	215,524	82,877	612,692	1,064,837	1,286,889	2,351,726
1992–93	167,707	389,210	88,878	609,112	1,254,907	1,356,396	2,611,303
1993–94	187,166	610,131	97,800	574,244	1,469,341	1,191,242	2,660,583
1994–95	188,345	636,568	97,299	662,038	1,584,250	1,273,845	2,858,095
1995–96	204,087	720,803	107,000	763,831	1,772,375	1,332,627	3,128,348
<i>Average annual growth rate (%)</i>	18.3	27.5	10.5	15.9	19.5	5.0	11.7
<i>7-year average proportion of total<sup>(b)</sup> (%)</i>	64.4	77.2	38.3	59.0	62.3	57.0	59.6

(continued)

**Table 2.7 (continued): Commonwealth and State and Territory government recurrent expenditure on welfare services in current prices, 1989–90 to 1995–96 (\$'000)**

	Recipients of Commonwealth transfer payments				Total Commonwealth expenditure	State expenditure net of Commonwealth transfers	Total Commonwealth and State and Territory expenditure
	Commonwealth direct expenditure	State and Territory Governments	Local governments	NGCSOs <sup>(a)</sup>			
<b>Other welfare services</b>							
1989–90	26,747	74,972	4,461	22,372	128,552	162,128	290,680
1990–91	38,421	86,388	1,361	29,126	155,296	188,026	343,322
1991–92	52,068	95,840	1,061	24,625	173,594	174,784	348,378
1992–93	73,407	100,136	1,867	36,007	211,417	237,011	448,428
1993–94	61,556	105,371	1,940	52,534	221,400	273,129	494,529
1994–95	75,111	87,537	1,564	62,957	227,170	287,977	515,147
1995–96	88,874	140,835	1,244	55,722	286,675	246,790	533,465
<i>Average annual growth rate (%)</i>	22.2	11.1	-19.2	16.4	14.3	7.3	10.6
<i>7-year average proportion of total<sup>(b)</sup> (%)</i>	24.6	18.2	0.9	4.1	10.1	10.5	10.3

(a) The term 'non-government community service organisations' includes for-profit and not-for-profit non-government organisations.

(b) Seven-year average annual growth rates are calculated using an exponential growth rate formula.

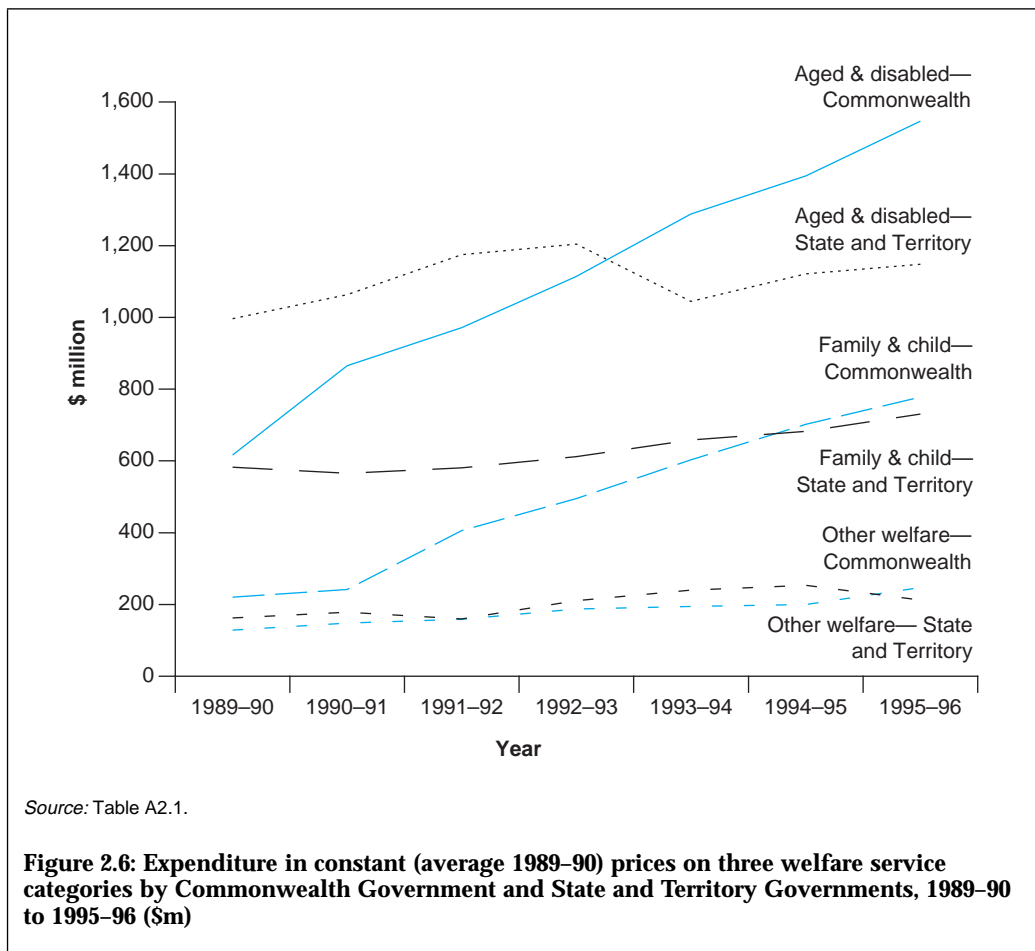
Sources: As for Table 2.3.

Of the total Commonwealth funding to non-government community service organisations over the 7-year period, 59% was for services for the aged and people with a disability, family and child welfare services received 37%, and other welfare services 4%.

Of the total Commonwealth funding to State and Territory Governments, 77% was for services for the aged and people with a disability. Other welfare services received 18%, and family and child welfare services 5%.

Of the total Commonwealth funding to local governments, 61% was for family and child welfare services. A further 38% was for services for the aged and people with a disability, while the remaining 1% was for other welfare services.

Growth was high in the family and child welfare services category between 1990–91 and 1991–92 (74.9%) due to an increase in the Commonwealth Government's contribution in the child care area (see Chapter 4). Prior to 1994–95, State and Territory Governments expended more than the Commonwealth on family and child welfare services. From 1994–95, however, the situation has been the opposite; that is, the Commonwealth has increased its spending on family and child welfare services at a greater rate than the State and Territory Governments (Figure 2.6; Table A2.1).



Growth in aged and disabled welfare services expenditure by the Commonwealth Government was consistently higher than State and Territory growth. Before 1993-94, the State and Territory contribution to welfare services for the aged and people with a disability was greater than that of the Commonwealth. Since 1993-94, the Commonwealth government contribution has been greater. Growth in the other welfare services category was relatively lower than in the other two categories.

More detailed analyses of changes in total welfare services expenditure over the period from 1988-89 to 1993-94 were published in AIHW (1996). The focus of the two sections below is on changes in welfare services expenditure by the Commonwealth Government and the State and Territory Governments between 1994-95 and 1995-96.

## Commonwealth government expenditure

### Family and child welfare services

Over the 7-year period to 1995-96, 95% of the Commonwealth's expenditure for family and child welfare services was in the form of transfers to other levels of government

and to non-government community service organisations. Of these transfers, 5% went to the State and Territory Governments, 26% to local governments, and 69% to non-government community service organisations.

Increases in Commonwealth expenditure on family and child welfare services from 1994–95 to 1995–96 were mainly due to:

- a 14% increase in the supply of Commonwealth-approved child care places (DHFS 1996);
- an additional 40,700 families benefiting from Child Care Assistance; and
- \$5.8 million spent on the full implementation of the national Outside School Hours Care Pilot and Research Program.

### **Aged and disabled welfare services**

Over the 7-year period to 1995–96, 88% of Commonwealth expenditure for aged and disabled welfare services was in the form of transfers to other sectors. Of these transfers, 39% went to the State and Territory Governments, 8% to local governments, and 54% to non-government community service organisations. The rearrangement of functions between the State and Territory Governments and the Commonwealth Government under the 1991 Commonwealth/State Disability Agreement (CSDA) has been a major factor contributing to increases in expenditure in this area over the period.

Some of the factors contributing to increases in Commonwealth expenditure on aged and disabled welfare services from 1994–95 to 1995–96 were:

- the expansion of home and community care services for aged persons and people with a disability. There was a 6.7% increase in hours of services and a 5.1% increase in meals provided by the Home and Community Care (HACC) program;
- the growth in the number of hostel places (5,695), and community aged care packages (245) for aged persons between 30 June 1995 and 30 June 1996;
- an additional 1,001 places in disability employment services; and
- an expansion of the National Relay Service with over 250,000 telephone conversations facilitated for people with severe speech and/or hearing disabilities.

### **Other welfare services**

The other welfare services category includes a variety of services, such as assistance to the homeless (e.g. the Supported Accommodation Assistance Program—SAAP), prisoners' aid, care of refugees, Indigenous welfare, other concessions (other than those for older people or people with a disability), premarital education, counselling, and migrants' assistance.

Of the total Commonwealth transfers for other welfare services, transfers to State and Territory Governments made up 70% over the period 1989–90 to 1995–96. Transfers to local governments declined over time, but those to State and Territory Governments and non-government community service organisations increased.

