IN ACCORDANCE WITH THE DEGREE REQUIREMENTS, AND WITH THE EXCEPTION OF THE ACKNOWLEDGEMENTS TO SOURCES MADE IN FOOTNOTES, THIS THESIS IS CLAIMED AS ORIGINAL.

30 March 1976
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Sections of the Australian aged community have received cash allowances on a non-contributory and selective basis since 1900. This makes Australia one of the first countries to establish an age pension scheme. It is also one of the very few that has not followed the world trend by adopting some form of compulsory social insurance.

This thesis has three aims. Firstly, to explain why Australia decided to provide non-contributory and selective cash age pensions around the turn of the century. Secondly, to examine the various abortive attempts that were subsequently made to establish a comprehensive social insurance scheme. Thirdly, to examine the various changes that were made to the Australian age pension scheme between 1909 and 1972. The study has been divided into four sections.

The first section is concerned with the emergence of a clear need for a new approach to the problem of aged destitution in the 1890s. Chapter 1 provides background details relating to the position of the aged population at the beginning of the 1890s, the existing charitable relief system, and the prevailing welfare philosophy. Chapter 2 deals with the circumstances which led to the various welfare reform proposals, culminating in the introduction of non-contributory, selective age pensions in New South Wales and Victoria.
in 1900. Chapter 3 is concerned with, firstly, the various State pension schemes that were introduced, for they set the framework within which the Commonwealth's policy towards the aged emerged; and secondly, why there was a seven-year delay before the Commonwealth invoked its constitutional authority to create an age pension scheme.

In the second section attention is centred on the various, unsuccessful, moves that were made towards the introduction of a compulsory social insurance scheme in Australia. It is necessary in this section to examine issues which might appear, at first glance, to be only indirectly related to age pensions. This is unavoidable because the debate over the financing of age pensions rarely occurred outside the context of a social insurance approach to the provision of all social services. Up to the 1930s depression two moves were made towards the introduction of social insurance. These will be examined in Chapter 4. The following chapter looks, firstly, at the events which led up to the enacting of the 1938 National Health and Pension Insurance Act. Then it examines why, once more, social insurance, and ipso facto compulsory-contributory age pensions, failed to take root in Australia. Chapter 6 is concerned with the various methods of financing social services, including age pensions, that were adopted in the 1940s and early 1950s before the non-contributory principle was finally accepted by all major political groupings in Australia.
The third section of this study provides details relating to, and considers the significance of, the various changes that were made to the Australian age pension scheme between 1908 and 1972. Chapter 7 examines the entry requirements of the scheme. Chapter 8 looks at the cash allowances that were granted. Chapter 9 is concerned with the various non-pension benefits, both cash and in-kind, that were provided.

The final section incorporates the summary and conclusion.

I would like now to take this opportunity to thank the many people who have assisted me in the preparation of this thesis. My first obligation is to Dr Colin Forster and Mr Selwyn Cornish for their efforts in making what follows as readable as possible. Of course, any student of Australian social welfare history owes an intellectual debt to Mr T.H. Kewley for his mammoth study entitled *Social Security in Australia, 1900 - 1972*, (Sydney, Sydney University Press, 1973). However much Mr Kewley's approach and conclusion might be disagreed with, his influence is undoubted. I would also like to thank Professor James Cutt for his comments on the manuscript. To Mrs Helen Symes, Mrs Beth Olsen and Ms Alison Reid go my thanks for their typing efforts.

Without doubt my biggest debt is to my wife, Tina, who gave me the opportunity to undertake this thesis.
A NOTE ON CURRENCY

In Parts I and II, which are concerned only with the period before Australia adopted a decimal system of currency, pounds shillings and pence are not converted into dollars and cents. However, in Parts III and IV such a conversion is carried out to make inter-temporal comparisons easier.
### A Chronological List of Australian Prime Ministers Since 1901

<table>
<thead>
<tr>
<th>Date Commenced</th>
<th>Name</th>
<th>Governing Party/Parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. 1.1901</td>
<td>Edmund Barton</td>
<td>Protectionist</td>
</tr>
<tr>
<td>24. 9.1903</td>
<td>Alfred Deakin</td>
<td>Protectionist</td>
</tr>
<tr>
<td>27. 4.1904</td>
<td>John Christian Watson</td>
<td>Australian Labor Party</td>
</tr>
<tr>
<td>18. 8.1904</td>
<td>George Houstoun Reid</td>
<td>Freetrade-Protectionist Coalition</td>
</tr>
<tr>
<td>5. 7.1905</td>
<td>Alfred Deakin</td>
<td>Protectionist</td>
</tr>
<tr>
<td>13.11.1908</td>
<td>Andrew Fisher</td>
<td>Australian Labor Party</td>
</tr>
<tr>
<td>2. 6.1909</td>
<td>Alfred Deakin</td>
<td>Protectionist-Freetrade-Tariff Reform Coalition</td>
</tr>
<tr>
<td>29. 4.1910</td>
<td>Andrew Fisher</td>
<td>Australian Labor Party</td>
</tr>
<tr>
<td>24. 6.1913</td>
<td>Joseph Cook</td>
<td>Liberal Party</td>
</tr>
<tr>
<td>17. 9.1914</td>
<td>Andrew Fisher</td>
<td>Australian Labor Party</td>
</tr>
<tr>
<td>17.10.1915</td>
<td>William Morris Hughes</td>
<td>Australian Labor Party</td>
</tr>
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<td>14.11.1916</td>
<td>William Morris Hughes</td>
<td>National Labor Party</td>
</tr>
<tr>
<td>17. 2.1917</td>
<td>William Morris Hughes</td>
<td>Nationalist Party</td>
</tr>
<tr>
<td>9. 2.1923</td>
<td>Stanley Melbourne Bruce</td>
<td>Nationalist-Country Party Coalition</td>
</tr>
<tr>
<td>Date</td>
<td>Person</td>
<td>Party</td>
</tr>
<tr>
<td>------------</td>
<td>----------------------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td>22.10.1929</td>
<td>James Henry Scullin</td>
<td>Australian Labor Party</td>
</tr>
<tr>
<td>6. 1.1932</td>
<td>Joseph Aloysius Lyons</td>
<td>United Australia Party</td>
</tr>
<tr>
<td>9.11.1934</td>
<td>Joseph Aloysius Lyons</td>
<td>United Australia Party - Country Party Coalition</td>
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<td>26. 4.1939</td>
<td>Robert Gordon Menzies</td>
<td>United Australia Party</td>
</tr>
<tr>
<td>14. 3.1940</td>
<td>Robert Gordon Menzies</td>
<td>United Australia Party - Country Party Coalition</td>
</tr>
<tr>
<td>29. 8.1941</td>
<td>Arthur William Fadden</td>
<td>Country Party - United Australia Party Coalition</td>
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<td>7.10.1941</td>
<td>John Curtin</td>
<td>Australian Labor Party</td>
</tr>
<tr>
<td>6. 7.1945</td>
<td>Francis Michael Ford</td>
<td>Australian Labor Party</td>
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<td>13. 7.1945</td>
<td>Joseph Benedict Chifley</td>
<td>Australian Labor Party</td>
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<td>10. 1.1968</td>
<td>John Grey Gorton</td>
<td>Liberal - Country Party Coalition</td>
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<td>10. 3.1971</td>
<td>William McMahon</td>
<td>Liberal - Country Party Coalition</td>
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PART I

THE ORIGINS OF
AUSTRALIAN AGE PENSION
LEGISLATION
1. THE SETTING

INTRODUCTION

Australian age pension legislation had its origins in the new economic and social conditions in the 1890s. But what was the position of the aged population at the beginning of that decade? What were the circumstances on which the events in the 1890s impinged? It is with this setting that this chapter deals. It contains four largely independent sections. The first gives an impressionistic picture of Australia's aged community in the early 1890s. In the second, concern is focused on why so few of these old people had made financial provision for their old age. The third describes the colonial charitable relief system. Finally, an outline is given of the prevailing welfare philosophy.

THE AUSTRALIAN AGED COMMUNITY IN THE EARLY 1890s

In 1891, Australia's population was 3.2 millions, of which less than 93,000 (or 2.9 per cent) were sixty-five years of age or over. An impressionistic picture of this very small aged community can be built up from information provided by the 1891 Census, other official statistics and contemporary opinions.1

1 What follows is based on the following references:
The 1891 Census for Victoria, Queensland, South Australia and New South Wales; Victoria, Royal Commission on Old-age Pensions, Minutes of Evidence, (1898), passim; N.S.W., Select Committee on Old-age Pensions, Minutes of Evidence, (1896), passim; South Australia, Royal Commission on the Aged Poor, Minutes of Evidence, (1898), passim; Vic., Statistical Register of Victoria, 1888 - 1892; T.A. Coghlan (Ed), The Wealth and Progress of N.S.W., 1888 - 1892; Peter F. McDonald, Marriage in Australia: Age at First Marriage and Proportions Marrying, 1860 - 1971, (1974), Ch. 3; R.V. Jackson, Residential Building in Sydney 1871 - 1900, (1971), pp.96 - 103; R.B. Madgwick, Immigration into Eastern Australia 1788-1851.
The typical male member of this community emigrated from Great Britain in the late 1840s and early 1850s with great expectations, but little or no money. He worked on the gold fields searching for his fortune until he found it necessary to seek employment elsewhere. The chronic shortage of labour, which continued until the 1890s, ensured that throughout his working life jobs were easy to obtain and wages were high. In these circumstances life was probably quite comfortable for him. So, as he grew older, he looked to his old age with confidence, expecting that suitable work, which paid a reasonable wage, would still be available. For him it was a gradual transition from middle age to old age. Being a man who had worked for most of his life, it seemed quite natural that he should continue to do so for as long as he could. Voluntary retirement was an alternative that he never seriously considered.

This, then, was the situation in the early 1890s. Most elderly men were still working (see table 1.1), a large number in rural areas and many as unskilled urban labourers. Only the wealthy or the infirm remained outside the workforce. Very few depended on charity, and those who did were mainly the chronically ill who were unable to obtain family support.

### TABLE 1.1

THE DISTRIBUTION OF MEN AGED 65 AND OVER BY OCCUPATION: 1891

<table>
<thead>
<tr>
<th>CLASSIFICATION</th>
<th>VICTORIA</th>
<th>NEW SOUTH WALES</th>
<th>QUEENSLAND</th>
<th>SOUTH AUSTRALIA</th>
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<tr>
<td><strong>TOTAL</strong></td>
<td>22,680</td>
<td>16,636</td>
<td>3,587</td>
<td>5,497</td>
</tr>
<tr>
<td></td>
<td>(100%)</td>
<td>(100%)</td>
<td>(100%)</td>
<td>(100%)</td>
</tr>
<tr>
<td>Professional</td>
<td>n.a.</td>
<td>536</td>
<td>133</td>
<td>220</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(3.2)</td>
<td>(3.7)</td>
<td>(4.0)</td>
</tr>
<tr>
<td>Domestic Servants</td>
<td>n.a.</td>
<td>690</td>
<td>117</td>
<td>100</td>
</tr>
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<td></td>
<td></td>
<td>(4.1)</td>
<td>(3.3)</td>
<td>(1.8)</td>
</tr>
<tr>
<td>Commercial</td>
<td>n.a.</td>
<td>1,853</td>
<td>451</td>
<td>816</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(11.1)</td>
<td>(12.6)</td>
<td>(14.8)</td>
</tr>
<tr>
<td>Industrial</td>
<td>n.a.</td>
<td>3,061</td>
<td>705</td>
<td>1,332</td>
</tr>
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<td></td>
<td></td>
<td>(18.4)</td>
<td>(19.7)</td>
<td>(24.3)</td>
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<tr>
<td>Primary</td>
<td>n.a.</td>
<td>6,103</td>
<td>1,417</td>
<td>1,896</td>
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<td></td>
<td></td>
<td>(36.7)</td>
<td>(39.5)</td>
<td>(34.5)</td>
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<tr>
<td><strong>TOTAL EMPLOYED</strong></td>
<td>18,261</td>
<td>12,243</td>
<td>2,823</td>
<td>4,364</td>
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<tr>
<td></td>
<td>(80.5)</td>
<td>(73.5)</td>
<td>(78.8)</td>
<td>(79.4)</td>
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<tr>
<td><strong>TOTAL WITH INDEPENDENT MEANS</strong></td>
<td>1,896</td>
<td>1,827</td>
<td>101</td>
<td>476</td>
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<td>(8.4)</td>
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<td>Dependent Upon</td>
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<td>Relatives²</td>
<td>410</td>
<td>757</td>
<td>154</td>
<td>82</td>
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<td></td>
<td>(1.8)</td>
<td>(4.6)</td>
<td>(4.3)</td>
<td>(1.5)</td>
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<td>Inmates of:</td>
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<td></td>
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<td>Hospitals</td>
<td></td>
<td>n.a.</td>
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<td>31</td>
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<td></td>
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<td>(0.8)</td>
<td>(0.6)</td>
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<td>Benevolent Asylums</td>
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<td>n.a.</td>
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<td>159</td>
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<td></td>
<td>(3.2)</td>
<td>(7.7)</td>
<td>(2.9)</td>
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<td>Gaols</td>
<td>88</td>
<td>n.a.</td>
<td>3</td>
<td>6</td>
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<td></td>
<td>(0.4)</td>
<td></td>
<td>(0.1)</td>
<td>(0.1)</td>
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<tr>
<td>Total</td>
<td>1,000</td>
<td>1,701</td>
<td>332</td>
<td>247</td>
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<td></td>
<td>(4.4)</td>
<td>(10.2)</td>
<td>(9.3)</td>
<td>(4.6)</td>
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<td>Other Dependants³</td>
<td>1,113</td>
<td>108</td>
<td>177</td>
<td>328</td>
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<td></td>
<td>(4.9)</td>
<td>(0.6)</td>
<td>(4.9)</td>
<td>(6.0)</td>
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<tr>
<td><strong>TOTAL DEPENDANTS</strong></td>
<td>2,523</td>
<td>2,566</td>
<td>663</td>
<td>657</td>
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<td></td>
<td>(11.1)</td>
<td>(15.4)</td>
<td>(18.5)</td>
<td>(12.0)</td>
</tr>
</tbody>
</table>

**NOTES:**
1. Excludes Chinese and Aborigines.
2. Includes 'spouse' and 'visitors and others'.
3. Constituting 'occupations not stated' plus 'paupers'.
4. n.a. - not available.