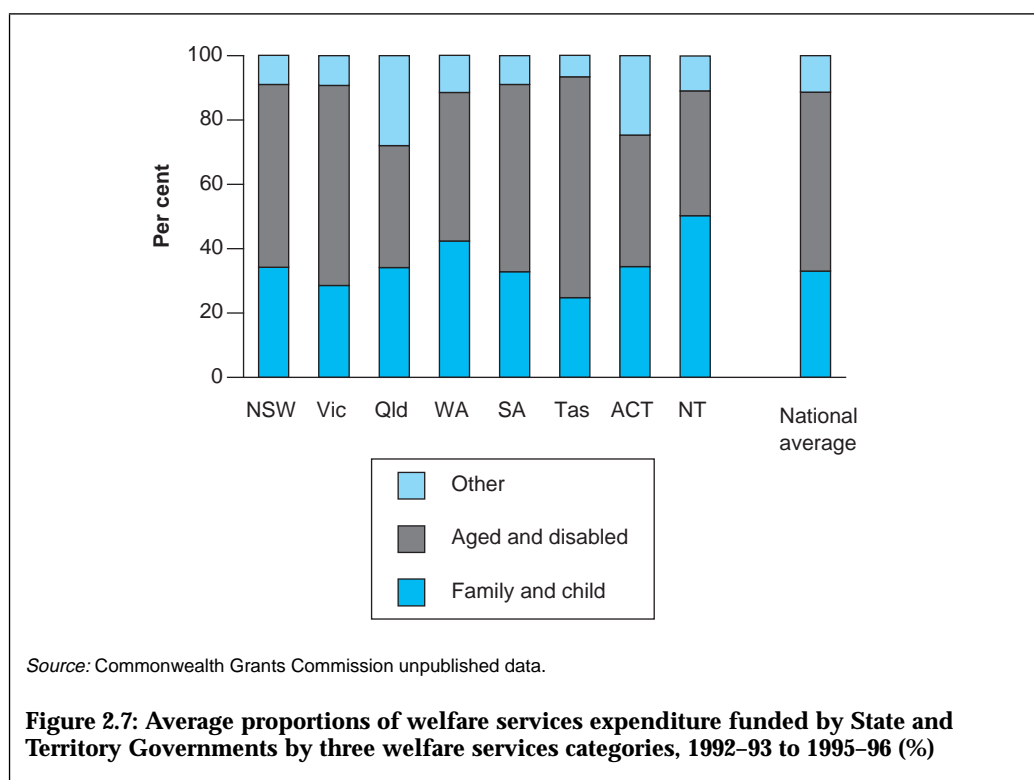
Between 1994–95 and 1995–96, some of the increase in Commonwealth expenditure was due to:

- the number of SAAP services being increased from 1,566 to 1,693. Funding for SAAP increased from \$89 million to \$143 million. New South Wales and Western Australia entered the SAAP agreement later than the others. The increase was largely because these two States received funding during 1995–96 for 6 months of their 1994–95 operating costs and all of their 1995–96 costs;
- an increase in the funding of the Migrant Access to Projects Scheme, from \$0.32 million to \$1.26 million; and
- the implementation of the Community Relations Agenda Grants Program by the Department of Immigration and Multicultural Affairs in 1994–95 (\$0.74 million).

### State and Territory government expenditure

There were considerable variations between the States and Territories in the amounts they spent on welfare services provision per head of population. Some of the factors contributing to such variations were differences in:

- their policies regarding the provision and funding of welfare services;
- the role of non-government community service organisations;
- the age/sex structure of their populations; and
- the boundaries around what is classified as ‘welfare services’.

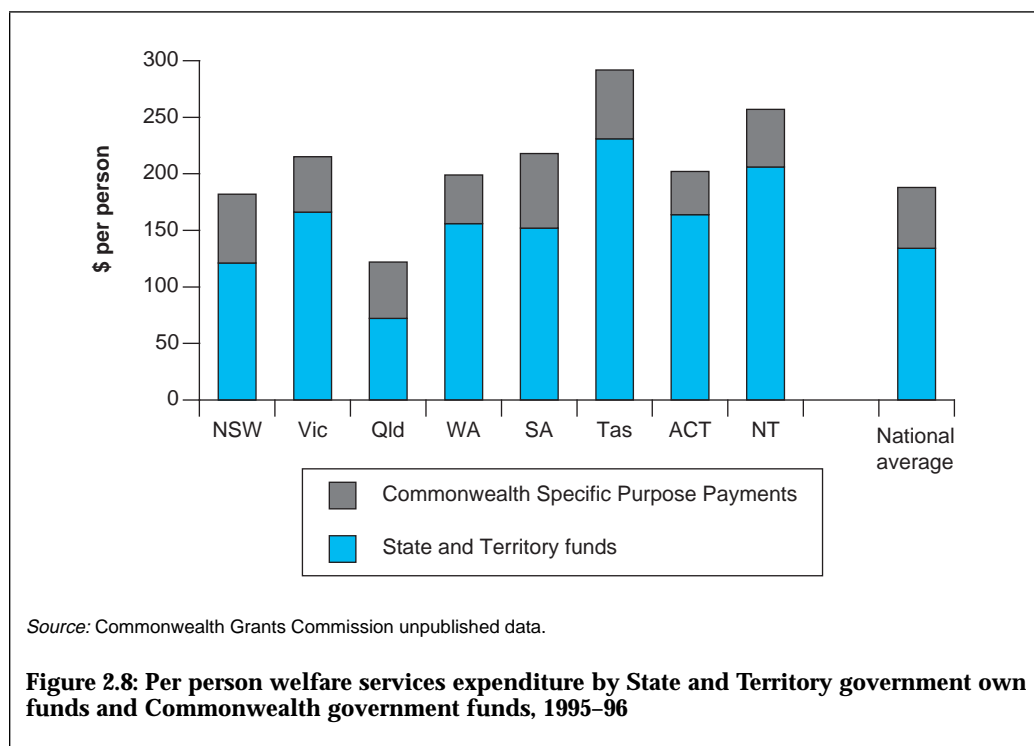


The distribution of expenditure, funded by State and Territory Governments from their own sources of income, across the three welfare services categories varied appreciably between the jurisdictions (Figure 2.7).

Some of the differences are due to differences in demographic structure. The Northern Territory, with a young population, had the highest proportion of expenditure on family and child welfare services in the 4 years 1992–93 to 1995–96, at 50%. At the other extreme, Tasmania, with an older population, had the highest proportion of expenditure on aged and disabled welfare services (69%). However, there is not a consistent relationship between age structure and outlays on family and child welfare services relative to aged and disabled welfare services, in part because disabled services cover all age groups.

Another factor attributable to the differences in expenditure across States and Territories is the mix of care in the aged care services area. In Victoria, for example, there is a greater emphasis on caring for aged persons in the community rather than in nursing homes. Expenditure on HACC in Victoria is greater than in some other States. In contrast, South Australia has larger per person expenditure on nursing homes and therefore its expenditure on HACC is relatively lower.

On a per person basis, the Tasmanian Government's expenditure on welfare services was higher than that of other States or Territories. In 1995–96, its expenditure on welfare, net of Commonwealth transfers, was \$231 per person (Figure 2.8).



State and Territory government expenditures are mostly funded by the Commonwealth Government. There are two types of Commonwealth financial assistance: General Purpose Payments (GPPs)—payments which may be spent for any purpose the State determines, with no conditions being imposed by the Commonwealth; and Specific Purpose Payments (SPPs)—payments which are subject to conditions which specify how the grant must be spent (Box 2.1).

### **Box 2.1: Specific Purpose Payments**

*Payments to the States and Territories for welfare services are made in the following areas:*

1. *Disability services*
2. *Compensation for extension of fringe benefits to pensioner and older long-term allowees and beneficiaries*
3. *Home and Community Care Program*
4. *Community awareness*
5. *Community development support*
6. *Community and youth support*
7. *Indigenous women*
8. *Supported Accommodation Assistance Program*
9. *Children's services (child care)*
10. *Rural domestic violence*
11. *Unattached refugee children*

*These SPPs are administered in various Commonwealth departments but mostly from the Department of Health and Family Services.*

The Commonwealth transfers to State and Territory Governments displayed in Figure 2.8 and Table 2.9 include only SPPs. Part of the 'own funds' expenditure in the table is funded by GPPs, but it is not possible to say what proportion of expenditure is funded by these payments.

In 1995–96, SPPs in current prices ranged from \$38 per person in the Australian Capital Territory to \$66 per person in South Australia. Over the period from 1989–90 to 1995–96, the increase in per person Commonwealth government welfare service payments to Queensland was 402%, while to the Northern Territory it was 146%.

When the SPPs are included, total government expenditure on welfare services was \$292 per Tasmanian. Queensland spent less—\$121 per person, including the Commonwealth SPP contribution—on welfare services than any other State or Territory (Figure 2.8; Tables 2.8 and 2.9).

The rate of growth in expenditure per person (including Commonwealth transfers), in constant prices, varied from State to State. Average annual growth in expenditure ranged from 3.0% in Western Australia to 6.2% in Victoria between 1989–90 and

**Table 2.8: Per person recurrent expenditure on welfare services by State and Territory government own funds, in current and constant (average 1989–90) prices, 1989–90 to 1995–96 (\$)**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	National average
<b>Current prices</b>									
1989–90	96	112	69	132	126	114	107	146	103
1990–91	101	125	74	140	137	112	130	164	111
1991–92	117	146	61	143	148	133 <sup>(a)</sup>	118	146	121
1992–93	124	165	65	146	136	194 <sup>(a)</sup>	137	172	130
1993–94	106	168	61	153	139	197	139	190	125
1994–95	128	156	67	152	131	221	174	199	130
1995–96	121	166	72	156	152	231	164	206	134
Average annual growth rate	3.9%	6.7%	0.7%	2.9%	3.2%	<sup>(a)</sup>	7.3%	5.9%	4.5%
<b>Constant (average 1989–90) prices</b>									
1989–90	96	112	69	132	126	114	107	146	103
1990–91	96	119	70	133	130	104	125	157	105
1991–92	105	134	56	132	136	121 <sup>(a)</sup>	110	137	110
1992–93	111	142	58	133	122	173 <sup>(a)</sup>	124	156	115
1993–94	95	144	54	136	119	173	122	171	109
1994–95	113	136	59	135	113	195	152	178	115
1995–96	105	143	62	135	131	199	141	177	115
Average annual growth rate	1.4%	4.0%	–1.8%	0.4%	0.6%	<sup>(a)</sup>	4.7%	3.3%	1.9%

(a) Because of classification changes to some of the data after 1991–92 for Tasmania, the annual growth rate cannot be calculated, and data up to 1991–92 cannot be compared with data from 1992–93 onward.

Sources: Population: ABS 1996a; Welfare services expenditure: Commonwealth Grants Commission unpublished data.

**Table 2.9: Per person recurrent expenditure on welfare services by State and Territory Governments including Commonwealth transfers, in current and constant (average 1989–90) prices, 1989–90 to 1995–96 (\$)**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	National average
<b>Current prices</b>									
1989–90	113	129	79	145	145	130	122	167	118
1990–91	119	144	85	155	159	129	148	188	128
1991–92	138	167	72	160	177	152 <sup>(a)</sup>	137	171	140
1992–93	150	200	95	166	169	236 <sup>(a)</sup>	168	201	159
1993–94	159	210	102	186	204	253	175	234	171
1994–95	173	201	109	187	204	278	212	253	177
1995–96	182	214	121	200	218	292	202	256	188
Average annual growth rate (%)	8.2	8.9	7.5	5.6	7.0	<sup>(a)</sup>	8.7	7.5	8.0

(continued)

**Table 2.9 (continued): Per person recurrent expenditure on welfare services by State and Territory Governments including Commonwealth transfers, in current and constant (average 1989–90) prices, 1989–90 to 1995–96 (\$)**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	National average
	<b>Constant (average 1989–90) prices</b>								
1989–90	113	129	79	145	145	130	122	167	118
1990–91	113	136	81	148	151	119	142	180	121
1991–92	124	152	66	147	162	138 <sup>(a)</sup>	128	160	127
1992–93	134	172	85	151	152	210 <sup>(a)</sup>	152	183	141
1993–94	141	180	90	165	174	222	153	210	150
1994–95	154	176	96	166	175	245	186	226	155
1995–96	157	185	104	172	188	252	174	221	162
Average annual growth rate (%)	5.6	6.2	4.8	3.0	4.4	<sup>(a)</sup>	6.1	4.8	5.4

(a) Because of classification changes to some of the data after 1991–92 for Tasmania, the annual growth rate cannot be calculated, and data up to 1991–92 cannot be compared with data from 1992–93 onward.

Sources: Population: ABS 1996a; Welfare services expenditure: CGC unpublished data; Commonwealth transfer payments: Commonwealth of Australia 1989, 1990, 1991, 1992, 1993 and unpublished data; Deflators: ABS 1997c.

1995–96. When Commonwealth transfers are excluded, expenditure in all States and Territories grew at a much lower rate—ranging from a decline of 1.8% for Queensland to an increase of 4.7% for the Australian Capital Territory (Table 2.8).

### The Commonwealth Grants Commission and welfare services

The main role of the Commonwealth Grants Commission (CGC) is to advise governments on ‘per capita relativities’—the measures of relative need used to distribute among the States and Territories the general revenue assistance made available by the Commonwealth. It is recognised that each State and Territory has different disabilities or needs in providing government services. In the Northern Territory, for example, with a very sparsely distributed population, it is more expensive to provide a given service than it is in other States. On the other hand, the age structure of the Territory is younger than that of other States, so its need for aged care services is less.

The Commonwealth Grants Commission calculates measures of relative need for each type of service, adds them up and comes up with an overall measure of relative need. This measure is used to distribute the General Purpose Payments among the States and Territories.

Table 2.10 shows the CGC data for each of the States and Territories in the welfare services area. Standardised expenditure is the ‘fiscally equalised’ expenditure. It is the expenditure a State would incur if it were to follow Australian standard expenditure policies, and allowing for the specific disabilities a State faces in providing services. Standardised expenditure is estimated by multiplying the Australian average (standard) expenditure per person by the State’s category disability factors. Disability factors used in the needs analysis are in the Technical Appendix (Table TA2.1).

**Table 2.10: Commonwealth Grants Commission expenditure assessment—actual expenditure,<sup>(a)</sup> standard expenditure, standardised expenditure and needs, 1995–96 (\$ per person)**

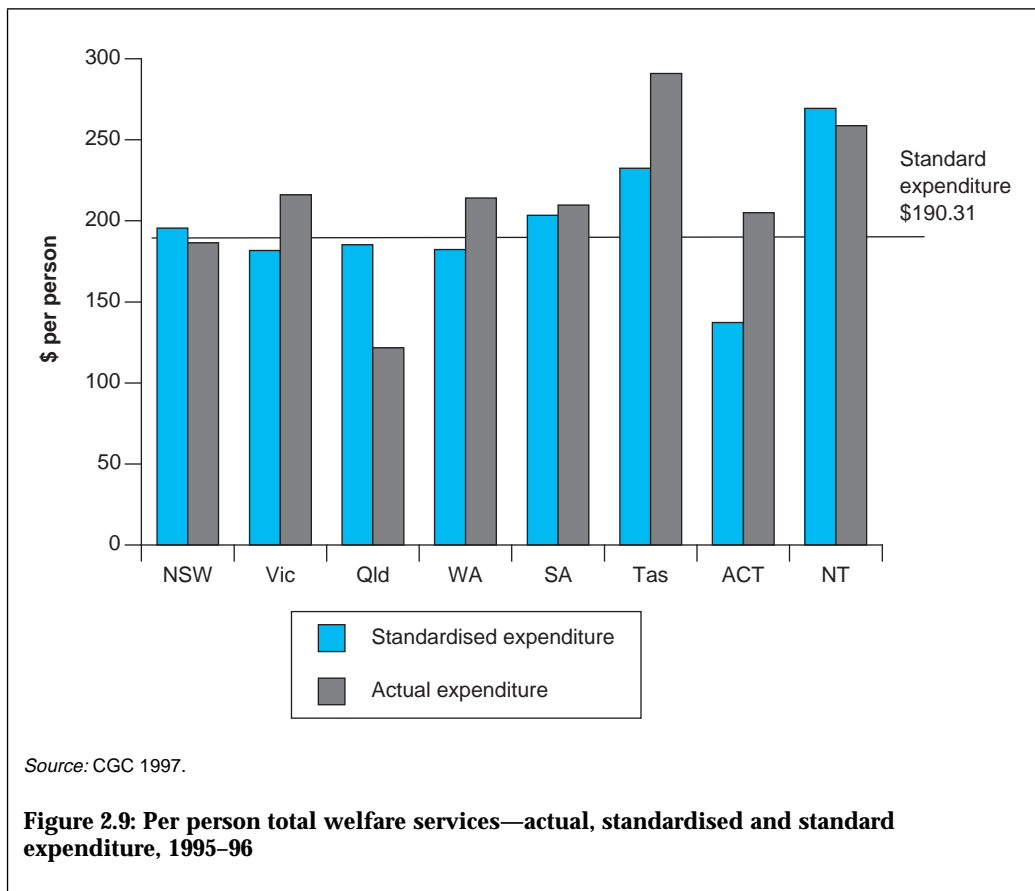
	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Standard expenditure
<b>Family and child welfare services</b>									46.89
Needs	-1.95	-6.09	2.65	5.10	0.18	7.89	-5.05	109.76	
Standardised expenditure	44.94	40.80	49.54	51.99	47.07	54.78	41.84	156.65	
Actual expenditure	43.15	50.73	28.26	69.08	52.61	57.10	61.73	108.46	
<b>Aged and disabled welfare services</b>									121.98
Needs	7.85	-1.01	-8.23	-13.72	12.41	31.44	-46.45	-65.17	
Standardised expenditure	129.84	120.98	113.76	108.26	134.39	153.42	75.54	56.82	
Actual expenditure	124.09	145.49	70.09	118.91	140.20	207.72	95.73	115.75	
<b>Other welfare services</b>									21.44
Needs	-0.62	-1.53	0.53	0.63	0.57	2.86	-1.50	34.63	
Standardised expenditure	20.82	19.91	21.97	22.07	22.01	24.30	19.94	56.07	
Actual expenditure	19.16	19.97	23.39	26.11	17.00	26.24	47.61	34.55	
<b>Total welfare services</b>									190.31
Needs	5.29	-8.63	-5.04	-7.99	13.16	42.19	-53.00	79.22	
Standardised expenditure	195.60	181.68	185.27	182.32	203.47	232.50	137.31	269.53	
Actual expenditure	186.39	216.18	121.74	214.11	209.81	291.05	205.07	258.77	

(a) Actual expenditure includes State and Territory Governments own funds and the Commonwealth SPPs treated by inclusion only. The differences between the actual expenditure data in this table and those in Table 2.9 are SPPs treated by deduction, and differences in transfer payment data sources.

Source: CGC 1997.

Standard expenditure is the Australian average per person expenditure, in a particular category of the standard budget or in total. Needs is the difference between standardised expenditure and standard expenditure.

For example, the CGC formulas indicated that, in order for Tasmania to achieve the national standard in services provision for the aged and disabled welfare services area, it needed to spend \$153.42 per person. This is Tasmania's standardised expenditure. The national average (standard) expenditure in this area is \$121.98 per person. Therefore, Tasmania needs financial assistance of  $\$153.42 - \$121.98 = \$31.44$  per person (Table 2.10). In contrast, because of its younger population, the Northern Territory needs to spend only \$56.82 per person in order to achieve the national standard. This is \$65.17 below the national average (standard) expenditure. So, in this area, Northern Territory received less than its per person share, while other States with greater needs received more than their per person share.



In contrast, in family and child welfare services, the Northern Territory had the highest positive need. It required assistance of  $\$156.65 - \$46.89 = \$109.76$  per person in order to achieve the national standard. Victoria had the highest negative need, and therefore receives less than the per person share in this area.

In other welfare services, the Northern Territory again had the highest positive need of \$34.63 per person, with Tasmania, South Australia, Western Australia and Queensland also having positive needs. States with negative needs were New South Wales, Victoria, and the Australian Capital Territory.