**SOURCE:**
- **VICTORIA:** Victoria, Royal Commission on Old Age Pensions, Minutes of Evidence, (1898), p.114.
- **NEW SOUTH WALES:** N.S.W., Select Committee on Old Age Pensions, Minutes of Evidence, (1896), p.77.
- **QUEENSLAND:** Census of Queensland, (1891), Table CVII.
- **SOUTH AUSTRALIA:** S.A., Royal Commission on the Aged Poor,
- **AUSTRALIA:** Appendix A, (1898), pp.2 and 26 - 8.
Like her male counterpart, the typical elderly woman was also of British origin and emigrated to the colonies when she was young. On her arrival she found that while job opportunities were limited there was a preponderance of older men; she was soon married. By the 1890s, however, she was a widow. Had she married a wealthy man, or one able and far-sighted enough to provide for her old age, she would have encountered few serious financial problems in her declining years. But, in fact, she married a man who was neither wealthy nor far-sighted, which meant that in her old age she faced three alternatives. First, she could seek family assistance. Failing this, work as a domestic might be available. Finally, as a last resort, public charity could be obtained, but this was not common in the early 1890s (see table 1.2).

The absence of conspicuous poverty was one of the dominant features of the aged community in the early 1890s. Very few aged people ever died from the want of food and shelter. There was very little street begging. Those in good health could find work and, generally, had a sufficiency of the bare essentials of life. Those suffering ill-health were cared for by their relatives or in the barely adequate government institutions. For this situation to continue, however, required the continuation of buoyant economic conditions.

FINANCIAL PROVISION FOR OLD AGE

It is clear from tables 1.1 and 1.2 that in the early 1890s provision for old age had been made by only a small section of the aged community. For the majority, it seems, assistance from relatives or public charity was all they
# Table 1.2

**The Distribution of Women Aged 65 and Over by Occupation: 1891**

<table>
<thead>
<tr>
<th>Classification</th>
<th>Victoria</th>
<th>New South Wales</th>
<th>Queensland</th>
<th>South Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>15,657</td>
<td>11,689</td>
<td>2,366</td>
<td>5,123</td>
</tr>
<tr>
<td></td>
<td>(100%)</td>
<td>(100%)</td>
<td>(100%)</td>
<td>(100%)</td>
</tr>
<tr>
<td>Professional</td>
<td>n.a.</td>
<td>306</td>
<td>52</td>
<td>86</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(2.6)</td>
<td>(2.2)</td>
<td>(1.7)</td>
</tr>
<tr>
<td>Domestic Servants</td>
<td>n.a.</td>
<td>452</td>
<td>96</td>
<td>141</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(3.9)</td>
<td>(4.1)</td>
<td>(2.8)</td>
</tr>
<tr>
<td>Commercial</td>
<td>n.a.</td>
<td>347</td>
<td>90</td>
<td>176</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(3.0)</td>
<td>(3.8)</td>
<td>(3.4)</td>
</tr>
<tr>
<td>Industrial</td>
<td>n.a.</td>
<td>167</td>
<td>18</td>
<td>64</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(1.4)</td>
<td>(0.8)</td>
<td>(1.2)</td>
</tr>
<tr>
<td>Primary</td>
<td>n.a.</td>
<td>347</td>
<td>222</td>
<td>107</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(3.0)</td>
<td>(9.3)</td>
<td>(2.1)</td>
</tr>
<tr>
<td><strong>Total Employed</strong></td>
<td>2,165</td>
<td>1,619</td>
<td>478</td>
<td>574</td>
</tr>
<tr>
<td></td>
<td>(13.8)</td>
<td>(13.9)</td>
<td>(20.2)</td>
<td>(11.2)</td>
</tr>
<tr>
<td><strong>Total with Independent Means</strong></td>
<td>3,364</td>
<td>1,549</td>
<td>38</td>
<td>283</td>
</tr>
<tr>
<td></td>
<td>(21.5)</td>
<td>(13.2)</td>
<td>(1.6)</td>
<td>(5.5)</td>
</tr>
<tr>
<td>Dependent on Relatives</td>
<td>9,422</td>
<td>7,924</td>
<td>1,751</td>
<td>4,065</td>
</tr>
<tr>
<td></td>
<td>(60.2)</td>
<td>(67.8)</td>
<td>(74.0)</td>
<td>(79.4)</td>
</tr>
<tr>
<td>Inmates of:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hospitals</td>
<td>..</td>
<td>n.a.</td>
<td>3</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0.1)</td>
<td>(0.6)</td>
</tr>
<tr>
<td>Benevolent Asylums</td>
<td>454</td>
<td>n.a.</td>
<td>51</td>
<td>56</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(2.9)</td>
<td>(2.2)</td>
<td>(1.2)</td>
</tr>
<tr>
<td>Lunatic Asylums</td>
<td>156</td>
<td>n.a.</td>
<td>8</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(1.0)</td>
<td>(0.3)</td>
<td>(0.5)</td>
</tr>
<tr>
<td>Gaols</td>
<td>32</td>
<td>n.a.</td>
<td>..</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>(0.2)</td>
<td></td>
<td></td>
<td>(0.0)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>642</td>
<td>460</td>
<td>62</td>
<td>117</td>
</tr>
<tr>
<td></td>
<td>(4.1)</td>
<td>(3.9)</td>
<td>(2.6)</td>
<td>(2.3)</td>
</tr>
<tr>
<td>Other Dependants</td>
<td>64</td>
<td>137</td>
<td>37</td>
<td>84</td>
</tr>
<tr>
<td></td>
<td>(0.4)</td>
<td>(1.2)</td>
<td>(1.6)</td>
<td>(1.6)</td>
</tr>
<tr>
<td><strong>Total Dependants</strong></td>
<td>10,128</td>
<td>8,521</td>
<td>1,850</td>
<td>4,266</td>
</tr>
<tr>
<td></td>
<td>(64.7)</td>
<td>(72.0)</td>
<td>(78.2)</td>
<td>(83.3)</td>
</tr>
</tbody>
</table>

**Notes:**
1. Excludes Chinese and Aborigines.
2. Includes 'spouses' and 'visitors and others'.
3. Constituting 'occupations not stated', 'paupers' and 'beggars'.
4. n.a. - not available.

**Source:** See Table 1.1
had to look forward to after their retirement. Why was this so? Clearly, before a person makes any provision for his old age he must have the means, the facilities and the motivation to do so. The extent to which each of these existed in the second half of the nineteenth century will now be considered.

The Means

Australia, from the discovery of gold in the 1850s to the late 1880s, had been commonly described as a land of opportunity, a workers paradise. The almost continuous labour shortage throughout this period, particularly the 1870s and 1880s, ensured that not only were wages high, but unemployment temporary. N. G. Butlin, when describing the labour market, argues that apart from relatively marked unemployment in 1878-79 and 1885-86 the

"...evidence is abundant of a high level of employment throughout the colonies. The growing power of the trade unions, the relative ease in securing wage increases, the steady rise in wage-rates, especially real wages, throughout the 'seventies and the retention of a high plateau of wages during the 'eighties, despite the large influx of immigrants during 1882-84, are all indirect indications of a sellers' market for labour."  

Regarding the actual level of wages at the time, P.G. Macarthy had commented:

"In the 'seventies and 'eighties, railway workers, itinerant pastoral workers and miners

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2 See, for example, Anthony Trollope, Australia and New Zealand, (1873), passim; and, R.E.N. Twopenny, Town Life in Australia, (1883), passim.

were paid 7s or 8s a day, and strong 'pick and shovel men' probably even more. This may have been nearly twice as much as was paid for similar work in Britain.\textsuperscript{4}

In these buoyant circumstances the vast majority of workers, most of whom were in regular employment, would have had little difficulty in making some provision for their old age. After all, for less than 1s a week a man of forty could have purchased, from one of the established life assurance offices, a deferred annuity which would have provided him with a pension of 5s a week once he reached the age of sixty.\textsuperscript{5}

Certainly there were some members of the colonial society who were not able to make provision for their old age. Women, for example, most of whom were dependants, were entirely reliant on their husbands and families for whatever financial security they had. Similarly, those invalids and unemployables who were not blessed with either a wealthy family or independent means - the vast majority - were also unable to provide for their old age. However, it was probably not the lack of financial ability which inhibited most people.

The Facilities

Anybody wishing to make some financial provision for their old age had three alternatives available. One was the purchase of income-earning assets, such as real estate. Another was the accumulation of a small reserve of savings


\textsuperscript{5} Victoria, Royal Commission on Old-age Pensions, Minutes of Evidence, (1898), p.213.
to draw upon after retirement. But for most people, however, the only effective means by which they could provide for their old age was through some form of mutual benefit organisation, where, in conjunction with others, they contributed to a common fund out of which a small retirement annuity was paid. It is on these institutions that attention is now centred.

Friendly societies, which were the most important colonial mutual benefit organisations, operated only on a very small scale before 1850, but by the 1880s they had firmly established themselves. Most were branches of existing English societies, and their development was stimulated by the influx of British immigrants in the early 1850s. By the 1860s many had created a broad branch structure throughout the colonies. Over the ensuring two decades their membership expanded rapidly.

These societies were given legislative authority to provide retirement benefits on a voluntary subscription basis, but few did. This is not to suggest, however, that they ignored the financial difficulties experienced by their elderly, non-working members. Most societies continued to pay them sickness benefits. While this assisted

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7 The Manchester Unity Order of Oddfellows had, for example, a colonial membership of 15,887 in 1864; see J.M. Baernreither, English Associations of Workingmen, (1883), p.373.
8 In Victoria, for example, membership increased from 35,706 in 1871 to 89,360 in 1891, which represents an average annual growth of 4.7 per cent; see, Vic., Royal Commission on Old-age Pensions, Minutes of Evidence, (1898), p.116.
9 During the 1850s, the larger colonies enacted legislation for this purpose: N.S.W. (1850), Vic. (1851), and S.A. (1852). The remaining colonies followed suit: W.A. (1863), Qld (1870) and Tas. (1887),
some non-working aged, it had adverse long-term consequences for the liquidity of these societies. As the proportion of non-working to working members was initially small, the burden of paying long-term sickness benefits was also small. However, as the proportion of non-working members increased, because of the difficulties that friendly societies had in attracting young members, the continued payment of these benefits placed considerable financial strain on friendly societies. By the 1890s many were facing a liquidity shortage and it was frequently suggested that the payment of sickness benefits to their non-working aged members was the prime cause.

Life assurance societies also offered facilities for those wishing to provide for their old age, although only on a limited scale before the 1850s. They were able to supply either a deferred annuity, by means of an annuity assurance policy, or a deferred lump-sum payment, under an endowment assurance policy. The attractiveness of assurance as a means of financing retirement was, however, limited for most of the nineteenth century because the practice of combining either endowment or annuity policies

10 For a discussion of the financial difficulties experienced by these Societies see: Vic., Royal Commission on Friendly Societies, Report, (1876), passim; and, Tas., Evan F. Owen, Report on Tasmanian Friendly Societies, (1886), passim.

11 See, for example, T.A. Coghlan, The Wealth and Progress of N.S.W., (1894), p. 817.

with a simple whole-of-life policy did not develop until the 1890s. However, had there been a demand for such combined policies there is little doubt that they would have emerged somewhat sooner.

Mutual benefit organizations, then, did exist when those reaching old age in the early 1890s were in the prime of life. They could have provided the necessary means for anyone intent upon gaining a degree of financial security in their old age. That these institutions were not widely used for this purpose reflects a lack of demand rather than their inability to supply the facilities.

The Motivation

Lack of motivation was probably the main reason why a large proportion of the Australian aged community in the early 1890s had made no prior provision for their old age. Why should so many people have either entirely ignored their old age and the financial problems that it might involve, or value the benefit of having increased financial security such that they saw no advantage in making any provision for their old age? It is worth examining in some detail what considerations could have prompted these conclusions.

The very idea that the working classes could have purchased a degree of financial security for their old age was a novel one in colonial Australia. Before the 1850s superannuation was available only to the educated and wealthy, never to the working man. With the growth in

13 See N.S.W., Select Committee on Old-age Pensions, Minutes of Evidence, (1896), p.58.
friendly and life assurance societies, however, the idea of assurance began to spread; but very slowly. It was not until the 1880s that the working classes began to purchase assurance to any great extent.¹⁴

It must also be remembered that throughout the nineteenth century there had always been a strong tradition of family responsibility for the aged. The moral responsibility of children to support their aging parents was virtually unquestioned, particularly in the rural areas, and this afforded a degree of financial security to elderly family members. As the century progressed, however, this tradition may have been weakened somewhat by the process of urbanization; but it was not wholly destroyed. The assumption made by aged relatives that the family could, and indeed would, bear their burden did not seem unreasonable to them.

Another important consideration is that many immigrants came to the Colonies with a strong tradition of poor relief. Perhaps this made them more complacent about receiving public charity. They may not have considered the receipt of charity to be objectionable enough to induce them to make financial provision for their old age, and so remove the possibility of ever requiring public assistance.

Also of importance was the commonly held belief that "men think all men mortal but themselves".¹⁵ Clearly those

¹⁴ See A.C. Gray, Industrial Life Assurance in Australia and New Zealand, pp.31 - 43; and, Vic., Report of Life Assurance Inquiry Board, (1896), passim.

¹⁵ Vic., Royal Commission on Old-age Pensions, Minutes of Evidence, (1898), p.211. See also, S.A., Royal Commission on the Aged Poor, Minutes of Evidence, p.36; and, Report, p.vi.
who held this view would have seen little value in considering the remote possibility of being in poverty after retirement.

No doubt, too, some people in their younger years tended to over-estimate their future income, perhaps because they were influenced by the buoyant economic conditions and the affluence of the colonial environment. Thus they tended to under-estimate the extent to which they might require financial assistance in their old age. Clearly those with high income expectations would have little incentive to think about their old age and the financial difficulties that it might involve.

Even those who bothered to consider the financial position in which they might find themselves in their old age, may have been reluctant to take action because of two uncertainties regarding colonial mutual benefit organizations. The first was that if contributions could not be kept up then past contributions might be forfeited. The practice of providing either a paid-up policy or a lump-sum compensation if the payment of contributions was discontinued before the policy matured was just emerging by the 1890s. The second uncertainty was whether or not the institution would be able to pay the promised benefit even if contributions were regularly paid.

With these considerations in mind, then, it is not surprising that only a very small proportion of the

16 A.C. Gray, op. cit., p.124.
17 See: Vic., Royal Commission on Friendly Societies, Report, (1886), passim; and, Tas., Evan F. Owen, Report on Tasmanian Friendly Societies, (1886), passim, for a full discussion of the financial difficulties facing friendly societies.
Australian aged community in the early 1890s had bothered to make any provision for their old age. The immediate and pressing needs of, first, youth, and then, family responsibilities, must have overshadowed what then appeared to be a very remote future benefit.

**THE EXISTING CHARITABLE RELIEF SYSTEM**

The colonial governments were, in the 1890s, the main suppliers of the small amount of charitable relief available to members of the aged community who could not provide for themselves. Not only did governments operate institutions which furnished the poor with some measure of indoor-relief, but they also provided almost half the revenue of private benevolent societies, which were administered mainly by religious organizations, and which supplied outdoor-relief to those in need.¹⁸

**Indoor-Relief**

Indoor-relief involved the provision of food, clothing and accommodation on an institutional basis. While the most important institution was the benevolent asylum (a home for the aged destitute) there were others - hospitals, gaols and lunatic asylums - which also dispensed a limited amount of indoor-relief.

Two distinct sections of the aged community were accommodated in benevolent asylums. One group was the chronically ill who could not be cared for in the overcrowded

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¹⁸ Only in Tasmania did the government directly provide outdoor-relief to the destitute aged to any great extent; see: Joan C. Brown, "Poverty is not a Crime", (1972), passim.
hospitals. As Dora Peyser, a welfare historian, has commented:

"Patients suffering from heart diseases, paralysis, senile decay, consumption and cancer were sent to the asylums, which were more or less relieving-houses for the metropolitan and country infirmaries [or hospitals]." 

The other group was the casual aged pauper, who, according to Peyser:

"...drifted in and out of the institution as their bodily health fluctuated. The custom was, when the medical officer reported them fit to travel or able to do light work, to furnish them with railway passes to the interior, usually to neighbourhoods where they were known. They hung about stations and homesteads, cooking for shearers, or doing other light work, subsisting on charity in many cases. They usually lived precariously until the cold weather set in or until they relapsed into illness, compelling them to ask again for admission into the asylum." 

Inmates of those institutions lived an austere life. They were accommodated in buildings that were antiquated, dilapidated, and strictly utilitarian in design. Washing facilities, for example, were usually inadequate, and the insulation insufficient to keep out the weather. While the


20 Dora Peyser, op. cit., p.206.
food was generally plentiful and adequate, it was unvarying. Few nurses were employed, despite the high proportion of sick inmates, but limited medical attention was provided by honorary doctors. Married couples were expected to live separately because the facilities available could not provide any privacy. Overcrowding, too, was a perennial problem. As for discipline, it was strict, almost penal in nature. Broad discretionary powers were held by the Administrator who could punish inmates for minor offences - such as gambling, using insulting language or quarrelling - by a wide range of means, such as deprivation of tobacco for a period of time or even solitary confinement within the asylum. In serious cases, a short gaol sentence could be given by a visiting Police Magistrate to an offending inmate.

Most of the aged poor who could neither obtain work nor gain support from relatives were virtually forced to enter a benevolent asylum. Their grim choice lay between the rigors of an institution or hunger. In the early 1890s, however, a radical alternative to the traditional indoor-relief institution was experimented with on a small scale in New South Wales. A few self-contained cottages were constructed for either women "...who have seen better days [or] respectable aged married couples." 21 These were made of brick and "...contained a bedroom, a sitting room and a kitchen, and a little front garden." 22 Because of their small number, these cottages catered only for a minute proportion of the destitute aged in New South Wales. No

21 Ibid.
22 Ibid.
other colony experimented with this idea at the time.

**Outdoor-Relief**

Outdoor-relief involved the issuing of rations to the destitute. A contemporary welfare administrator described the procedure as follows:

"The practice adopted by most Benevolent Societies throughout the country in administering outdoor-relief is to issue persons seeking them with tickets, having a specified face value, to be presented to the local tradespeople in exchange for provisions etc."\(^23\)

However, the larger societies, such as the Benevolent Society of New South Wales, distributed outdoor-relief from their own stores.\(^24\) A typical weekly ration for an aged person in New South Wales, for example, consisted of two loaves of bread, two pounds of flour, one pound of sugar and a quarter of a pound of tea.\(^25\) In addition, invalids were given certain "light" food items, such as arrowroot, sago or rice. To the very old or handicapped some societies paid allowances for rent, and, if appropriate, fares to and from the dispensing society.\(^26\)

The aim of this outdoor-relief was to keep people from starvation, not to supply them with the full assistance that they might require. The amount of relief provided depended not only upon the amount of funds available to

\(^{23}\) N.S.W., Royal Commission on Public Charities, Second Report, (1898), p.xiv.

\(^{24}\) For a history of this society see N.G. Gash, A History of the Benevolent Society of New South Wales, (1967).

\(^{25}\) N.S.W., Royal Commission on Public Charities, Second Report, (1898), p.xv.

\(^{26}\) Ibid., pp.xvi - xvii.
these societies, which was generally inadequate, but also on the attitude of welfare administrators. Their belief was, commonly, that if the lot of the poor was made too comfortable, and if it were known that charity was too readily available, then the destitute would be encouraged to depend on public assistance. They feared that this would act as a deterrent to thrift, which, they believed, would be a most undesirable state of affairs.

The morals of those receiving outdoor-relief, and the moral hazards they faced, were always of concern to welfare administrators, voluntary workers and philanthropists. The poor were given help only after some form of investigation was carried out. Then, to ensure that they had not succumbed to any of the many moral hazards facing them - particularly the evils of alcohol - and to ensure that the charity was not being "wasted", members of the dispensing society's Ladies Committee, who can best be described as untrained voluntary social workers, would regularly visit their homes. Should some poor soul be found drunk, or living above his or her means (by smoking "excessively", or smoking "expensive" tobacco, for example), it was then assumed that either the relief rations were being sold, and the proceeds put to an "improper" use, or that there was an undeclared source of income available to the relief recipient. These were more than sufficient reasons for having the rations suspended until a detailed investigation had taken place.

Outdoor-relief, with all its impositions, did, however, allow some of the destitute aged to survive without entering an indoor-relief institution, particularly those who could obtain and hold light full-time or part-time jobs. However,
for those who could neither obtain nor hold a regular job, outdoor-relief was out of reach. Benevolent societies were not prepared to assist them, for they were loath to allow "permanent" cases to accumulate on their books because of an almost perpetual shortage of finance. In addition, they saw their role as primarily assisting the "deserving" poor; those who were able to keep a job and who were able to help themselves were given preference.

THE PREVAILING WELFARE PHILOSOPHY

"Except under very rare circumstances poverty in Australia may fairly be considered a reproach. Every man has it in his power to earn a comfortable living; and if after he has been some time in the Colonies the working-man does not become one of the capitalists his organs inveigh against, he has only himself to blame." 27

This comment was made by an English observer, R. E. N. Twopenny, in 1883. But it would seem to reflect how poverty was perceived by most members of the colonial Australian society - even the working classes - in the 1890s. The work ethic, and its natural complement the thrift ethic, ruled supreme.

The simplest and most uncompromising contemporary exposition of the work ethic came from Herbert Spencer who believed that each individual should seek his own improvement without the assistance of others. 28 It was, essentially, a philosophy of competitive individualism: work and thrift are seen as the best means by which an individual can ensure his independence and self-respect. The work ethic

27 R.E.N. Twopenny, Townlife in Australia, p.255.
assumes not only that all who want work can obtain it, but also that those who have a firm desire to improve their lot can do so. Poverty is thus seen largely as the result of "immorality", "unwillingness to work" or "lack of incentive".

The Australian version of the work ethic, as it prevailed in the 1880s, was succinctly enunciated by one of the more liberal Victorian politicians in 1887 when he wrote:

"...It is ridiculously short-sighted for legislators of this generation to offer assistance to, or encourage idleness and indifference in a large section of the living generation ... if the probable, or even the possible effect will be to diminish the incentive to self-help and independence of spirit in the generations which are to succeed it. We must look carefully to the national character; to see that in nothing we do, is there any danger of removing the motives and inducements to thrift and providence amongst citizens ..."\(^{29}\)

This philosophy fitted naturally into the colonial environment of the 1880s, even among the working classes, which has been described by E. C. Fry as:

"...the culmination of an epoch, the crowning point of thirty years of rapid progress..."\(^{30}\)

Material benefits, it was felt, were available to all who had a willingness to work and save. As C. M. H. Clark has commented:

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"...there were no powerful reasons for believing that material rewards were outside the grasp of the frugal, the industrious and the talented. The scourge of poverty in low estate was a handicap, but not an insuperable one."\textsuperscript{31}

The almost continuous labour shortage in the 1880s - one of the prime determinants of social equality in the colonies - ensured that wages were high and that unemployment was only temporary. These buoyant conditions generated a general sense of optimism, even complacency, about the future. No wonder the work ethic predominated. It is not surprising then, that by English standards the extent of government involvement in welfare matters was limited. Even the group most likely to fall into poverty - the working classes - never expressed a great deal of interest or sympathy for those requiring charitable assistance. Trade unions, which were becoming more and more politically influential as the 1880s progressed, showed little concern for the less fortunate. Their demands up to 1890 were, according to C. M. H. Clark, limited to industrial matters, and centred on wages, hours and working conditions.\textsuperscript{32}

The work ethic offered appeal to the many British migrants who had made their home in the colonies and who constituted the bulk of the working classes. Their attitudes towards poverty and the poor were influenced, no doubt, by their prejudice against the poor relief practices in the "old country" - with its emphasis on the deterrence. As W. K. Hancock once remarked:

\textsuperscript{31} C.M.H. Clark, op. cit., p.660.
\textsuperscript{32} Ibid.
"Men do not emigrate in despair, but in hope... [those] who come to Australia come in search of room; they expect a larger return on their capital and a higher price for their labour; they leave a land where opportunities seem to be shrinking for a land where the expanding chances may lead them anywhere."

Such people were loath to create an intricate poor relief system similar to that which existed in England. Their memories of the poor houses and the poor law, probably still quite vivid, went a long way towards convincing them that their "land of opportunity" could well do without such a de-humanising system. The lack of conspicuous poverty no doubt confirmed the popularly held belief that poverty was the fault of the poor. It also helps to explain why no elaborate relief system had ever been constructed.

Adherents to the work ethic saw the state as being justified in assisting only those who were completely destitute through no fault of their own - the so-called "deserving poor". To ensure that no-one would have an incentive to remain dependent upon the state, it was argued that only the minimum assistance necessary for survival should be given, and even that should be both degrading and de-humanising.

CONCLUSION

The background to the events of the 1890s has now been set. But before moving on three important features need to be highlighted. First, only a very small proportion of the aged community had made any prior provision for

their old age. Second, the extent of poverty amongst the aged was small, but for this to be maintained required the continuation of buoyant economic conditions. Third, the government was unwilling to involve itself extensively in the care of the aged destitute, preferring instead, to intervene only when all other alternatives had been exhausted.
INTRODUCTION

With the 1890s, economic conditions in Australia deteriorated drastically. The once casual aged pauper became both more permanent and more prominent. No longer was it easy for the aged to find work or to obtain family support. As a result, a growing number of old people were forced to seek public assistance and this placed increasing pressure on an already strained charitable relief system, the inadequacies of which were being increasingly exposed. The need for a new approach to the problem of aged destitution had become quite obvious by the middle years of the decade. It is with the circumstances which led to the various reformatory proposals, culminating in the introduction of non-contributory, selective age pensions in New South Wales and Victoria in 1900, that this chapter is concerned.