According to the CGC needs analysis of welfare services expenditure as a whole, New South Wales, South Australia, Tasmania, and the Northern Territory have greater needs in the welfare services area than the national average. Therefore, they receive general revenue grants in this area higher than their per person share to compensate for this disability. This is funded by providing general revenue grants to Victoria, Queensland, Western Australia, and the Australian Capital Territory which are lower than their per person share in this area.

### **Actual, standard and standardised expenditure**

The CGC calculations of standardised and standard expenditure and need do not determine what the States actually spend. Each State and Territory has absolute discretion to determine how much it actually spends on welfare services. The standardised expenditure is the CGC estimate of what the State needs to spend in order to provide a national average standard of service, but the State may choose to spend more or less than this national average standard. Thus, in 1995–96, Victoria chose to spend \$216.18 per person on welfare services, but its standardised expenditure was less than this at \$181.68 per person. It chose to provide welfare services at a level higher than the national average standard.

Comparisons between the States are often made by comparing actual expenditures with the national average expenditure. But this is somewhat misleading as it does not take into account the disabilities faced by each State. Thus, the Victorian actual expenditure of \$216.18 per person is \$25.87 above the national average. The fairer comparison is with Victoria's standardised expenditure of \$181.68 per person. Its actual expenditure is \$34.50 per person above the State's standardised expenditure. This represents how much extra Victoria is putting into the welfare services area compared with what it would need to spend in order to provide a national average standard of service.

In 1995–96, the actual expenditures of Victoria, Western Australia, South Australia, Tasmania, and the Australian Capital Territory were above the CGC estimates of standardised expenditures (Figure 2.9).

## **2.5 The contribution of community service organisations**

While most of the funding for welfare services comes from governments, non-government community service organisations play a more important role as providers of those services. They also contribute substantially to the funding of the services they provide. The amount of welfare services supplied by these organisations is also significantly increased by their ability to use their very large voluntary work force in providing services. This reduces the monetary cost of services provision. Without the involvement of these organisations, governments would incur much higher levels of expenditure in meeting the demand for welfare services in Australia.

Table 2.11 shows estimates of government funding of non-government community service organisations and own-source funding of not-for-profit organisations. (See methods in Box 2.2.) The recurrent expenditure of non-government community service organisations increased from \$3,993 million in 1992–93 to \$4,956 million in 1995–96—an average annual growth of 8%. Over the four-year period, their expenditure was largely funded by governments, averaging 47%, their own source of income contributed 19% and client fees 34%. The data displayed (Table 2.11) do not provide a complete picture of the contribution of these organisations to welfare services because:

- they cover only government-funded organisations. The size of the non-funded organisations and their contributions are not known. The 1995–96 ABS Community Services Survey will provide information about this (ABS 1997e);

**Table 2.11: Sources of recurrent income,<sup>(a)</sup> government-funded non-government community service organisations, 1992–93 to 1995–96**

	1992–93		1993–94		1994–95		1995–96	
	\$m	%	\$m	%	\$m	%	\$m	%
Government funding	1,846	46.2	2,074	47.3	2,167	46.5	2,380	48.0
NGO (not-for-profit) funding <sup>(b)</sup>	760	19.0	805	18.4	945	20.3	864	17.4
Client fees								
Child care	621	15.6	691	15.8	764	16.4	861	17.4
Other <sup>(c)</sup>	766	19.2	815	18.6	783	16.8	852	17.2
<b>Total</b>	<b>3,993</b>	<b>100</b>	<b>4,385</b>	<b>100</b>	<b>4,659</b>	<b>100</b>	<b>4,956</b>	<b>100</b>
Growth rate on previous year (%)			9.8		6.3		6.4	

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

(b) Includes revenue from fundraising and from business undertakings such as opportunity shops and sheltered workshops.

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

Sources: 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; Government funding: see Table 2.3; 1994–95 and 1995–96 estimated by AIHW.

- capital expenditure was not included;
- the data do not cover all of the expenditure by for-profit organisations. A number of services for aged persons and persons with a disability are also provided by for-profit organisations and data in this area are limited; and
- the not-for-profit organisations make significant use of volunteers to assist in the provision of services at no cost to the government (see Section 2.7).

## 2.6 Tax expenditures in the community services sector

Tax expenditures arise from provisions of Australian taxation law which tax certain classes of taxpayers or particular types of activity differently from the normal set of tax rates that apply to individuals and activities. Tax expenditures include rebates, concessions, deductions, exemptions, reduced payments, deferrals, levies, subsidies and special rate relief. An example of a tax expenditure is the tax deductibility of donations to non-government community service organisations. There is no internationally agreed method for measuring tax expenditures, and judgements must always be made as to the benchmark tax system against which tax expenditures are measured. The revenue forgone method is the one most widely used for calculating tax expenditures and is used here.

Although tax expenditures are difficult to measure, failure to take account of them may seriously understate the level of public sector support for particular welfare service areas. Measuring tax expenditures is crucial to examining changes in public sector

### **Box 2.2: Methods for estimating expenditure by non-government community service organisations**

*Welfare organisations vary in the nature and spectrum of the services they provide. Smaller organisations can deliver a single service or a small number of different, but often related services. Larger organisations often provide a multitude of services, some of which are not welfare services. In more complex organisations, there are sometimes costs that cannot be easily or appropriately identified as relating to only the welfare component of their operations. Thus, it is difficult to estimate their expenditure on the provision of welfare services.*

*Estimates of their size, contribution and importance have been conducted by several studies (AIHW 1997:2–6).*

*The Institute's method for estimating the contribution of non-government community service organisations is based on that developed by the Industry Commission for its 1995 study of charitable organisations (Industry Commission 1995), with some modifications and adjustments. This approach was considered the most accurate for the welfare services expenditure area, given data constraints.*

*The Institute used a number of data sources for the estimation. The data used for estimating government funding came from the Industry Commission (1995), ABS public finance data, the Commonwealth Department of Health and Family Services, the Department of Immigration and Multicultural Affairs, State and Territory community services departments, and the Commonwealth Grants Commission.*

*For estimating the revenues of large non-government community service organisations, and medium-sized disability organisations, their financial statements were obtained and analysed. For the estimates of child care clients' fees, the ABS publication on child care (1997d) was used. The total government funding of small disability organisations was estimated by subtracting the total government funding received by large and medium organisations from the total government funding of disability.*

support over time, as governments change the delivery of benefits between the tax system and direct provision.

There are limited data on revenue forgone due to tax concessions, rebates and so on, in the welfare services sector. This section draws upon data contained in the Treasury Department's *Tax Expenditures Statements 1995–96* and the Industry Commission's *Report into Charitable Organisations in Australia* (1995). Treasury identified a total of eight Commonwealth tax expenditure items applying to welfare services. Three of these are income tax exemptions, and the remainder are fringe benefits tax (FBT) exemptions. The items are as follows:

- Deductibility of donations to charitable institutions.
- No taxation on income of charitable institutions.
- Deductibility of expenses incurred in entertaining members of the public who are sick, disabled, poor or otherwise disadvantaged.

- FBT exemption for the provision of recreational or child care facilities on an employer's premises.
- FBT exemption for employer contributions to guaranteed places for employee's children in certain child care services.
- FBT exemption for benefits provided by public benevolent institutions, excluding public hospitals, to employees.
- FBT exemption for accommodation, fuel and meals for live-in employees caring for the elderly or disadvantaged.
- FBT exemption for employer-provided property and facilities for immediate relief of employees and their families in times of emergency.

The cost to government of tax deductions on donations to non-government community service organisations was estimated for 1994–95 as follows. The Institute estimated that 43% of a total of \$173 million in tax deductions for donations to organisations in all industry sectors (health, education, community services, etc.) went to non-government community service organisations in 1994–95. The calculation excluded overseas aid donations. Tax deductions for donations to these organisations in 1994–95 were therefore estimated at \$75 million. The figure for 1993–94 was then estimated by applying the growth rate of their fundraising income between 1993–94 and 1994–95 to the 1994–95 estimate of \$75 million. The 1995–96 estimate was derived in a similar manner using the growth rate of fundraising income from 1994–95 to 1995–96 (Table 2.11).

Treasury has only been able to estimate the cost of the FBT exemption for 1993–94 (\$70 million) and 1994–95 (\$75 million). The 1995–96 number was estimated by the Institute

**Table 2.12: Estimates of tax expenditures in regard to non-government community service organisations, by Commonwealth Government and State and Territory Governments, 1993–94 to 1995–96 (\$m)**

Tax expenditure item	Revenue forgone <sup>(a)</sup>		
	1993–94	1994–95 <sup>(b)</sup>	1995–96 <sup>(b)</sup>
Tax deductibility for donations	64	75	68
<i>Commonwealth input tax exemptions</i>			
Fringe benefits tax (FBT)	70	75	80
Wholesale sales tax (WST)	120	127	136
<i>State and Territory input tax exemptions</i>			
Payroll tax	80	85	90
Land tax	40	42	45
Stamp duty and bank taxes	100	106	113
<i>Total Government input tax exemptions</i>	<i>410</i>	<i>435</i>	<i>464</i>
<b>Total</b>	<b>474</b>	<b>510</b>	<b>532</b>

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

(b) All 1994–95 and 1995–96 figures are based on AIHW estimates, except for the FBT exemption in 1994–95, which was provided by Treasury.

Sources: Industry Commission 1995; Department of the Treasury 1997; AIHW welfare services expenditure database.

by applying the growth rate in non-government community service organisation total expenditure between 1994–95 and 1995–96 of 6%. The remaining government input tax exemptions were sourced from the Industry Commission report for 1993–94 and then estimated for 1994–95 and 1995–96 by applying growth rates in non-government community service organisation total expenditure.

The tax forgone due to the tax deductibility of donations increased from \$64 million in 1993–94 to \$75 million in 1994–95, but then fell to \$68 million in 1995–96. Total government input tax exemptions increased from \$410 million in 1993–94 to \$435 million in 1994–95, and then to \$464 million in 1995–96. Overall then, total revenue forgone from tax expenditures in the community services sector was \$474 million in 1993–94, rising to \$510 million in 1994–95 and then \$532 million in 1995–96 (Table 2.12).

## **2.7 The contribution of volunteers**

Volunteers in Australia play an important role in the provision of welfare services. Their contribution is a noticeable characteristic of the welfare/community services area. In 1994–95, the number of hours worked by volunteers in the welfare/community services field constituted 43% of the total hours worked in paid employment in the community services sector.

Volunteer work fulfils an essential economic function and provides large social gains to the community. Traditional expenditure estimates exclude the value of volunteer work, because it is unpaid. If government or non-government organisations had to provide the services currently being provided by volunteers, welfare services expenditure in Australia would need to be increased substantially.

Volunteer work is an input to the production of services. Data from the 1995 ABS voluntary workers survey can be used to impute a monetary value for the work of volunteers (ABS 1996c). Two possible methods to value this input are the alternative provider cost method and the opportunity cost method. The alternative provider cost method values volunteer work according to the cost of employing paid workers within the applicable classification. The opportunity cost values volunteer work according to the occupational classification of the volunteer.

The alternative provider cost approach is preferred as it is more in line with national account valuation methods (Inter-Secretariat Working Group 1993). It is particularly appropriate for valuing household production at the margin, and for policy making purposes it is the marginal valuation which is the most relevant.

### **Voluntary hours worked in the welfare/community services field**

The voluntary work survey was conducted throughout Australia in June 1995 as a supplementary topic in the ABS Monthly Population Survey. Fifty-six thousand Australians aged 15 years and over were interviewed and about 54,500 (97%) responded to the volunteer section. Voluntary work was defined as help willingly given in the form of time, service or skills. The survey interviewer asked the respondents about any unpaid voluntary work they had done, and for which organisation groups.

The survey showed that 2,639,500 civilian Australians contributed 433.9 million hours of volunteer work in 1994–95 in a variety of fields: for schools and hospitals, for art and culture and sporting organisations, and for welfare/community services.

This analysis examines volunteer work in organisations in the welfare/community services field, with further breakdown into the target groups of the organisations: aged, people with disabilities, children, and other. In 1994–95, 105.7 million hours of voluntary work were performed in the welfare/community services field (Table 2.13). This was the highest number of volunteer hours worked in any field, accounting for 24.4% of total volunteer hours. The next highest was the sport/recreation/hobby field (24.1%), followed by the religious field (16.3%) and the education field (14.1%).

**Table 2.13: Total hours per year of volunteer work in the welfare/community services field ('000)**

Group assisted <sup>(a)</sup>	15–20 years			21+ years			Total		
	Men	Women	Persons	Men	Women	Persons	Men	Women	Persons
Aged	200	500	700	8,700	15,700	24,400	8,800	16,200	25,100
People with disabilities	100	300	400	7,100	9,600	16,700	7,200	9,900	17,100
Children	100	900	1,000	4,100	9,800	13,900	4,200	10,700	14,900
Other <sup>(b)</sup>	700	1,000	1,600	33,100	44,800	78,000	33,800	45,800	79,600
<b>Total</b>	<b>700</b>	<b>2,100</b>	<b>2,800</b>	<b>39,700</b>	<b>63,200</b>	<b>102,900</b>	<b>40,400</b>	<b>65,300</b>	<b>105,700</b>

(a) As the organisations volunteers work for can assist more than one group, the figures for individual groups will not add up to the total.

(b) Other includes: the general community, Aboriginals and Torres Strait Islander peoples, people with chronic/long-term illnesses, homeless people, drug-dependent people, women, young people, financially disadvantaged people, and other.

Source: Estimated by AIHW from ABS Voluntary work, Australia, unpublished data 1996.

The welfare/community services field was defined as 'organisations and institutions helping to provide human and social services to the general community and specific target groups'. This included organisations whose work is for the wider social benefit of the general community, such as Rotary and Lions, as well as those organisations whose sole role is giving material assistance, personal care and advice. The organisations in the welfare/community services field are almost the same as organisations included in the community services sector of the ABS Australian and New Zealand Standard Industrial Classification (ANZSIC). Hence, comparison of the work of volunteers in the welfare/community services field has been made with paid workers in the community services sector.

Nineteen per cent of the Australian civilian population provided some form of voluntary work in 1994–95. The volunteer rate for the welfare/community services field was 4.4%.<sup>1</sup>

1 Volunteer rate is the number of volunteers in a group expressed as a percentage of the population aged 15 and over and in the same group.

Women play an important role in providing voluntary welfare services. Sixty-two per cent (65.3 million hours) of volunteer hours were provided by women. Their participation was especially high in organisations which helped children, where they contributed 72% of the total hours. Men's highest participation rates were in organisations which helped people with disabilities, and in other organisations. In both areas, 42% of the total hours volunteered were by men. Men contributed 40.4 million hours overall, which was 38% of the total hours volunteered.

Female volunteers worked longer hours than their male counterparts. Eleven per cent of females volunteered for more than 300 hours, compared with 10.7% of men. Twenty-nine per cent of men volunteered for less than 20 hours, compared with 25% of women. The mean hours for females were also higher: 104, compared with 96 for males.

Across all volunteers, 26% volunteered for less than 20 hours a year, this being 2% of the total hours. Only 11% of volunteers worked for 300 or more hours, but they accounted for 37% of the total hours (Table 2.14). The mean of 101 hours a year was much higher than the median of 50 hours a year, because most volunteers contributed relatively few hours, while a minority worked for longer hours.

The largest number of voluntary hours worked was by those 'not in the labour force'. They performed 56.5 million hours of work, which made up 53% of volunteer hours in the total welfare/community services field. Their volunteer rate in this field was 6.4%. Unemployed people had a rate of 5.8% and contributed 7% of the hours performed. This amounted to 6.9 million hours (Table 2.15).

Forty per cent of the volunteers were working in paid employment. They volunteered 42.3 million hours and had a rate of 5%. Their volunteer hours were 0.28% of the hours they worked in the labour force. Trades persons and plant machine operators and drivers volunteered a low proportion of their working hours (0.15% and 0.16%), while the volunteer work of labourers and related workers was 0.26% of their working hours.

**Table 2.14: Proportion of number of welfare/community services volunteer hours worked, 1994-95 (%)**

	Hours worked in the last 12 months						Total	Median hours
	less than 20	20-39	40-79	80-139	140-299	300 or more		
<b>Men</b>								
Proportion of volunteers	28.7	16.5	16.9	14.0	13.2	10.7	100.0	
Proportion of hours	1.8	5.1	10.5	15.9	30.1	36.7	100.0	48.0
<b>Women</b>								
Proportion of volunteers	24.5	18.0	18.1	13.6	14.6	11.3	100.0	
Proportion of hours	1.4	5.1	10.4	14.4	30.8	38.0	100.0	52.0
<b>Persons</b>								
<b>Proportion of volunteers</b>	<b>26.1</b>	<b>17.4</b>	<b>17.6</b>	<b>13.7</b>	<b>14.1</b>	<b>11.1</b>	<b>100.0</b>	
<b>Proportion of hours</b>	<b>1.6</b>	<b>5.1</b>	<b>10.4</b>	<b>14.9</b>	<b>30.7</b>	<b>37.4</b>	<b>100.0</b>	<b>50.0</b>

Source: ABS 1996c.

**Table 2.15: Hours worked by volunteers in the welfare/community services field, in relation to hours worked in the formal sector, by occupation, 1994–95**

Occupation	Volunteers			Labour force			Proportion of time volunteering (%)
	Number ('000)	Hours ('000)	Proportion of total hours (%)	Number ('000)	Hours ('000)	Proportion of total hours (%)	
Managers and administrators	78.2	6,800	6	881.3	2,241,000	15	0.30
Professionals	80.2	7,500	7	1,149.1	2,336,400	15	0.32
Para-professionals	29	3,800	4	466.8	830,200	5	0.46
Trades persons	29.8	3,700	4	1,192.4	2,449,200	16	0.15
Clerks	72.4	6,100	6	1,347.9	2,186,800	14	0.28
Salespersons and personal service workers	67.2	7,500	7	1,389.2	2,145,500	14	0.35
Plant and machine operators, and drivers	15.7	1,900	2	581.7	1,219,000	8	0.16
Labourers and related workers	40.4	5,000	5	1,222.5	1,958,000	13	0.26
Total in the labour force	412.9	42,300	40	8,230.9	15,365,900	100	0.28
Unemployed <sup>(a)</sup>	43.9	6,900	7	753.6	..	..	..
Not in the labour force <sup>(b)</sup>	327.9	56,500	53	5,122.4	..	..	..
<b>Total</b>	<b>784.7</b>	<b>105,700</b>	<b>100</b>	<b>14,106.9</b>	..	..	..

(a) Also includes some persons in the labour force for whom their occupation could not be coded.

(b) This category includes those people who are retired, have chosen not to work (voluntarily inactive), unpaid home-keepers, those unable to work, people in institutions, etc.

Sources: ABS Voluntary work, Australia, unpublished data 1996; ABS 1995.

The hours worked by managers, administrators, professionals, salespersons and personal service workers were between 0.30% and 0.35% of their working hours while para-professionals had the highest proportion at 0.46%.

The volunteer rates varied across the States. The rate per head of population was highest in Queensland, with 4.9%, compared with 4.7% in Victoria and 3.6% in New South Wales.

### Imputed value of voluntary work

This valuation used the alternative provider cost method which involved valuing volunteer work according to the cost of employing paid workers within the community services sector. This sector covers child care services, and residential and non-residential care services.