THE INCREASED DEMAND FOR CHARITABLE RELIEF

While complete statistics relating to the relief given to the aged during the 1890s do not exist, the limited data which is available does indicate that there was a marked increase in the granting of aged relief in most colonies during the first half of that decade (see tables 2.1 and 2.2). In New South Wales, for example, the number of old people receiving outdoor-relief from the Benevolent Society of New South Wales increased by almost 150 per cent between 1890 and 1897. In addition, the Department of Charitable Institutions, which was responsible for the
### TABLE 2.1

**THE PROVISION OF OUTDOOR-RELIEF IN THE 1890S**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>NEW SOUTH WALES</th>
<th>SOUTH AUSTRALIA</th>
<th>TASMANIA</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Granted by the Benevolent Society of New South Wales to:</td>
<td>Granted to:</td>
<td>Granted to:</td>
</tr>
<tr>
<td></td>
<td>Widows, Aged Old and Infirmed</td>
<td>Aged Destitute Couples</td>
<td>Aged Destitute Men</td>
</tr>
<tr>
<td>1890</td>
<td>260</td>
<td>48</td>
<td>22</td>
</tr>
<tr>
<td>1891</td>
<td>239</td>
<td>40</td>
<td>41</td>
</tr>
<tr>
<td>1892</td>
<td>282</td>
<td>37</td>
<td>49</td>
</tr>
<tr>
<td>1893</td>
<td>311</td>
<td>90</td>
<td>57</td>
</tr>
<tr>
<td>1894</td>
<td>386</td>
<td>94</td>
<td>61</td>
</tr>
<tr>
<td>1895</td>
<td>409</td>
<td>93</td>
<td>49</td>
</tr>
<tr>
<td>1896</td>
<td>614</td>
<td>114</td>
<td>88</td>
</tr>
<tr>
<td>1897</td>
<td>634</td>
<td>138</td>
<td>106</td>
</tr>
<tr>
<td>1898</td>
<td>..</td>
<td>..</td>
<td>..</td>
</tr>
</tbody>
</table>

**SOURCES:**

**NEW SOUTH WALES:** N.S.W., Royal Commission on Public Charities, Second Report, p.xviii.

**SOUTH AUSTRALIA:** S.A., Destitute Poor Department, Annual Reports, 1890 - 1893.

**TASMANIA:** Tas., Outdoor Relief Reports, 1890 - 1893.
### TABLE 2.2

#### THE PROVISION OF INDOOR-RELIEF IN THE 1890S

Number of Inmates 60 Years of Age and Over in:

<table>
<thead>
<tr>
<th>YEARS</th>
<th>Dunwich (QLD)</th>
<th>South Australia (SA)</th>
<th>NSW (NSW)</th>
<th>Victoria (VIC)</th>
<th>New Town (TAS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1890</td>
<td>392</td>
<td>..</td>
<td>2,448</td>
<td>..</td>
<td>484</td>
</tr>
<tr>
<td>1891</td>
<td>423</td>
<td>..</td>
<td>2,593</td>
<td>657</td>
<td>443</td>
</tr>
<tr>
<td>1892</td>
<td>530</td>
<td>..</td>
<td>2,912</td>
<td>..</td>
<td>464</td>
</tr>
<tr>
<td>1893</td>
<td>589</td>
<td>110</td>
<td>3,146</td>
<td>..</td>
<td>443</td>
</tr>
<tr>
<td>1894</td>
<td>699</td>
<td>140</td>
<td>3,252</td>
<td>..</td>
<td>462</td>
</tr>
<tr>
<td>1895</td>
<td>741</td>
<td>154</td>
<td>3,425</td>
<td>1,504</td>
<td>432</td>
</tr>
<tr>
<td>1896</td>
<td>842</td>
<td>158</td>
<td>3,540(^2)</td>
<td>..</td>
<td>421</td>
</tr>
<tr>
<td>1897</td>
<td>868</td>
<td>162</td>
<td>..</td>
<td>..</td>
<td>387</td>
</tr>
<tr>
<td>1898</td>
<td>766</td>
<td>197</td>
<td>..</td>
<td>..</td>
<td>333</td>
</tr>
<tr>
<td>1899</td>
<td>866</td>
<td>204</td>
<td>..</td>
<td>..</td>
<td>285</td>
</tr>
<tr>
<td>1900</td>
<td>879</td>
<td>200</td>
<td>..</td>
<td>..</td>
<td>264</td>
</tr>
</tbody>
</table>

**NOTES:**
1. Includes all inmates over 15 years of age. Those over 65 years of age constituted approximately 70 - 80 per cent of the total.
2. To February 8, 1896.
3. Official estimate only.

**SOURCES:**
- **QUEENSLAND:** Qld., Dunwich Benevolent Asylum, *Annual Reports, 1890 - 1900*.
- **WESTERN AUSTRALIA:** W.A., *Poor Relief Reports, 1890 - 1896*; Inspector of Charitable Institutions, *Reports, 1897 - 1899*; and, Superintendent of Public Charities and Inspector of Industrial and Reformatory Schools etc., *Report, 1900*.
- **SOUTH AUSTRALIA:** S.A., Destitute Poor Department, *Annual Reports, 1894 - 1896*.
- **NEW SOUTH WALES:** N.S.W. Parliament, Select Committee on Old-age Pensions, *Minutes of Evidence, 1898*, pp.113 - 4.
- **VICTORIA:** Vic., Royal Commission on Old-age Pensions, *Minutes of Evidence, 1898*, pp.113 - 4.
- **TASMANIA:** Tas., New Town Charitable Institute, *Reports, 1890 - 1900*. 
administration of the colony's indoor-relief institutions, reported in 1893 that

"In the Government Asylum for the Infirm and Destitute there was a very noteworthy increase in the number of admissions, while there was a marked decrease in the number of discharges... The heavier burden on the Government Institution may justly be regarded as an index of the great stress experienced by unofficial and private relief agencies..."^1

The situation in Victoria, Western Australia and Queensland was much the same. In these colonies the number of benevolent asylum inmates more than doubled during the first half of the 1890s. In South Australia and Tasmania, where the available evidence is inconclusive, it does seem that the demand for charitable relief increased only spasmodically.²

This increase in the provision of public assistance to the aged, which occurred in varying degrees in all colonies, was primarily caused by two factors. First, there was a marked growth in the colonial aged community during the 1890s. Second, there was a large increase in the proportion of aged people seeking public assistance. These factors, which were of varying importance in each of the colonies, help explain why there were marked intercolonial differences in the amount of charitable relief

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1 N.S.W., Department of Charitable Institutions, Annual Report, (1893), p.1; see also the 1894 and 1895 Annual Reports for similar comments.

granted to the aged. It is to an examination of these factors that attention is now turned.

The Aging of the Australian Population

Australia had 92,550 residents who were sixty-five years of age or more in 1891; by 1901 this number had increased to 150,789. During the 1890s, the Australian aged community increased at an average annual rate of 5 per cent, more than 2.5 times the comparable total population growth rate. There were, however, marked inter-colonial differences (see table 2.3). The Western Australian aged population, which totalled a mere 1,461 in 1891, recorded the fastest average annual growth rate with 8.6 per cent. This was followed by Queensland (7.9 per cent); Victoria (5.3 per cent) and New South Wales (5.1 percent). It is not surprising, then, that all four of these colonies experienced a marked increase in the demand for aged charitable relief during the 1890s. The Tasmanian aged population increased at an annual rate of only 0.4 per cent, which helps to explain why the demand for aged relief in that colony increased only spasmodically during the 1890s. In South Australia the aged population rose by 3.5 per cent a year, which makes it necessary to look elsewhere for an explanation of South Australia's intermittent growth in the demand for aged charitable relief in the 1890s.

An Increased Proportion of Aged People Seeking Public Assistance

From tables 1.1 and 1.2 in the previous chapter it seems that only about five per cent of the Australian aged population in 1891 were receiving indoor-relief. After
### Table 2.3

**Demographic Details Relating to the Australian Aged Community**: 1891 - 1901

<table>
<thead>
<tr>
<th>Year</th>
<th>New South Wales</th>
<th>South Australia</th>
<th>Western Australia</th>
<th>Tasmania</th>
<th>Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td>1891</td>
<td>39,371</td>
<td>6,008</td>
<td>10,628</td>
<td>1,461</td>
<td>6,726</td>
</tr>
<tr>
<td></td>
<td>3.5</td>
<td>1.5</td>
<td>3.3</td>
<td>2.9</td>
<td>4.5</td>
</tr>
<tr>
<td>1901</td>
<td>66,060</td>
<td>12,873</td>
<td>14,938</td>
<td>3,322</td>
<td>7,023</td>
</tr>
<tr>
<td></td>
<td>5.5</td>
<td>2.6</td>
<td>4.2</td>
<td>1.8</td>
<td>4.1</td>
</tr>
<tr>
<td></td>
<td>26,689</td>
<td>6,865</td>
<td>4,310</td>
<td>1,861</td>
<td>297</td>
</tr>
<tr>
<td></td>
<td>67.8</td>
<td>64.3</td>
<td>40.6</td>
<td>127.4</td>
<td>4.4</td>
</tr>
<tr>
<td></td>
<td>5.3</td>
<td>5.1</td>
<td>3.5</td>
<td>8.6</td>
<td>0.4</td>
</tr>
</tbody>
</table>

**Notes**: 1 Includes all people 65 years of age and over.

**Source**: 1891: Vic., Victorian Yearbook, 1893, pp.46 - 7.  
allowing for aged outdoor-relief recipients, then probably no more than ten per cent of the Australian aged community were receiving public assistance in the early 1890s. On the basis of Victorian data it seems that this proportion doubled by the middle years of that decade, and even then it is quite likely that more needed public assistance than received it. The basic reason for this increase was, of course, the depressed economic conditions which appear to have affected the aged population in three ways. First, the proportion of old people in employment fell. Second, the proportion receiving family assistance declined. Third, the proportion who had "independent means" was reduced as a result of savings being lost because of the 1893 financial crisis.

During the first half of the 1890s Australia suffered a severe economic depression. All colonies suffered a downturn in economic activity, but some were more seriously affected than others. Western Australia, for example, experienced only a minor recession in 1893-94 which was quickly truncated after the discovery of gold. For the remaining colonies, however, this downturn was more severe. The timing of the recovery phase also differed between colonies. As E. A. Boehm has commented:

"Though the nadir was reached in 1893, the recovery in N.S.W., Victoria and Tasmania proceeded very slowly, since important sectors of these colonies experienced considerable depression and sluggishness until 1895. By contrast, there was a more

---

3 In Victoria it was estimated that 25 per cent of people over 65 were inmates of Benevolent Asylums in 1897, see Vic., Royal Commission on Old-age Pensions, Minutes of Evidence, (1898), p.114.
speedy, though not uniform, rate of upswing in Queensland and South Australia.\(^4\)

One symptom of this depression was high unemployment. In Victoria, for example, it is estimated that unemployment reached 25 per cent of the workforce by 1893.\(^5\) The tight labour market conditions that prevailed in the 1880s had disappeared, which meant that aged workers, most of whom were unskilled, faced increased competition from younger workers. A New South Wales Royal Commission specifically drew attention to this when it reported that "Employers will not now engage men of 60 years of age who sometime back could find occasional work."\(^6\) As a result, unemployment amongst the aged increased significantly in the 1890s, although not at a uniform rate in each colony. It was, quite likely, higher in Victoria, New South Wales and Queensland, than in Western Australia, Tasmania and South Australia.

The depression was also characterised by falling wages.\(^7\) P. G. Macarthy has described the situation in Victoria as follows:

---


"In the building trade, 'the recognized wage for a bricklayer [was] 7/- a day', compared with 10s to 12s before the 'nineties, and even then employers switched to piecework and 'we did not average 30/- a week'...In iron mounding 'men being unable to find employment were willing to work for less rate of wages at that time [1890s]. Times were so bad, men were compelled to take any pay they could get.' In the furniture trade, piece-work was imposed by the employers with the result that 'Some of the fastest men would draw 30/- and perhaps 32/6, but the majority of the men received 30/- and less.' Amongst the most capable of the unskilled, the bricklayers' labourers' daily wage fell from 7s or 8s to 5s and below, whilst government labourers may have fared even worse."  

He tentatively concluded that  

"...building workers and possibly unskilled labourers in general experienced larger wage reductions than the average of manufacturing. Conversely, the wage equivalent incomes for agricultural and pastoral workers, many domestic servants, and possibly wage earners in other tertiary occupations may have fallen less rapidly and extensively."  

But prices were probably falling faster than wages, which meant that workers with a degree of job security - particularly government employees such as teachers and railwaymen - may have gained somewhat from the depression.  

But for most workers, however, job security was a dream. Even those who had regular work could never be certain that

---

8 P.G. Macarthy, op. cit., p.59.  
9 Ibid., p.65.  
it would continue. In addition, the 1893 financial crisis probably heightened the general feeling of apprehension in the community. Under these conditions many children would have been less willing, even if they were able, to support their aged relatives, particularly as they knew that public assistance was available.

Another aspect of the depression which would have adversely affected the aged was the financial crisis in 1893. The suspension of business by thirteen banks between April 6 and May 17 1893, and by two major pastoral companies in the following June and July, would have meant that the savings of many old people either had become temporarily inaccessible, if the suspension was only temporary, or were completely lost, if financial reconstruction was impossible. In any event there were, no doubt, fewer members of the aged community who had independent means after these financial difficulties than there were beforehand.

The 1890s depression, then, is an important factor in explaining the increased demand for aged charitable relief in Victoria, New South Wales and Queensland, although for the remaining smaller colonies it was of less importance. However, it probably accounts for the intermittent increases in the demand for aged relief in South Australia and, to a lesser extent, in Tasmania.


12 Ibid.
EXPRESSIONS OF DISSATISFACTION WITH EXISTING CHARITABLE
RELIEF SYSTEMS

As the 1890s advanced it became clear that the various
colonial charitable relief systems were incapable of pro-
viding adequate assistance to the growing number of old
people coming within their ambit. Symptoms of strain -
especially overcrowding - were becoming increasingly
evident. Expressions of dissatisfaction could be heard
throughout Australia - from relief administrators, poli-
ticians and, to a limited extent, the press. Perhaps in
Victoria and New South Wales they were more insistent,
which is not surprising given the demographic and economic
conditions prevailing there.

New South Wales

From the early 1890s considerable strain was placed
upon the relief system in New South Wales. Overcrowding,
one of the first symptoms, was highlighted in 1894 by the
Director of Charitable Institutions who pointed out that
the excess of government asylum inmates over available
accommodation had increased from 383 to 608 between 1891
and 1894.\(^\text{13}\) He went on to explain that

"The abnormal pressure upon the resources of the
asylums has necessitated much additional accom-
mmodation for the Infirm and Destitute, not only in
those divisions that are generally assuming the
function of a hospital for incurables; as well as

\(^{13}\) N.S.W., Department of Charitable Institutions, (DCI),
Annual Report, (1894), p.1. For similar remarks see:
on Old-age Pensions, (1898), p.451; N.S.W., Royal
Commission on Public Charities, Minutes of Evidence, (1898),
p.8; and, N.S.W., Parliamentary Standing Committee on
at Rockwood for Infirm and Destitute Persons, (1896), pp.7-9.
Convalescent Auxiliary Hospitals to the Metropolitan Infirmaries [or hospitals], but also in the general division where the ordinary pauper population of the community is provided for."  

A few years later the living conditions in these institutions were criticised by the Superintendent of the Gladesville Hospital, Dr. W. C. Williamson, in a Report to the New South Wales Public Service Board in 1898. In particular he drew attention to the "...antiquated, makeshift structures in use..." at government asylums. His attitude towards the George Street Benevolent Asylum, Sydney's largest, was more caustic:

"To get an insight into the character of the place it should...be seen at night, when the inmates are in bed; or in wet or cold weather, when the overcrowding, hopelessness and misery of the surroundings are fully apparent."  

The critical comments of another Medical Practitioner in the same Report were also suggestive of a strained situation:

"I consider George Street Asylum absolutely the most objectionable place I have even been in, and its maintenance a discredit to civilization... [inmates] are housed in dormitories three or four stories high... From their condition [inmates] are unable to get down into the recreation ground and are compelled to spend their days in virtual imprisonment. No steps seem to have been taken

---

16 Quoted in Brian Dickey, op. cit., p.318.
to ameliorate their lot, which is inexpressibly sad, if not inhuman.\textsuperscript{17}

Conditions were no better in private institutions. The unsuitability of the building used by the Benevolent Society of New South Wales was remarked upon by its Secretary in the late 1890s:

"I may state that the buildings are totally unfit for the work of the institution. I am talking now about the lying-in department. We have had that terrible disease amongst women - puerperal fever - there."\textsuperscript{18}

While complaints about overcrowding and poor living conditions in indoor-relief institutions were both frequent and urgent, other features of the charitable relief system also came in for criticism. These included the shortage of medical and paramedical staff at benevolent asylums;\textsuperscript{19} the inadequacy of inmate "classification" at benevolent asylums, which hindered the provision of effective medical treatment;\textsuperscript{20} the mixing of women of "very bad character" with those "who are reduced to poverty from misfortune";\textsuperscript{21} the poor quality of food and clothing supplied by benevolent asylums;\textsuperscript{22} the enforced separation of married couples at

\textsuperscript{17} Quoted in ibid.

\textsuperscript{18} N.S.W., Royal Commission on Public Charities, Minutes of Evidence, (1898), p.14; see also, pp.79 - 80 and 84.

\textsuperscript{19} See ibid., p.8; and Brian Dickey, op. cit., p.318.

\textsuperscript{20} See N.S.W., Select Committee on Old-age Pensions, Minutes of Evidence, (1898), p.24; N.S.W., Royal Commission on Public Charities, Minutes of Evidence, (1898), p.8; and, J.C. Neild, op. cit., pp.438 - 50.

\textsuperscript{21} See ibid., p.438; and N.S.W., Royal Commission on Public Charities, Minutes of Evidence, (1898), pp.9, 36 and 81.

\textsuperscript{22} See J.C. Neild, op. cit., p.87.
benevolent asylums;\textsuperscript{23} and, finally, the inefficiency of the outdoor-relief system.\textsuperscript{24}

Victoria

The same symptoms of strain that existed in New South Wales also developed in Victoria.\textsuperscript{25} Criticism regarding overcrowding, inadequate medical treatment and the separation of married couples - to mention but a few - were frequently made in the 1890s. The situation was such that by 1897 one Royal Commission reported:

"...the present modes of relief are inadequate, and...legislation is urgently required for the purpose of establishing some new system capable of ministering to the needs of the various grades of the aged poor."\textsuperscript{26}

It was, however, the imprisonment of the aged destitute - because of the inability of the existing relief system to cope - that especially pricked the community's social conscience. In 1898 a Royal Commission declared:

"...we are impressed with the glaring injustice occasionally inflicted upon the aged and destitute, against whom there is no allegation of crime, of being charged under the Public Offences Act with

\textsuperscript{23} See N.S.W., Royal Commission on Public Charities, Second Report, (1898), p.xxii; Minutes of Evidence, pp.21 and 71; and, J.C. Neild, op. cit., p.450.

\textsuperscript{24} See ibid.

\textsuperscript{25} For specific details see: Vic., Royal commission on Charitable Institutions, Report, (1891), passim, Supplementary Report, (1894), passim; Vic., Royal Commission on old-age Pensions, Report, (1898), passim; and, Vic., Inspector of Charitable Institutions, Annual Reports, (1890 - 1900).

\textsuperscript{26} Vic., Royal Commission on Old-age Pensions, Report, (1898), p.v.
considerable attention, in a somewhat more emotive vein, was given to this situation by the local press. On January 10 1898, the Herald reported the case of Anne Kent, who, at ninety years of age, was sent to gaol for one year. One March 11, The Argus, under the headline: "Sad End to an Old Colonial: The Gaol for the Aging Man", told of the plight of Samuel Boyce, who, at the age of sixty, was sent to gaol in a "dying condition". The Age, in an editorial on May 10 1898, was shocked at this development:

"Public sentiment has been profoundly stirred by the continued remission to gaol of old and destitute persons against whom there is no allegation of crime. It is felt to be a scandalous thing that respectable people - unable to earn their living - should be charged under the Vagrancy Act, as if they were idle and disorderly persons, and sent to prison as the only available means by which they may receive food and shelter...Voluntary effort is insufficient to meet the necessities of the time, and day by day old people are sent to prison - often to die there - whose sole offence is poverty."

In a society not accustomed to conspicuous poverty - the epitome of which is street begging - the thought of old people, especially old women, being sent to gaol because of their poverty, and the inadequacy of the relief system, was, no doubt, an appalling one to most people. When this

27 Ibid; see also Minutes of Evidence, (1898), pp.2, 7, 14 - 5, 17 - 8, 23, 28, 31, 33, 45, 47 - 8, 56, 61, 67 - 8, 71, 73 - 5, 79, 83 - 4, 87, 89, 91 - 2, 94, 97 - 8, 108 - 9, 119 - 26, 133 - 8, 141 - 3 and 318; and, Progress Report, (1897), passim.
occurred with increasing frequency in the 1890s it is not surprising that public sentiment was stirred, resulting in a ground-swell of public opinion in favour of a more discriminating treatment of the aged.

The Smaller Colonies

The charitable relief systems in the remaining, smaller colonies were also the subject of criticism along much the same lines as that which occurred in Victoria and New South Wales. In Queensland, for example, the problem of overcrowding had clearly become acute by the mid 1890s. Temporary forms of accommodation, which had been in use since 1892, were extensively utilized by 1895. As the Administrator of the Dunwich Benevolent Asylum, the only one in the colony, pointed out in 1896:

"During the first half of [1895] some 20 men were located in tents, every bed in the institution being filled: but at the end of the year the number in tents rose to 40."  

It was the poor state of buildings caused by overcrowding that received most critical attention in Western Australia, and, to a lesser extent, Tasmania. Conditions at Western Australia's only benevolent asylum for aged and destitute men, the Mt. Eliza Depot, were condemned by a Police Magistrate, A. S. Roe, who was appointed in 1898, to investigate the general management of the Depot. The


conclusion he reached was that

"The situation of the Depôt is utterly unsuitable, and the inmates should be removed to a more airy and suitable spot as soon as possible."\(^{30}\)

In Tasmania, where complaints of the relief system were comparatively few, the "dilapidated condition" of the Launceston Charitable Institution, and other indoor-relief institutions, did receive some critical attention in the first half of the 1890s.\(^{31}\)

The general nature of the complaints directed against the charitable relief system in South Australia, where the problem of overcrowding was not acute, were, however, somewhat different. During the early 1890s, concern was expressed about the colony's only Benevolent Asylum becoming "...more and more an hospital for incurables", rather than about any overtaxing of its resources which might have occurred.\(^{32}\) In 1898 a Royal Commission made reference to the fact that

"...many of the inmates [of the Asylum] were suffering from incurable diseases, and the officers experience some difficulty in making suitable provision for their treatment without endangering the health of others. The institution was not originally intended for use as an infirmary, and when cases of consumption and cancer have to be accommodated in the same building with healthy


\(^{32}\) S.A., Destitute Poor Department, Annual Report, (1891), pp.1 and 3; see also Annual Report, (1892), pp.1 and 3; Annual Report, (1893), p.3; and, Annual Report, (1895) p.5.
inmates the dangers are too evident to require comment. Though every possible precaution is taken, and every effort made to keep the diseased and the healthy separated, the present arrangement ought not to be allowed to continue."

THE SEARCH FOR A NEW APPROACH TO THE PROBLEM OF AGED DESTITUTION

The growing awareness of the inadequacies of the existing charitable relief systems in the various colonies was the major cause of the growth in public opinion in favour of a more sympathetic and discriminating treatment of the aged poor in the 1890s. No doubt the depression, characterized as it was by high levels of unemployment and uncertainty about the future, had assisted in breaking down the traditional resistance to greater state intervention in welfare matters. A more sympathetic attitude towards the aged poor was gaining acceptance. The belief that unemployment, which had loomed as a major cause of poverty, was merely a temporary aberration lost much of its appeal during the prolonged depression. It was becoming quite apparent to all who examined poverty that, indeed, it could exist despite a desire to work and save. No longer were the poor seen simply, and rather naively, as being either "immoral", "unwilling to work" or merely "lacking in incentive". The work ethic which had long dominated society's attitude to the poor was being strongly challenged, particularly by those in the newly emerging political wing of the labour movement, who argued that

33 S.A., Royal Commission on the Aged Poor, Report, (1898), p.vi. For other criticisms made see pp.v - vi.
poverty was not always the fault of the poor. They saw social, economic and political factors as its primary cause.

With this emergence of a public sentiment in favour of a better deal for the aged destitute, colonial politicians began to re-examine the "proper" role of the state in such matters. Until the 1890s governments had acquired their welfare responsibilities both gradually and reluctantly. The aged had long been considered by politicians and administrators alike to be primarily a family responsibility shared, if necessary, with public charities. Assistance from the state was provided only to those who could not satisfy their basic needs by any other means. However, the immediate impact of the depression and a growing social conscience helped to change this attitude.

The Policy Options

Many solutions to the problem of aged destitution were discussed in the 1890s. One broad approach centred on improving the existing charitable relief system, but without altering its basic structure. In this context, three suggestions were made. First, that the existing facilities available to the aged poor should be improved - buildings should be renovated and better medical services should be provided. Second, that control over the various private organizations should be tightened so as to make them more effective. Third, that separate

cottages for married inmates of benevolent asylums should be constructed.

An alternative approach was to reduce the degree of government intervention in welfare matters by promoting family and voluntary charity. One suggestion was that families should be forced to bear a greater share of responsibility for their destitute aged relatives. Another was that the more robust benevolent asylum inmates should be boarded-out and perhaps even provided with a small cash allowance. A third suggestion was that friendly societies should be made more financially secure, and thus more attractive to people who might wish to make provision for their old age, by forcing these societies to relate benefits actuarially to contributions. Finally, it was advocated that governments should induce people to participate in private contributory pension schemes by subsidizing contributions to approved retirement funds.

Another approach advocated the payment of old age pensions. Two types of schemes were suggested. One required beneficiaries to contribute towards their pensions; the other involved pensions that were financed entirely by the

the state. When consideration was given to contributory pensions it was argued that any practical scheme would have to be based on the German compulsory-contributory model, where both employers and employees shared the cost and the state acted merely as an administrator. The South Australian Actuary, H. D. Gouge, however, offered an interesting variant when he suggested that at the birth of each child either the parents, or the state, should make a lump-sum payment of £5 to a state-administered fund which would invest it, at a government-guaranteed rate of interest, so as to finance an annuity for those who survived to the age of sixty-five and who could satisfy a means test. 39

The types of non-contributory schemes considered were those which had evolved in England. One was a universal scheme, such as that advocated by William Charles Booth, a notable student of poverty in London during the 1870s and 1880s, under which

"...every person reaching the age of 65 should be entitled, without specific contribution, to a minimum pension of, say, 5s a week for the rest of his life." 40

The other was a selective scheme, such as that proposed by the Reverend Moore Edes, an Anglican cleric with an interest in welfare matters. He saw that there was a need to encourage thrift and to abolish outdoor-relief, thus he suggested that old people who had an income of less than

39 S.A., Royal Commission on the Aged Poor, Minutes of Evidence Before the Select Committee, (1898), pp.27 - 8; and, Minutes of Evidence, (1898), pp.16 - 23.

40 Ibid., p.33.
£50 a year could be paid a pension of 2s.6d a week, provided

"...they can so supplement this allowance from any private sources as to maintain themselves without further recourse to State aid."\(^41\)

These, then, were the policy options suggested to colonial governments faced with the problem of increased aged destitution. The difficulty was to choose between them. The policy adopted depended not only on the perceived severity of the aged poverty problem faced by a particular colonial government, but also on financial and political considerations.

That an old age pension scheme would be introduced in New South Wales and Victoria seemed inevitable from the mid 1890s. The problem of aged destitution was such that the existing charitable relief systems could not cope. Marginal improvements to the system would, at best, only remove the more obvious symptoms of aged poverty; but this was not enough. The root cause had to be attacked, and that required a more adventurous approach.