Wage estimations were made using May 1995 ABS wage data. For adults (21+ years), an average person's ordinary time wage rate was used. For juniors (15–20), an average ordinary time non-managerial junior wage rate was used, as an average ordinary time industry rate was unavailable. The wage rate for adults was \$503.20 per week and, as

average weekly hours in this industry were 37.2, this gave an hourly wage rate of \$13.52. The wage rate for juniors was \$284.70 per week. Average weekly hours for juniors were 38.05, thus giving an hourly wage rate of \$7.48.

Using the above rates, the value of volunteer work (105.7 million hours) in the welfare/community services field for 1994–95 was estimated at \$1,417 million (Table 2.16). This is a conservative estimate of the value of volunteer work. It would have cost the government and non-government organisations substantially in excess of this to employ these volunteers. The valuation did not include overheads related to employing workers, such as superannuation, training, annual leave, sick leave, and so on; nor did it include the cost of providing office/work space for employees.

By applying the growth in 1995–96 in wages per hour in the community services sector of 4.8% and the growth in population of 1.28% to the 1994–95 figures, it was estimated that the value of volunteer work in the welfare/community services field in 1995–96 was around \$1,500 million.

**Table 2.16: Estimated value of volunteers' work in the welfare/community services sector in 1994–95 (\$m)**

Group assisted	Age group of volunteers		Total
	15–20 years	21+ years	
			<b>\$m</b>
Aged	5	331	336
People with disabilities	3	227	230
Children	7	189	196
Other <sup>(a)</sup>	12	1,058	1,070
<b>Total</b>	<b>21</b>	<b>1,396</b>	<b>1,417</b>

(a) Other includes: the general community, Aborigines and Torres Strait Islanders, people with chronic/long-term illnesses, homeless people, drug-dependent people, women, young people, financially disadvantaged people, and other.

Sources: Estimated by AIHW from ABS Voluntary work, Australia, unpublished data 1996; ABS 1995.

By applying the average working week of 38 hours and an average of 220 work days a year to the 105.7 million hours of volunteer work, it was estimated that the volunteer work force was equivalent to a paid work force of 63,067 full-time workers. The 105.7 million hours was 43% of the total paid hours worked in the community services sector in 1994–95.

In 1994–95, \$2,950 million was spent on salaries and wages in the community services sector. The volunteer work was valued at 48% of this. If the volunteers were to be employed, the community services industry would need to increase its wages and salaries expenditure by almost half.

### **Voluntary work survey and time use survey**

In *Australia's Welfare 1995*, selected data from the 1992 ABS Time Use Survey (ABS 1994) were used to estimate the value of time spent by households on the provision of welfare services in 1992–93. The data used in developing those estimates included some, but not all, volunteer activity that could be categorised as welfare service activities. They

included time spent by people caring for their own sick or disabled children; caring for other children; and providing care to relatives and neighbours.

However, they did not include some activities undertaken by households that could also have been classified as welfare service activities. Those other activities, which included administrative tasks for organisations that provide welfare services, could not be readily identified and quantified from the available time use data.

*Australia's Welfare 1995* used neither the opportunity cost method nor the alternative provider cost method in the strict sense, as described earlier in this section. Costing was undertaken using estimates of average weekly ordinary time earnings and average weekly ordinary time hours to assign values to the time spent by volunteers. It was estimated that 1,215 million hours were spent by individuals on these activities, which would have cost the government and non-government organisations at least \$16,856 million if they had been required to pay these volunteers and individuals at market wage rates.

Since the publication of *Australia's Welfare 1995*, the ABS has published a wage rate for 'carers and aides' which is the appropriate rate to use for the alternative provider method. The 1,215 million hours from the 1992 ABS Time Use Survey were updated by population growth, and the 'carer and aides' wage rate of \$13.20 per hour (ABS 1996d) applied to give an estimate of the value of time spent in 1995–96 by households on welfare services of \$16.6 billion.

## 2.8 International comparisons of government expenditure on welfare services

In order to undertake an effective international comparison of government expenditure on welfare services, three important conditions must exist:

- there must be consistency in the way welfare services are defined;
- expenditure must be able to be expressed in terms of a common currency unit; and
- allowance must be made for differences between countries in population size.

The Organisation for Economic Co-operation and Development (OECD) maintains a database covering a number of areas of social expenditure (Box 2.3). These are constantly updated by way of data sought from, and supplied by, various agencies in member countries. When requesting these updates, the OECD provides definitions to be applied by the agencies in deriving estimates of expenditure. However, ultimately, it is the providing agencies that interpret the OECD's requirements in respect of a particular area of social expenditure. This leads to some inconsistency in the allocation of expenditure to government welfare services, particularly at the lower levels of aggregation. At the higher 'Total welfare services' level, the data are more reliable.

The inconsistency in allocating expenditure between different program areas is demonstrated in Table 2.17, which disaggregates reported government welfare expenditure in 21 OECD countries into three broad categories of expenditure—'Family and child welfare services', 'Aged and disabled welfare services' and 'Welfare services nec [not elsewhere classified]'. While there appears to be consistency in the way some countries

### **Box 2.3: OECD social expenditure database**

*The OECD compiles social expenditure data according to the following categories:*

- *old age cash benefits*
- *disability cash benefits*
- *occupational injury and disease*
- *sickness benefits, services for elderly and disabled people*
- *survivors*
- *family cash benefits*
- *family services*
- *active labour market programs*
- *unemployment*
- *health*
- *housing*
- *other contingencies.*

*OECD defines social expenditure as ‘expenditure on the provision by public institutions of benefits to, and financial contributions targeted at, households and individuals in order to provide support during circumstances which adversely affect their welfare, provided that the provision of the benefits and financial contributions constitute neither a direct payment for a particular good or service nor an individual contract or transfer. Such benefits can be cash transfers, or can be the direct (‘in-kind’) provision of goods and services.’*

*The welfare services component of that expenditure has been converted to the three Australian welfare services categories:*

<b>Australian category</b>	<b>OECD category</b>
Family and child welfare services (including child care)	Family services
Welfare services nec	Relevant parts of ‘Other contingencies’
Aged and disabled welfare services	Services for elderly and disabled people

*Expenditure is expressed in terms of Australian dollar equivalents and has been converted using Gross Domestic Product (GDP) Purchasing Power Parities (PPPs). While the use of PPPs allows expenditure to be expressed in terms of a single currency unit, time series data still include the effects of inflation in the country in whose currency units the expenditure is expressed—in this case, Australia.*

*(continued)*

### **Box 2.3 (continued): OECD social expenditure database**

*The levels of expenditure used in Tables 2.17, 2.18 and 2.19 are as reported by agencies in the countries concerned to the OECD's Directorate for Education, Employment, Labour and Social Affairs. Because the data were collected from a number of different sources in the member countries, there could be considerable inconsistency in the data, both between countries and over time. It must also be borne in mind that these data relate only to government-funded expenditure and do not include expenditure funded by non-government organisations.*

*Only those OECD member countries that provided data covering the whole period of the collection were included in the tables. Three countries—the Czech Republic, Hungary and Iceland—were not included because they did not report welfare services expenditure data for any years covered by the OECD collection. Switzerland and Mexico were excluded because they reported for only selected years and Turkey's reported welfare services expenditure was so low that it did not register at the per person level in most years.*

have allocated expenditure to particular areas, other countries seem to have difficulties with allocation. This is particularly evident in the case of Canada, which appears to have a very high proportion of its total welfare services expenditure allocated to the category 'Welfare services nec'. The Canadian expenditure allocation is distorted because data provided by Canada to the OECD from 1991 onwards did not identify the separate programs to which they related. As a result, most Canadian expenditure for 1992 was allocated to the 'Welfare services nec' category.

All countries' government expenditures on welfare services have been converted to Australian currency values, and have been expressed in terms of expenditure per person in order to remove the influence of population differences.

Sweden, Denmark, Norway and Finland have the highest levels of per person government expenditure on family and child welfare, and Sweden and Denmark have the highest levels of government expenditure on welfare for aged and disabled persons. Sweden's high level of spending, particularly on services for the aged and disabled, is largely the result of the way some services are delivered and classified in Sweden. Services that, in other countries, are delivered in institutions, such as nursing homes, and classified as 'health' are, in Sweden, delivered as home help services and classified as 'welfare services'.

Total Australian government welfare services expenditure as a proportion of GDP remained marginally above the OECD average from 1987, when State and Territory government expenditures were first included in the data, to 1989.<sup>2</sup> It then rose to 0.9% in 1990, compared with the OECD average of 0.7%. The Australian ratio continued to

---

2 This relates only to expenditure on welfare services and does not include social security expenditure, such as pensions.

**Table 2.17: Government welfare services expenditure per person, 1992 (\$A)**

Country	Welfare services			Total
	Family and child	Aged and disabled	Services nec	
Australia <sup>(a)</sup>	71.31	149.36	25.65	246.32
Austria	63.58	—	—	63.58
Belgium	24.95	331.34	—	56.29
Canada	—	13.71	774.11	787.82
Denmark	490.36	642.71	—	1,133.07
Finland	313.27	283.41	86.25	682.94
France	95.93	187.74	—	283.67
Germany <sup>(b)</sup>	125.44	39.62	—	165.06
Greece	1.82	—	—	1.82
Ireland	10.28	86.74	20.68	117.70
Italy	0.02	0.05	—	0.08
Japan	59.83	53.93	—	113.76
Luxembourg	132.78	192.58	—	325.36
Netherlands	136.69	131.21	—	267.90
New Zealand	21.06	19.51	7.51	48.07
Norway	365.68	—	168.12	533.80
Portugal	24.57	13.15	—	37.72
Spain	7.11	25.99	—	33.10
Sweden	602.25	756.60	56.79	1,415.64
United Kingdom	110.58	123.34	—	233.92
United States of America	91.43	29.62	106.07	227.12
<b>All countries' average<sup>(c)</sup></b>	<b>85.54</b>	<b>66.47</b>	<b>64.55</b>	<b>216.56</b>

(a) Commonwealth government plus State and Territory government expenditure.