Overseas experience probably played an important part in crystalizing public opinion in the larger colonies in favour of pensions. The idea that a compulsory-contributory pension scheme could be used to alleviate aged poverty had become a practical proposition after Germany established such a scheme in the late 1880s. The creation of a non-contributory pension scheme in Denmark in the early 1890s supported the belief that this type of scheme was also feasible.\(^42\)

\(^{41}\) Ibid.

\(^{42}\) See ibid., p.34 for details of both the German and the Danish schemes.
public pressure for the introduction of non-contributory pensions for the aged in the mid 1890s. There, in 1894, a Parliamentary Select Committee was appointed to investigate the matter, and subsequently, in 1898, a non-contributory, selective pension scheme was introduced.43 The question of providing the aged in England with a pension was also hotly debated about the same time.44 It only remained then for New South Wales and Victoria to decide what would be the best type of pension scheme to introduce.

The governments of the smaller colonies were also faced with the task of choosing between the multiplicity of suggested solutions to the aged destitution problem. They all decided, however, to make marginal improvements to their existing charitable relief system. In addition, most of them also decided to operate de facto non-contributory pension schemes on a very limited scale.45

Selecting an Age Pension Scheme

As the nineteenth century drew to a close the welfare debates in New South Wales and Victoria centred on the type of age pension scheme that was best suited to their needs.


45 During the 1880s and 1890s this practice developed in Tasmania (Joan C. Brown, op. cit., p.125); Queensland (Queensland Parliamentary Debates 1896, Vol. LXXVI, p.1030); and, Western Australia (Superintendent of Relief and Inspector of Charitable Institutions, Report for the Year Ended 31st December, 1897, , p.5). These cash allowances were paid to "deserving" aged poor as an "act of grace" by each government.
Should it be contributory or non-contributory? Should it be voluntary or compulsory? Should it be universal or selective in its coverage? While there was broad agreement that the purpose of any scheme should be, in the words of the 1898 Victorian Royal Commission on Old-age Pensions, "...to afford equitable aid and without weakening individual initiative, or impairing the Anglo-Saxon characteristics of self-help and manly independence", there were widely differing opinions as to how this could best be achieved.  

The Rejection of a State-Operated Voluntary-Contributory Scheme

The idea that the state should establish and operate a voluntary-contributory scheme was rejected by policymakers in the 1890s. It was argued that, on the basis of experience in Britain and Australia, few people would participate in it. For example, in 1864 the British Parliament passed the Government Annuities Act which established the Post Office Insurance Scheme, a voluntary-contributory scheme designed to provide small annuities (valued between £4 and £50 a year) to those able to pay small but regular contributions. It was not a success. This idea was, however, taken up by the Queensland Government in the following year. The Queensland Attorney General, Ratcliffe Pring, when introducing the Government Annuities Bill, declared:

47 Ibid., passim; N.S.W., Select Committee on Old-age Pensions, Minutes of Evidence, (1898), passim; and, S.A., Royal Commission on the Aged Poor, Minutes of Evidence, (1898), passim.
"Its purpose is to enable persons of small means - whether labourers, handicraftsmen, or artisans or persons in small government employment - by means of moderate thrift to secure either a competency for themselves in their old age, or a moderate sum at their death as provision for their families." 

This scheme was also a total failure, as only one annuity policy was ever written. 

Two large friendly societies in Britain, the Manchester Unity Order of Oddfellows and the Ancient Order of Foresters, introduced contributory superannuation schemes in the mid 1880s, but neither had much success. 

Queensland branches of the same societies experimented with the idea in the early 1890s, but to no avail.

Certain trade unions sought the establishment of a voluntary superannuation fund, but these met with little success. In 1883 the Miners' Association in Victoria commissioned a study on the desirability of introducing a "Worn-out Miners' Fund" from which benefits would have been paid to contributors unable to work because of permanent invalidity or old age. A scheme was submitted

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49 Queensland Parliamentary Debates, (1865), Vol. II, p.466; see also pp.466 - 8 and 577 - 9; and, Act 18 of 1865.
51 J.M. Baernreither, English Association of Workingmen, p.394.
52 N.S.W., Select Committee on Old-age Pensions, Minutes of Evidence, (1896), p.47; and, Commonwealth of Australia, Royal Commission on Old-age Pensions, Minutes of Evidence, (1906), p.1625.
to the Association's membership, but because less than seven percent volunteered to participate it was never introduced. Twelve years later, however, two branches of the Association, at Ballarat and Creswick, did introduce a somewhat similar scheme, but neither were successful. Finally, in Queensland the Amalgamated Society of Carpenters and Joiners, and the Amalgamated Engineers Association, provided retirement benefits on a contributory basis in the 1890s, but only on a very limited scale.

The Rejection of a State-Subsidized Voluntary-Contributory Scheme

The proposition that the State should subsidize voluntary contributions to an approved retirement fund was rejected by policy-makers because it was unacceptable to the mutual benefit organizations that it would have involved. James Pullar, an important figure in the colonial insurance industry in the 1890s, commented, indicatively, at the annual meeting of the Insurance Institute of Victoria in September 1896, that

"It would...be unwise [for the government] to interfere in any unnecessary degree with the business of any of the societies or institutions which exist for that purpose [of encouraging thrift] - such as life assurance institutions and friendly societies."

54 Ibid., pp.51 and 53 - 4.
55 Ibid., pp.144 - 5.
56 Ibid., pp.40 - 3; and, N.S.W., Select committee on Old-age Pensions, Minutes of Evidence, (1896), pp.42 - 9.
57 Vic., Royal Commission on Old-age Pensions, Minutes of Evidence, (1898), p.217; see also the comments by the Acting Secretary of the A.H.S. Guild in N.S.W., Select Committee on Old-age Pensions, Minutes of Evidence, (1896), p.42.
The mutual benefit organizations believed that to accept government subsidies would mean accepting government control, which would, they feared, reduce their profits.\textsuperscript{58}

Undaunted by this opposition, William Schey, a New South Wales Parliamentarian, sought to introduce a private members bill in 1896 which would have provided friendly societies with a subsidy of £1 for every £1 that their members contributed to a specially constituted Old-age Provision fund.\textsuperscript{59} Schey had no success, however, for his bill was never debated.

The Rejection of a Compulsory-Contributory Scheme

When consideration was being given to the desirability of introducing a compulsory-contributory pension scheme, the example of private insurance was always emphasised. This occurred as an attempt to reconcile the relatively conservative public opinion regarding the sanctity of the insurance principle and the reality of aged poverty. To emphasise the "insurance" character of such schemes was to remove the fear held by many that any "free" public assistance would have a demoralizing effect on the country, and would involve the Treasury in considerable expense. It was envisaged that the benefits to be paid under such a scheme would be actuarially related to the contribution received. Also, it was considered essential that the estimated value of the future benefits would, at all times,

\textsuperscript{58} This was a long standing fear; see Victoria Parliament, Report of the Commission appointed to Inquire into the Working of the Friendly Societies Statute, (1876), p.x.

\textsuperscript{59} N.S.W., Select Committee on Old-age Pensions, Minutes of Evidence, (1896), pp.121 - 2.
be equal to the estimated value of contributions to be received plus any accumulated funds held. Under consideration was a scheme which was financed entirely by compulsory contributions from both employers and employees, with the state acting merely as an administrator who abided by the rules of "sound business practice", which meant no guaranteed interest rates and no subsidies.

Those who saw compulsory-contributory pensions as the panacea to the aged destitution problem were generally reluctant to accept that poverty was not entirely the fault of the poor. They believed that the state's obligation to the destitute was minimal at best. As one witness before the 1898 Victorian Royal Commission on Old-age Pensions stated, compulsory-contributory pensions would be

"...a good thing and a cheap thing, and economically sound. I think that if the thriftless and the undeserving poor were carefully eliminated, provision could be made without any serious expense for the thrifty deserving aged person."\(^{60}\)

It was strongly and frequently argued that a scheme of this type would encourage thrift, promote self-reliance and remove the stigma of charity from the receipt fo a pension.\(^{61}\) Antagonists tended to feel that the poor were not entirely to blame for their poverty; that society must accept some responsibility and thus should provide the remedy. To those who believed that the payment of a contribution would encourage thrift, it was suggested that, while this was highly commendable, for the majority

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\(^{60}\) Minutes of Evidence, (1898), p.10

\(^{61}\) See, for example, ibid., pp.78, 84 and 96.
increased thrift was not possible. There was also a number of doubts expressed about the suitability of a compulsory-contributory scheme for Australia.

That it would not receive popular support was an often expressed opinion. The New South Wales Select Committee on Old-age Pensions, for example, pointed out:

"The evidence shows that the compulsory system of state insurance or old-age pensions as worked in Germany is unsatisfactory to the working classes there, and would be likely to be still more objectionable to people of British origin, and also that a contributory scheme would not be generally sustained by the working classes..." Some people went further and suggested that such a scheme would interfere with individual liberties. Perhaps it might even be "...avoided by the vigorous and the enterprising, who seek a home where such burthens [sic] are not imposed." The administrative and financial difficulties involved with this type of scheme were also emphasised. It was suggested, for example, that it would involve "...an immense amount of officialism and complicated machinery which is extremely costly." To administer the "enormous"

63 N.S.W., Select Committee on Old-age Pensions, Report, (1896), p.6; see also Vic., Royal Commission on Old-age Pensions, Minutes of Evidence, (1896), pp.178 - 9; and, N.S.W., Select Committee on Old-age Pensions, Minutes of Evidence, (1896), p.17.
64 N.S.W., Select Committee on Old-age Pensions, Minutes of Evidence, (1896), p.17.
65 Ibid., p.96.
66 Vic., Royal Commission on Old-age Pensions, Report, (1898), p.xvi; see also, N.S.W., Select Committee on Old-age Pensions, Minutes of Evidence, (1896), p.23.
fund, which would soon emerge, would, it was feared, not only prove difficult, but would also give the government a "...dangerously preponderating influence in the money market." The expense and difficulty of collecting contributions, especially from farmers, migratory workers and domestic servants was emphasised. Finally, it was pointed out that it would be extremely difficult to keep the ever-expanding accumulated fund invested at the required rate of interest.

The inability of a compulsory-contributory scheme to solve the immediate aged poverty problem, without the provision of additional temporary relief, was recognised. So too was the inappropriateness of such a scheme for the members of society who could not contribute regularly - the sick, the unemployed and the married woman.

Finally there were some opponents to the contributory principle who believed that employers would either raise their prices or lower wages in an effort to offset any contribution that they were forced to make. This, they

67 Vic., Royal Commission on Old-age Pensions, Minutes of Evidence, (1898), p.41.


71 Ibid., p.xii; J.C. Neild, op. cit., pp.11, 84 and 93; N.S.W., Select Committee on Old-age Pensions, Minutes of Evidence, (1896), p.56; and, Vic., Royal Commission on Old-age Pensions, Minutes of Evidence, (1898), pp.10 and 76.
argued, would be to the definite disadvantage of the wage-earner.\(^7\)

For these reasons the concept of a compulsory-contributory scheme was rejected by policy-makers in the 1890s. And yet only reluctantly, for while the underlying principles may have been considered desirable - particularly the encouragement of thrift and self-help - administrative and financial difficulties made the introduction of such a scheme an impractical ideal.

The Acceptance of a Non-Contributory Scheme

Almost by default then, a non-contributory scheme became the only alternative which would alleviate the problem of aged destitution. However, certain of its disadvantages were well-aired. Some people feared, for example, that it would lessen the spirit of independence, reduce the sense of individual responsibility, encourage laziness and discourage thrift.\(^7\) Those favouring a non-contributory scheme on the other hand, argued that a pension should be a reward for past endeavours, and that it was the duty of the state

"...to ensure that the worn-out wealth-creating human machines who have contributed to its development and enrichment shall receive the means of subsistence and comfort [in their old age]."\(^7\)

\(^{72}\) N.S.W., Select Committee on Old-age Pensions, Minutes of Evidence, (1896), pp.7 and 64.

\(^{73}\) Ibid., pp.43, 45 and 64; Vic., Royal Commission on Old-age Pensions, Minutes of Evidence, (1898) pp.90 - 2; and, S.A., Royal Commission on the Aged Poor, Report, (1898), pp.x - xi.

\(^{74}\) Vic., Royal Commission on Old-age Pensions, Report, (1898), p.v; see also, J.C. Neild, op. cit., p.441.
When considering whether a non-contributory scheme should be universal or selective in its coverage, it was assumed that a universal scheme would involve an "enormous" cost. This was, no doubt, true since there existed no income tax recoupment procedure capable of limiting the net benefits under a universal scheme to income groups below a specified income level. Thus eligibility conditions were considered not only necessary, so as to minimize costs, but also highly desirable, so as to ensure that only the "most deserving" received any "free" assistance from the state.

CONCLUSION

The 1890s marked the end of an epoch in Australian history, for it ended thirty years of rapid economic and social progress. Economic conditions deteriorated drastically as the decade progressed, causing a noticeable increase in aged poverty. No longer was it easy for the aged poor to find suitable work or to obtain family support. More and more they were forced to seek public assistance, which placed an ever increasing burden on an already strained charitable relief system. This situation was aggravated by the marked aging of the Australian population, caused by the rapid influx of immigrants in the 1850s.

As the 1890s advanced, it became clear that the existing charitable relief system was incapable of providing adequate assistance to the growing number of destitute seeking its assistance. Symptoms of strain were becoming increasingly

75 The Victorian Royal Commission on Old-age Pensions estimated that a universal scheme whereby a pension of 10s a week was granted to each person aged 65 or over would cost £1,297,712 a year.
evident. Expressions of dissatisfaction could be heard throughout Australia.

Within the context of a marked increase in aged poverty, an inadequate charitable relief system and the emergence of a more sympathetic public attitude toward the aged, the Victorian and New South Wales Governments embarked upon a search for an appropriate solution to the aged destitution problem. A wide variety of suggestions were made. But, essentially, the choice was between a compulsory-contributory or a non-contributory but selective age pension scheme. Almost by default, the latter was selected, for the former was considered an impractical ideal.
INTRODUCTION

The provision of old age pensions first became a political issue in Australia in the mid 1890s. By the end of that decade both Victoria and New South Wales had legislated to provide non-contributory pensions to those people who were sixty-five years of age or over and who could satisfy certain other eligibility conditions. Of the remaining States only Queensland introduced a similar scheme, and then not until 1908.

Colonial politicians had decided in the late 1890s that the new Commonwealth Parliament should have power to provide old age pensions. However, it was not until seven years after Federation that the Commonwealth sought to utilize this authority. The scheme which came into operation on July 1, 1909, represented a compromise between the need for the elderly poor to avoid destitution and the objections of conservatives to government action which they thought would undermine the much-vaunted work ethic.

This chapter will be concerned, first, with the nature of the various state pension schemes, for they set the framework within which the Commonwealth's policy towards the age emerged. Second, it will explain why there was a seven year delay before the Commonwealth invoked its constitutional authority. Finally, it will outline the general nature of the Commonwealth's 1908 age pensions scheme.

STATE AGE PENSION LEGISLATION

When the question of age pensions was first raised in the Parliaments of New South Wales and Victoria, during the
mid 1890s, it was treated with considerable apprehension by conservative politicians.\(^1\) Much was said in both Parliaments, mostly in a rhetorical vein, deploring aged destitution, but little was done. Perhaps Charles Dicken's description of Mr. Pecksniff's horse would be appropriate to these colonial politicians:

"...full of promise, but of no performance - always, in a manner, going to go, and never going."\(^2\)

However, even to the most assiduous upholder of the work ethic, it was clear that not everybody was able to practice self-help all the time. After much vacillation, investigatory bodies were appointed to examine the desirability and feasibility of introducing some form of old age pension.

In New South Wales two investigations were undertaken. The first was by a Select Committee of the Legislative Assembly, appointed in late 1895 under the Chairmanship of Edward O'Sullivan, a long-time supporter of age pensions. The second, which was far more informal, was carried out by John Cash Neild in 1897-98 and involved the documentation of European experiences with age pensions and social insurance. In Victoria a Royal Commission was appointed. These bodies diligently gathered information and submitted their reports.\(^3\) All three recommended that a selective,


non-contributory age pension scheme should be introduced. However, while this general conclusion was acceptable to policy-makers, the more detailed recommendations were not. Perhaps H. F. Cruise was correct when he remarked:

"It is not easy to trace the connection between policy decisions and the products of sophisticated research. In addition to their putative purpose, commissioned inquiries and the comprehensive documents that usually result may be looked at as a device for postponing a decision, as a method of smoothing the way for a change already decided upon, or to represent ideas already familiar to the available support systems of advice but requiring the shock of external presentation to be believed. In all these devices, alien ideas or new intelligence may be uncovered in the document as a kind of sabotage of the original intention."^4

That both New South Wales and Victoria would eventually establish an age pension scheme seemed certain by 1898. As the decade drew to a close, the public became increasingly aware that aged poverty was not a temporary aberration, which would disappear with time (and good seasons), but rather a complex socio-economic phenomenon. This made it easy for those arguing the case for greater government assistance to the aged poor to gain popular support for their cause. The old age pension issue was taken up by the newly emerging political wing of the labor movement, which stimulated popular interest, but also led to a

polarisation of the community and its politicians. On one side stood the conservatives, concerned that any social reform would weaken individual initiative. On the other stood the agitators for reforms. Reluctantly, harassed non-Labour governments introduced a series of social measures, including the provision of old age pensions.

As public discussion became more intense, more insistent, legislators became more deeply enmeshed in those financial considerations which prevented old age pensions from becoming a reality. To the practical politician there were two key issues involved. The first was how much could the state afford to spend on pensions in order to satisfy growing electoral demands. The second was when would be the most opportune time to introduce such a scheme. The prevailing situation would seem to fit the generalization made by Joseph Schumpeter that

"...the social meaning or function of Parliamentary activities is no doubt to turn out legislation and, in part, administrative measures. But in order to understand how democratic politics serve this social end, we must start from the competitive struggle for power and office and realise that the social function is fulfilled, as it were, incidentally - in the same sense as production is incidental to the making of profits."\(^6\)

Eventually, old age pension schemes were established in New South Wales and Victoria in 1900, and in Queensland eight

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years later. What, then, were the main features of the three state schemes? (see Table 3.1.)

To begin, not all sections of the aged community were eligible for a pension. Aborigines, Asiatics and aliens were specifically excluded, as were the "lazy", the "immoral" or the "thriftless". In addition, the means tests were designed to ensure that only the destitute aged received assistance.

With respect to the size of the pension, the main concern seemed to be whether or not it was a fair and reasonable amount for the community to provide. Whether it was adequate to support a pensioner was almost irrelevant, for it was never envisaged that he would actually have to live on it. The assumption was always made that the pensioner would have other funds at his disposal, thus making the pension merely a supplementary source of income.

Those State governments which introduced age pensions had adopted a pragmatic approach to the problem of aged destitution. It was an approach which acknowledged that there was a need to attack the root cause of aged poverty, rather than merely camouflaging its symptoms. Yet it ensured that government outlays would be minimized, by concentrating funds on those "most in need" and "most deserving" of assistance.

**THE EMERGENCE OF THE AUSTRALIAN AGE PENSION SCHEME:**

**A QUESTION OF FINANCE**

The question of whether the Commonwealth should have authority to provide age pensions was first raised during the 1897 Sydney session of the Australasian Federal
<table>
<thead>
<tr>
<th>Minimum Age (Years)</th>
<th>N.S.W.</th>
<th>N.S.W.</th>
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<th>VICTORIAN</th>
<th>QUEENSLAND</th>
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<td>ROYAL</td>
<td>LEGISLATION</td>
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<td>(1900-1907)</td>
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<td>(1908)</td>
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<td>British Subjects</td>
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<td></td>
<td>(except people of Asian ancestry) or those naturalized for less than 3 years</td>
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<td>Minimum Residency Period:</td>
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<td>15</td>
<td>10</td>
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<td>10</td>
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<tr>
<td>Maximum Allowable Income (£ p.a.):</td>
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<td>50</td>
<td>26</td>
<td>5/4/-</td>
<td>26</td>
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<tr>
<td></td>
<td>Married: 19/10/-</td>
<td>50</td>
<td>19/10/-</td>
<td>5/4/-</td>
<td>19/10/-</td>
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<tr>
<td>Maximum Annual Pension (£):</td>
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<td>19/10/-</td>
<td>20/16/-</td>
<td>26</td>
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<td></td>
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<td>19/10/-</td>
<td>16/2/6</td>
<td>20/16/-</td>
<td>19/10/-</td>
</tr>
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</table>

**NOTE:** 1 Except Aborigines.
James Henderson Home, a South Australian representative, put forward a motion at that convention giving the proposed Federal Parliament power over pensions. But the motion was not dealt with immediately. Home re-presented his motion at the 1898 Melbourne session of the Convention where it was fully debated.

Reflecting the degree of popular and political acceptance of the idea that the government should provide old age pensions, the question debated at the 1898 Melbourne session was not whether pensions should be paid at all, but rather, whether they should come under Federal or State jurisdiction. Those who wished to restrict Federal powers argued that since pensions were in the same category as State banking and insurance, and since they were, logically, a branch of the State charitable relief system, then they should remain a State matter. It was also pointed out that the inclusion of such a power in the Constitution would tend to load the Commonwealth with a social problem of great complexity and magnitude, and this was considered highly undesirable. On the other hand, the Federalists simply argued that if this power was given to the Commonwealth it would ensure a "unity of effect" throughout the country, which, it was argued, was particularly important in view of the "migratory habits" so

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evident in the Australian population. The vote which followed this debate resulted in an overwhelming victory for the Federalists. Thus Section 51 (xxiii) of the Commonwealth Constitution empowered Federal Parliament to establish its own age pension scheme. Early in the life of the new Parliament the Barton Government, which was the Commonwealth's first, indicated that it intended to establish an age pension scheme as soon as financial conditions permitted. This required the Commonwealth to overcome the financial constraints imposed upon it by the Constitution.

For the first ten years of Federation, the Commonwealth was required under Section 87 of the Constitution (the Braddon Clause) to return to the States no less than three-quarters of its major revenue source, customs and excise duties, the collection and control of which became a Commonwealth function at Federation. The intention of the Braddon Clause was, first, to ensure that the States would have a guaranteed share of Commonwealth customs and excise revenue; and secondly, to limit the growth in Commonwealth expenditure, by limiting Commonwealth revenue, in order to prevent "...any attempt at an undue encroachment of the Federal power." 

The Constitution also provided that if the Commonwealth did not spend all its remaining revenue then any surplus had to be returned to the States in accordance with Section 89 which provided an elaborate book-keeping system for the

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9 Commonwealth Parliamentary Debates (CPD), (1901), Vol. 1, p.29.
Commonwealth to follow until it imposed uniform tariff duties. Under this system each state had to be credited with the revenue collected within its borders (including duties on inter-state trade under tariffs existing in each state immediately prior to Federation), and debited with its share of Federal expenditure, the balance (if any) had to be paid to the States in monthly instalments. After the imposition of uniform tariffs, and for a minimum period of five years, Section 93 modified the operation of Section 89 to the extent that

"The duties of customs chargeable on goods imported into another State for consumption and the duties of excise paid on goods produced or manufactured in a State and afterwards passing into another State, shall be taken to have been collected not in the former but in the latter State."

From September 1907 the Commonwealth was not required to follow "this detestable book-keeping system."\textsuperscript{11} However, for a short period it continued to do so under the authority of Section 94, which allowed the Commonwealth to

"...provide, on such basis as it deems fair, for the monthly payments to the several States of all surplus revenue of the Commonwealth."

This, then, is the constitutional background to the Commonwealth's financial difficulties during the first decade of Federation. The Commonwealth not only had to give the States no less than three-quarters of the net customs and excise duties it raised, but it was also obliged to distribute any surplus revenue that it might have amongst

\textsuperscript{11} A phrase coined by W.M. McMillan, Chairman of the Finance Committee at the Adelaide Session of the Federal Convention; see ibid., p.881.
the various States, on a monthly basis. This meant, of course, that the Commonwealth could not build up a fund which would guarantee the payment of old age pensions. It was this financial constraint that most concerned the Federal Parliament whenever the pension issue was raised.

A number of suggestions were made as to how the Commonwealth's financial position could be improved to facilitate the introduction of age pensions. One frequently offered solution was that the operation of the Braddon Clause could be modified by agreement with the States. One of the first advocates of this was Senator John Cash Neild, who, as a Member of the New South Wales Legislative Assembly, had been active in the New South Wales age pension cause during the 1890s. He suggested in August 1901

"That the State Governments be invited to authorise the Treasurer of the Commonwealth to deduct from the sums payable to the States under Section 87 of the Commonwealth Constitution Act the amounts required to provide [old-age] pensions."¹²

In the debate which followed, the fear was expressed that even if the States agreed to this, which was, indeed, most unlikely, there would always be the possibility that they might reverse their decision at some future date. Two years later Neild repeated his call for Federal-State cooperation, but this time only as "...a gentle spur to the good resolutions of the Government", for he fully realized that the States, which were experiencing financial difficulties (evidenced by a series of deficit budgets), would not be amenable to any reduction in Commonwealth

reimbursement. The Federal-State co-operation approach was also advocated by the 1906 Commonwealth Royal Commission on Old-age Pensions which recommended that

"...during the operation of Section 87 of the Constitution...an arrangement should be made by the Commonwealth with the several States by which sufficient money should be handed over to the Commonwealth for the purpose of making good any deficiency in Consolidated Revenue caused by the establishment of an Old-age Pension system."^14

In a somewhat similar vein, King O'Malley, a militant Labor Parliamentarian, called on George Reid, the non-Labor Prime Minister, to negotiate with the States so as to obtain their authority to exclude from the operation of the Braddon Clause revenue raised by special customs duties imposed exclusively for the purpose of financing age pensions.^15

All these suggestions for Federal-State co-operation in modifying the operation of the Braddon Clause were, however, to no avail. The States were hostile to the idea. They made this abundantly clear at the Hobart Premiers' Conference in February 1905. After the Prime Minister, Alfred Deakin, had made a plea for financial co-operation to allow the establishment of a Commonwealth age pension scheme, the South Australain Premier retorted: "Personally, I do not think there is any possibility of agreeing to give you anything."^16 Similarly, the Victorian Premier declared:

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13 CPD, (1903), Vol. 16, p.4466.
15 CPD, (1904), Vol. 23, p.7119.
"We in Victoria think you have enough to do without old-age pensions." The States' attitude was again unambiguously spelt out at the 1906 Sydney Premiers' Conference where it was generally agreed:

"...that it is incumbent on the Federal Government, if it adopts an old-age pension scheme to provide the revenue required to finance it, without trenching upon the Customs revenue now returned to the States."^18

Clearly, then, the Commonwealth had to look elsewhere for a method of financing age pensions. Soon after the 1906 Premiers' Conference the Commonwealth attempted to formally change the Braddon Clause by means of a constitutional amendment.

In August 1906 a bill was introduced into the Commonwealth Parliament to amend Section 87 of the Constitution, so that the Commonwealth could retain all the revenue it derived from the imposition of special duties. But the bill was defeated. Some of its opponents argued that it would extend Federal power too far. Others advocated that it should specify that age pensions would be financed from the revenue obtained from these exempted special duties.