(b) These data are only for the Federal Republic of Germany.

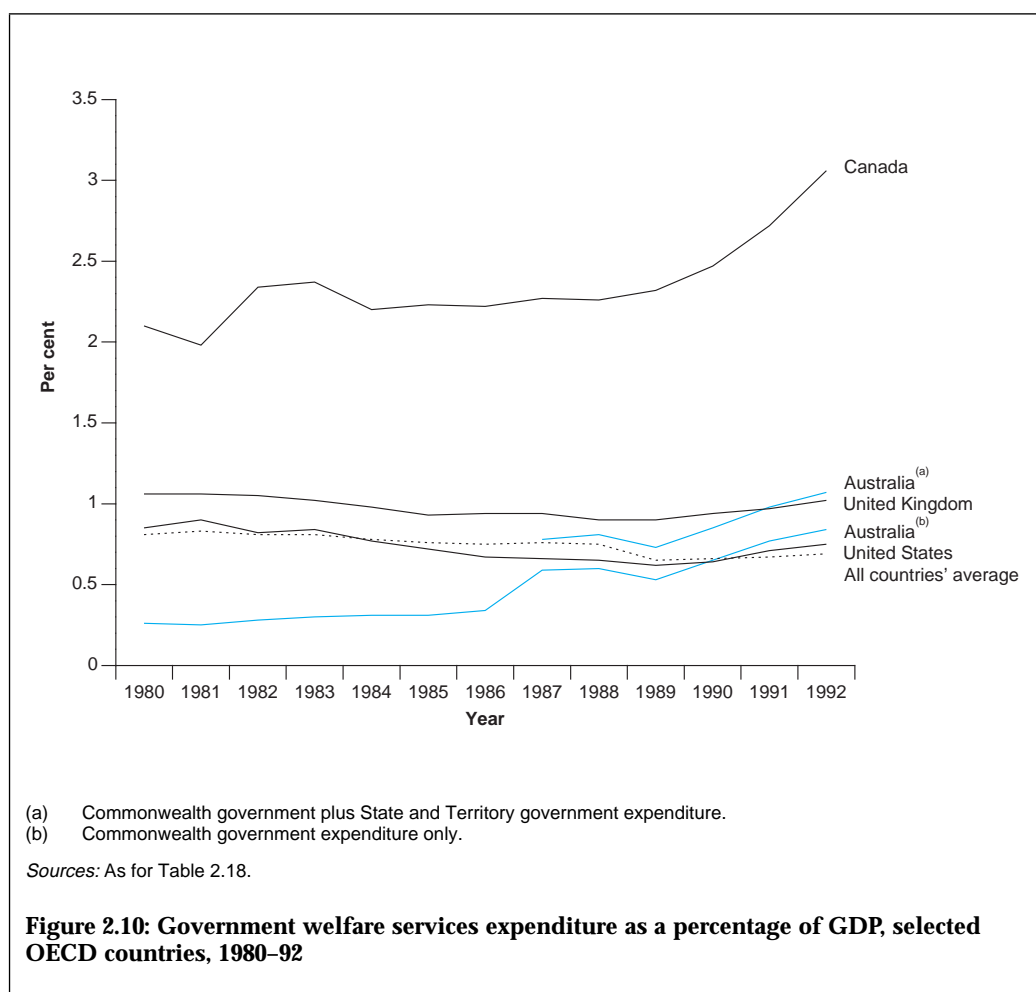
(c) All countries' average was estimated using aggregate expenditure by all countries in \$A values (based on PPPs) and aggregate population of all countries.

Sources: Countries other than Australia: OECD unpublished data; Australia: AIHW welfare services expenditure database.

rise, to 1.0% in 1991 and 1.1% in 1992, and remained above the OECD average of 0.7% in both those years (Figure 2.10).

The all countries' average ratio was strongly influenced by changes in the ratio of welfare services to GDP in the United States from one year to another. This was because the United States economy accounted for more than 30% of the aggregate government welfare services expenditure and GDP for all OECD countries in each year.

The average level of government expenditure on welfare services in 1980 for all OECD countries was 0.8% of GDP. Ten of the twenty-one countries had levels of expenditure that were more than the overall average (Table 2.18). Two of them—Germany and the United States of America—were only marginally above the average in 1980. The



others—Canada, Denmark, Finland, France, the Netherlands, Norway, Sweden and the United Kingdom—were all well above the OECD average.

By 1990, the all countries' average had fallen to 0.7% of GDP, resulting largely from a fall in the government welfare services to GDP ratio of the United States: from 0.8% in 1980 to 0.6% in 1990. Luxembourg, whose ratio had been below the average in 1980 was, by 1990, above it. Its position had changed by virtue of its increasing government welfare services expenditure to GDP ratio. Ireland's ratio moved from below to close to the average by reason of the all countries' average ratio having fallen. On the other hand, the government welfare services to GDP ratio of the United States had reduced to 0.6% in 1990—below the all countries' average.

The average ratio of government welfare services expenditure to GDP for all OECD countries in 1992 was 0.7%. Germany's ratios moved from being above the overall average in 1990 to below in 1992. The German data relates to expenditure on services provided in West Germany—the region formerly known as the Federal Republic of

Germany. It does not include expenditure on services in the former East Germany (German Democratic Republic). Following reunification in 1990, there was some reduction in expenditure on services provided in West Germany as more support was directed to the East. This is reflected in the large reduction in per person expenditure between 1990 and 1992, resulting in Germany's ratio of government welfare services to GDP falling from 0.8% (above the average) in 1990 to 0.6% (below the average) in 1992.

Denmark and Sweden were consistently the highest spenders on welfare services in terms of the proportion of GDP. In 1980, they devoted 4.6% and 4.3%, respectively, to government welfare services expenditure. By 1990, Denmark's ratio had fallen slightly, to 4.5%, while Sweden's had increased to 4.7% of GDP. In 1992 Denmark's ratio was still

**Table 2.18: Government welfare services expenditure as a percentage of GDP and per person, 1980, 1990, 1992 (\$A)**

Country	1980		1990		1992	
	% of GDP	\$A per person	% of GDP	\$A per person	% of GDP	\$A per person
Australia <sup>(a)</sup>	n.a.	n.a.	0.9	199.12	1.1	264.54
Australia <sup>(b)</sup>	0.3	25.25	0.7	156.40	0.9	214.84
Austria	0.3	28.09	0.3	58.18	0.2	63.58
Belgium	0.3	25.12	0.2	52.52	0.2	56.29
Canada	2.1	215.37	2.6	666.79	3.1	787.82
Denmark	4.6	416.44	4.5	1,035.14	4.5	1,133.07
Finland	1.4	112.44	2.8	633.64	3.3	682.94
France	1.0	99.03	1.0	242.20	1.1	283.67
Germany <sup>(c)</sup>	0.8	82.10	0.8	216.69	0.6	165.06
Greece	—	0.47	—	2.10	—	1.82
Ireland	0.7	38.64	0.7	101.99	0.6	117.70
Italy	—	0.03	—	0.07	—	0.08
Japan	0.4	33.44	0.4	94.33	0.4	113.76
Luxembourg	0.4	49.90	0.8	249.08	0.9	325.36
Netherlands	1.2	112.96	1.3	278.55	1.1	267.90
New Zealand	0.4	33.83	0.2	31.01	0.2	48.07
Norway	0.9	85.80	1.4	328.46	1.9	533.80
Portugal	0.1	6.65	0.3	36.67	0.2	37.72
Spain	0.1	5.80	0.2	26.63	0.2	33.10
Sweden	4.3	417.38	4.7	1,119.46	6.1	1,415.64
United Kingdom	1.1	89.15	0.9	209.00	1.0	233.92
United States of America	0.8	101.62	0.6	189.53	0.7	227.12
<b>All countries' average<sup>(d)</sup></b>	<b>0.8</b>	<b>78.66</b>	<b>0.7</b>	<b>189.85</b>	<b>0.7</b>	<b>216.96</b>

(a) Commonwealth government plus State and Territory government expenditure.

(b) Commonwealth government expenditure only.

(c) These data are for the Federal Republic of Germany only.

(d) All countries' average expenditure was estimated using aggregate expenditure by all countries in \$A values (based on PPPs) and aggregate population of all countries. All countries' welfare services: GDP ratios were calculated using aggregate expenditure and GDP for all countries in \$A values (based on PPPs).

Sources: Countries other than Australia: OECD unpublished data; Australia: 1980—OECD unpublished data, 1990 and 1992—AIHW welfare services expenditure database.

4.5% but Sweden's had continued to increase, to 6.1%. Sweden was also the highest spending nation as far as expenditure per person on government welfare services was concerned. In 1992, with an average of almost \$1,416 per person, it spent \$283 per person more than the next highest spending nation—Denmark, which had an average expenditure of \$1,133. Also consistently among the highest spending nations were Canada, Finland and Norway.

A factor that could influence a country's level of expenditure on welfare services is its reliance on other forms of social expenditure. Table 2.19 shows the percentage of total

**Table 2.19: Government welfare services expenditure by OECD member countries as a proportion of total government social expenditures, 1980, 1990, 1992 (%)**

Country	Government welfare services expenditure as percentage of government social expenditure			Government social expenditure as percentage of GDP in 1992
	1980	1990	1992	
Australia <sup>(a)</sup>	n.a.	7.0	7.7	16.4
Australia <sup>(b)</sup>	2.2	5.5	6.2	n.a.
Austria	1.4	1.1	1.0	24.7
Belgium	1.1	0.9	0.8	27.0
Canada	14.9	14.4	15.2	20.1
Denmark	16.6	15.9	15.2	29.8
Finland	7.2	11.1	9.6	34.7
France	4.3	3.9	4.0	27.3
Germany <sup>(c)</sup>	3.3	3.6	2.4	27.3
Greece	0.1	0.1	0.1	16.8
Ireland	3.6	3.4	3.2	20.4
Italy	1.6	1.4	1.2	—
Japan	3.9	3.3	3.4	12.0
Luxembourg	1.8	3.3	3.6	25.1
Netherlands	4.3	4.4	3.8	29.6
New Zealand	2.8	0.8	1.2	21.2
Norway	4.8	5.0	6.5	29.5
Portugal	1.2	2.0	1.6	15.6
Spain	0.6	0.8	0.8	21.4
Sweden	14.3	14.5	16.3	37.1
United Kingdom	5.7	4.7	4.7	21.9
United States of America	6.2	4.4	4.5	16.4
<b>All countries' average<sup>(d)</sup></b>	<b>5.3</b>	<b>4.7</b>	<b>4.6</b>	<b>15.1</b>

(a) Commonwealth government plus State and Territory government expenditure.

(b) Commonwealth government expenditure only.

(c) These data are for the Federal Republic of Germany only.

(d) All countries' average expenditure was estimated using aggregate expenditure by all countries in \$A values (based on PPPs) and aggregate population of all countries. All countries' welfare services: GDP ratios were calculated using aggregate expenditure and GDP for all countries in \$A values (based on PPPs).

Sources: As for Table 2.18.

social expenditure that was devoted by the individual member countries to welfare services in 1980, 1990 and 1992. It also shows the proportion of GDP devoted to government social expenditure in 1992.

Most countries experienced a decline in the proportion of total government social expenditure devoted to government welfare services between 1980 and 1992. The notable exceptions were Finland, which increased from 7.2% in 1980 to 11.1% in 1990, before falling back to 9.6%; Norway (4.8% in 1980 to 5.0% in 1990 and 6.5% in 1992); and Sweden (14.3% in 1980 to 14.5% in 1990 and 16.3% in 1992). Although the period over which comprehensive Australian national data were available was much shorter (expenditure by State and Territory Governments was included only from 1987), Australia also experienced significant growth in its government welfare services expenditure to government social expenditure ratio: from 7.0% in 1990 to 7.7% in 1992. Commonwealth government expenditure on welfare services, which covers the whole period from 1980, showed significant growth as well: from 2.2% in 1980 to 5.5% in 1990 and 6.2% in 1992.

Between 1980 and 1992, there was a decline in the all countries' average proportion of government social expenditure devoted to government welfare services for the selected countries. The average went from 5.3% in 1980 to 4.7% in 1990 and to 4.6% in 1992.

## 2.9 Summary

Total welfare services expenditure as a proportion of GDP increased from 1.3% in 1989–90 to 1.8% in 1992–93, after which it remained at that level for the next three years.

Welfare services in Australia are provided by governments, non-government organisations and households. The Commonwealth Government is predominantly a funder of welfare services, while local government is predominantly a provider of welfare services. State and Territory Governments play a more dominant role as both funders and providers. Non-government community service organisations are predominantly providers, supplying 59% of the value of all welfare services in Australia in 1995–96.

In 1995–96, 66% (\$5.8 billion) of total welfare services expenditure was funded by the government sector, 10% (\$0.9 billion) by the non-government sector and 25% (\$2.2 billion) by client fees. Of the total government sector funding, 44% was by State and Territory Governments, 54% by the Commonwealth Government and 3% by local governments.

It is estimated that the total tax expenditure benefit provided to non-government community service organisations by governments in 1995–96 was around \$530 million. Of this, about \$70 million was forgone due to tax deductions for donations to these organisations.

Over the 7-year period to 1995–96, about 60% of the combined Commonwealth and State and Territory recurrent expenditure was directed towards services for the aged and disabled. Family and child welfare services accounted for 30%, and other welfare services received 10%.

Tasmania spent more in 1995–96 per person (\$231) from their own funds than other States, while Queensland spent the least (\$72). The national average spent by State Governments out of their own funds was \$134 per person.

In 1995–96, the actual welfare services expenditures of Victoria, Western Australia, South Australia, Tasmania, and the Australian Capital Territory were above the CGC estimates of standardised expenditure.

Between 1989–90 and 1995–96, expenditure on welfare services in current prices rose from \$4.7 billion to \$8.9 billion, a rise of 89% during that period.

Estimated total welfare services expenditure grew at an average annual rate of 8.4% in real terms from 1989–90 to 1995–96, a total increase of 62%. Over the period, real growth in GDP averaged 2.7% per year.

Welfare services expenditure per person increased over the same period, from \$278 per person to \$420 per person, in constant prices. This was a total increase of 51%, averaging 7.1% per year in real terms.

The recurrent expenditure of non-government community service organisations increased from \$4.0 billion in 1992–93 to \$5.0 billion in 1995–96. It is estimated that in 1995–96 they funded \$0.9 billion from their own funds. This was 17% of their recurrent expenditure. Client fees funded 35% of their recurrent expenditure. The proportion of funding from client fees was stable over the period, and the proportion of funding from governments increased from 46% to 48%.

In 1994–95, volunteers working in the welfare/community services field contributed 106 million hours. This was equivalent to around 43% of the total hours worked by the paid work force in the community services sector. The value of their voluntary work was estimated at \$1.4 billion. Its value in 1995–96 was estimated to be \$1.5 billion.

## References

- Australian Bureau of Statistics (ABS) 1994. How Australians use their time. Cat. No. 4153.0. Canberra: AGPS.
- Australian Bureau of Statistics (ABS) 1995. The labour force Australia, May 1995. Cat. No. 6203.0. Canberra: AGPS.
- Australian Bureau of Statistics (ABS) 1996a. Australian demographic statistics, December quarter 1995. Cat. No. 3101.0. Canberra: AGPS.
- Australian Bureau of Statistics (ABS) 1996b. Government Purpose Classification (unpublished).
- Australian Bureau of Statistics (ABS) 1996c. Voluntary work, Australia, June 1995. Cat. No. 4441.0. Canberra: AGPS.
- Australian Bureau of Statistics (ABS) 1996d. Employee earnings and hours, Australia, May 1996. Cat. No. 6306.0. Canberra: AGPS.
- Australian Bureau of Statistics (ABS) 1997a. 1995–96 Government finance statistics, Australia. Reissue. Cat. No. 5512.0. Canberra: AGPS.
- Australian Bureau of Statistics (ABS) 1997b. Australian demographic statistics, September quarter 1996. Cat. No. 3101.0. Canberra: AGPS.
- Australian Bureau of Statistics (ABS) 1997c. Australian national accounts: national income, expenditure and product. Cat. No. 5205.0. Canberra: AGPS.
- Australian Bureau of Statistics (ABS) 1997d. Child care, Australia, March 1996. Cat. No. 4402.0. Canberra: AGPS.
- Australian Bureau of Statistics (ABS) 1997e. 1995–96 Community services industry survey. Cat. No. 8694.0. Canberra: AGPS.
- Australian Institute of Health and Welfare (AIHW) 1995. Australia's welfare 1995: services and assistance. Canberra: AGPS.
- Australian Institute of Health and Welfare (AIHW) 1996. Welfare services expenditure bulletin No. 2. Canberra: AIHW.
- Australian Institute of Health and Welfare (AIHW) 1997. Estimating welfare services expenditure by non-government organisations. Canberra: AIHW.
- Commonwealth Grants Commission (CGC) 1997. Report on general revenue grant relativities. 1997 update. Canberra: AGPS.
- Commonwealth of Australia 1989. Commonwealth financial relations with other levels of government 1989–90. Budget paper No. 4. Canberra: AGPS.
- Commonwealth of Australia 1990. Commonwealth financial relations with other levels of government 1990–91. Budget paper No. 4. Canberra: AGPS.
- Commonwealth of Australia 1991. Commonwealth financial relations with other levels of government 1991–92. Budget paper No. 4. Canberra: AGPS.
- Commonwealth of Australia 1992. Commonwealth financial relations with other levels of government 1992–93. Budget paper No. 4. Canberra: AGPS.

Commonwealth of Australia 1993. Commonwealth financial relations with other levels of government 1993–94. Budget paper No. 4. Canberra: AGPS.

Department of Community Services and Health (DCSH) 1990. Explanatory notes 1990–91. Budget related paper 6.4A. Canberra: AGPS.

Department of Health, Housing and Community Services (DHHCS) 1991. Program performance statements 1991–92. Budget related paper 8.4A. Canberra: AGPS.

Department of Health, Housing and Community Services (DHHCS) 1992. Program performance statements 1992–93. Budget related paper 9.8A. Canberra: AGPS.

Department of Health, Housing, Local Government and Community Services (DHHLGCS) 1993. Program performance statements 1993–94. Budget related paper 7.8A. Canberra: AGPS.

Department of Housing and Regional Development (DHRD) 1994. Annual report 1993–94. Canberra: AGPS.

Department of Housing and Regional Development (DHRD) 1995. Annual report 1994–95. Canberra: AGPS.

Department of Human Services and Health (DHSH) 1994. Portfolio budget measures statements 1994–95. Budget related paper 4.9. Canberra: AGPS.

Department of Human Services and Health (DHSH) 1995. Statistical overview 1993–94. Canberra: AGPS.

Department of Health and Family Services (DHFS) 1996. Annual report 1995–96. Canberra: AGPS.

Department of the Treasury 1997. Tax expenditures statement, 1995–96. Canberra: AGPS.

Industry Commission 1994. Charitable organisations in Australia: an inquiry into community social welfare organisations. Draft report. Melbourne: AGPS.

Industry Commission 1995. Charitable organisations in Australia. Report No. 45. Melbourne: AGPS.

Inter-Secretariat Working Group 1993. System of national accounts 1993. Brussels/Luxembourg, New York, Paris, Washington DC: Commission of the European Communities, International Monetary Fund, Organisation for Economic Co-operation and Development, United Nations, World Bank.

United Nations (UN) 1980. Classification of the functions of government. Statistical papers. Series M No. 70. New York: UN.