While the Commonwealth was attempting to increase its share of customs and excise duties, alternative methods of raising revenue were being explored. Some Parliamentarians suggested that since the Constitution gave the Commonwealth authority to levy taxes other than customs

^17 Ibid.
^18 CPD, (1906), Vol. 33, p.3861.
and excise duties, then the Commonwealth should do so. The most common proposal related to land taxes. Senator Pearce, for example, suggested in September 1903 that a Commonwealth land tax should be imposed. Two years later Senator Givens proposed that a tax of 1d in the £1 be imposed on private land holdings. The voluble King O'Malley called on the Government, the following year, to create a progressive land tax structure. All these proposals were rejected in Parliament. The prevailing attitude towards alternative forms of taxes was epitomised by a non-Labor Senator, John Grey, who commented that "Customs and Excise are the easiest method of taxation, because people do not know what they are paying."

A more radical approach was suggested by Senator Pearce in March 1904 when he argued that sufficient revenue would be available to finance age pensions, if the Commonwealth nationalized the tobacco industry. However, it seems that he was using the financing of age pensions to give his views on nationalization a cloak of political acceptability.

Income tax was never seriously considered as a means of financing age pensions. It was, however, suggested in 1905 at the Hobart Premiers' Conference and by T. A. Coghlan,

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20 CPD, (1903), Vol. 16, p.4461; see also Section 51(ii), of the Constitution, subject to the constraints of Sections 55, 92, 99 and 114.
22 CPD, (1906), Vol.32, p.2506; see also Vol. 23, p.7119.
who advised that a stamp duty of two pence on all weekly wages be imposed.\textsuperscript{25}

The eventual solution to the Commonwealth's financial dilemma came as a result of a constitutional re-interpretation. Under Section 94 the Commonwealth was obliged to distribute any surplus revenue it had amongst the various States. The question was: what constituted "surplus revenue"? The Commonwealth's view was made clear in March 1908 when the Prime Minister, Alfred Deakin, introduced into the House of Representatives the Surplus Revenue Bill, which provided, among other things, that:

"All payments to Trust Accounts, established under the Audit Acts 1901 - 1906, of moneys appropriated by law for any purpose of the Commonwealth shall be deemed to be expenditure."\textsuperscript{26}

To define "appropriations for future expenditure" as part of "expenditure" could, effectively, eliminate any "surplus revenue" distributable to the States under Section 94.

Needless to say this proposal was received with hostility in Parliament by those who were firm believers in States' rights, one of whom was Sir John Forrest, a conservative Member of the House and a former Minister. He expressed his opposition to the bill in no uncertain manner:

"I am fully of the opinion that this bill is contrary to the Constitution, and is, moreover, a grave breach of that honourable undertaking which was arrived at between the States and the Commonwealth at the Melbourne Convention of 1898, prior to Federation."\textsuperscript{27}

\textsuperscript{25} CPD, (1904), Vol. 18, p.649.
\textsuperscript{26} This bill became Act 15 of 1908.
\textsuperscript{27} CPD, (1908), Vol. 46, p.11724.
Along with the Surplus Revenue Bill, the Deakin Government put forward two other bills - the Invalid and Old Age Pension Bill, which created the Commonwealth pension scheme, and, the Invalid and Old Age Pensions Appropriation Bill, which directed that part of the Commonwealth's revenue be paid into a specially created Trust Fund to be used to defray the cost of providing future pensions. All three bills were assented to on June 8 1908. Not unexpectedly the constitutional validity of the Commonwealth's action was challenged in the High Court in October 1908. After a hearing which lasted four days the High Court decided that the money appropriated under the Invalid and Old Age Pensions Appropriation Act was, indeed, "expenditure" within the meaning of Section 89 of the Constitution, and, therefore, could not be part of the "surplus revenue" distributable under Section 94. There were, therefore, no remaining obstacles to the establishment of the Australian age pension scheme, which came into effect on July 1 1909.

THE AUSTRALIAN AGE PENSION SCHEME

When the Commonwealth introduced its scheme it did so believing that its proper role was the limited one of providing supplementary relief to the destitute but "deserving" aged, and not that of taking full responsibility for all the aged poor. Care for the aged had long been

28 An invalid pension scheme was incorporated in the same legislation, but that will not be examined here at all.
29 Acts 15, 17 and 18 of 1908.
31 The details of this scheme will be more thoroughly examined in Chapters 7 and 8 below.
considered the responsibility of the family and voluntary charitable organizations with the Government only reluctantly joining this group.

Like its State predecessors, the Commonwealth's scheme was selective in its coverage (see table 3.2). By 1908 there appears to have been general agreement throughout the country as to whom the age pension should not be paid. Aliens, Aborigines and 'Asiatics' were automatically excluded, while other eligibility conditions were such that the migrant of less than twenty-five years standing and the institutional inmate could not gain any assistance. The whole question of who should receive a "free" pension had become something of a social creed - a consequence of opinion which was, itself, the culmination of ten or more years discussion and debate.

That the Commonwealth was only prepared to accept partial financial responsibility for those members of the aged community who qualified for a pension is clear from the value of the pension provided. Policy-makers continued to assume, albeit with much less fervour than they had before the 1890s depression, that the individual could depend on relatives and private charities for assistance, except in the most extreme circumstances. They saw the Commonwealth's role as providing supplementary relief to the "deserving" but destitute aged. The maximum pension was fixed at £26 a year, which had been considered the "most desirable" and the "most appropriate" amount by many "expert witnesses" who gave evidence before the 1906 Royal Commission, and the earlier investigatory bodies. The actual pension granted, however, depended on the level
TABLE 3.2

ADMISSION TESTS FOR THE AUSTRALIAN
AGE PENSION SCHEME IN 1908

| Age: | 65 years of age and over; |
| Race-Nationality: | British subjects, but specifically excluding Aborigines, Asians (except those born in Australia), Africans and natives of the Pacific Islands and New Zealand; |
| Residency: | 25 years residency in Australia (except for occasional absences); |
| Maximum Exclusion Property Limit: | £310; |
| Maximum Exclusion Income Limit: | £26 per annum; |
| Morality: | 'Good character'; |
| Domicile: | Not an inmate of a gaol, a benevolent asylum, a general hospital or a hospital for the insane. |

NOTE: 1 See Chapter 7 for full details.

SOURCE: Act 17 of 1908.
of income received, and the amount of property owned, by pensioners. A man receiving an income of more than £26 a year found his pension reduced on a *pro rata* basis, while if he owned property valued above a certain limit (which varied according to his marital status and whether or not he owned his own home), then his pension was further reduced by £1 per year for every complete £10 of excess property owned.

To operate the scheme a hierarchical administrative structure was established. At the apex was the Commissioner of Pensions, who was under Ministerial control, and there were Deputy Commissioners in each State. To facilitate efficiency in routine day-to-day administration, each State was divided into districts, each of which had a Registrar of Pensions, who not only received the pension applications in the first instance but also undertook a preliminary investigation. Having completed a preliminary report, the Registrar passed the matter on to the local Magistrate who, after a court hearing, decided whether a pension should be granted. However, if an applicant was unsuccessful he was able to appeal to either the Deputy Commissioner in his State, or, in some circumstances, the Commissioner, whose decision was final. Sir John Forrest, a supporter of pensions in principle, but a critic of the Surplus Revenue Act, summed up the Deakin Government's policy towards the aged in 1908 when he remarked that

"...no one is to receive an old-age pension unless he is unable to maintain himself...Old-age pensions are to be paid to the deserving poor who have
served their country well, and whom Australia will not cast aside, and neglect in their old age."\(^\text{32}\)

CONCLUSION

By the end of the 1890s the provision of age pensions had become a settled political issue. It was clear that both Victoria and New South Wales would establish a non-contributory, selective age pension scheme and that the Commonwealth would have the constitutional authority to do so after Federation.

Because of the financial constraints imposed upon the Commonwealth by the constitution, eight years lapsed before the Commonwealth age pension scheme came into effect. During that period numerous suggestions were made as to how the Commonwealth could finance age pensions. These ranged from Federal-State co-operation to the nationalization of the tobacco industry. Ultimately, the solution came with the 1908 Surplus Revenue Act, which defined "expenditure" to include "appropriations for future expenditure". By this means all the "surplus revenue" that, under Section 94, the Commonwealth was obliged to return to the States, could be eliminated.

Under the Australian age pension scheme public responsibility was limited to providing the "deserving" aged poor with a minimum subsistence income - an amount considered "fair", even "adequate", but certainly not "excessive" - leaving them free, within strict limits, to supplement this from whatever source they could.

\(^{32}\) CPD, (1908), Vol. 46, p.11948.
No doubt the provisions of the 1908 legislation were both necessary and justifiable at a time when it was essential for the government to re-assure many people that a weakening of individual initiative, and a demise of the work ethic, would not necessarily result if the Commonwealth provided non-contributory old age pensions. The scheme had been designed to achieve the following modest objectives:

(1) to supplement relief provided to certain destitute aged by their families, voluntary charitable organizations and State governments, so as to ensure them a basic minimum level of well-being;

(2) to assist only those "most deserving of assistance", as determined by a set of eligibility tests;

(3) to encourage thrift and self-reliance; and,

(4) to limit expenditures on such relief to a "fair" and "reasonable" amount for the community to provide.

This, then, was the framework from which future policy issues emerged.
PART II

THE SOCIAL INSURANCE DEBATE: 1909 - 1954
It must have seemed to successive Commonwealth governments that the non-contributory age pension scheme raised more problems than it solved. Even as originally formulated its costs rose rapidly. In addition, pressures quickly built up for both a liberalization of the eligibility conditions and an increase in the maximum pension rate. The response of the Labor Party was to advocate that the scheme should be radically changed and that these changes should be financed out of Consolidated Revenue by increasing taxation and changing expenditure priorities. The non-Labor parties, in contrast, favoured the introduction of a compulsory-contributory (or social insurance) scheme.\(^1\) Because it is not possible to isolate the introduction of compulsory-contributory age pensions from the introduction of a more comprehensive social insurance scheme, attention will be centred on the failure of social insurance in Australia.

Up to 1939 three unsuccessful moves were made towards the introduction of compulsory-contributory age pensions as part of a more extensive social insurance scheme. The first, which was at best only half-hearted, occurred soon after the non-contributory pension scheme was established. The second, which was more serious in its intent, happened in the 1920s. By far the most controversial, however, was the third, which took place during the 1930s. This chapter

\(^1\) The terms "social insurance", "compulsory-contributory", "national insurance" and "workman's insurance" are used as synonymous.
Some early problems with the Australian age pension scheme

Not long after the Deakin Government’s age pension scheme came into effect on July 1, 1909, problems began to emerge. It quickly became evident, for example, that the Deakin Government had grossly underestimated the rate of increase in the cost of the scheme. It had been estimated in 1908 that by 1919-20 total expenditure on age pensions would reach £1.9m, but this amount was exceeded by the end of the scheme’s second year of operation. By 1913 expenditure had reached £2.1m (see Table 4.1), reflecting an average annual increase of 6.6 per cent over the previous four years. This cost escalation constituted a major source of concern for successive Commonwealth government. But it was the arbitrariness of the eligibility conditions that was most severely criticized by supporters of the non-contributory principle.

Many of the scheme’s anomalies were highlighted by critics from within the Labor Party. One of the more persistent critics, Andrew Fisher, the leader of the Parliamentary Labor Party, was quick to point out that the Invalid and Old-age Pension Act

"...provides that if any person is possessed of property equal in value to £310, he is not eligible to receive a pension. I think that that provision is an illogical one, seeing that under it a man

---


3 This relates to both age and invalid pension expenditures.
### TABLE 4.1

**COMMONWEALTH EXPENDITURE ON PENSIONS: 1910 - 1929**

<table>
<thead>
<tr>
<th>YEAR ENDED 30 JUNE</th>
<th>AMOUNT PAID IN PENSIONS</th>
<th>INDEX</th>
</tr>
</thead>
<tbody>
<tr>
<td>1910</td>
<td>1,433</td>
<td>100</td>
</tr>
<tr>
<td>1911</td>
<td>1,845</td>
<td>129</td>
</tr>
<tr>
<td>1912</td>
<td>2,142</td>
<td>149</td>
</tr>
<tr>
<td>1913</td>
<td>2,288</td>
<td>160</td>
</tr>
<tr>
<td>1914</td>
<td>2,578</td>
<td>180</td>
</tr>
<tr>
<td>1915</td>
<td>2,691</td>
<td>188</td>
</tr>
<tr>
<td>1916</td>
<td>2,860</td>
<td>200</td>
</tr>
<tr>
<td>1917</td>
<td>3,519</td>
<td>246</td>
</tr>
<tr>
<td>1918</td>
<td>3,754</td>
<td>262</td>
</tr>
<tr>
<td>1919</td>
<td>3,881</td>
<td>271</td>
</tr>
<tr>
<td>1920</td>
<td>4,412</td>
<td>308</td>
</tr>
<tr>
<td>1921</td>
<td>5,074</td>
<td>345</td>
</tr>
<tr>
<td>1922</td>
<td>5,290</td>
<td>369</td>
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<td>1923</td>
<td>5,338</td>
<td>373</td>
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<tr>
<td>1924</td>
<td>6,427</td>
<td>448</td>
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<tr>
<td>1925</td>
<td>6,896</td>
<td>481</td>
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<tr>
<td>1926</td>
<td>8,147</td>
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<tr>
<td>1927</td>
<td>9,035</td>
<td>630</td>
</tr>
<tr>
<td>1928</td>
<td>9,682</td>
<td>678</td>
</tr>
<tr>
<td>1929</td>
<td>9,991</td>
<td>697</td>
</tr>
</tbody>
</table>

**NOTE:** 1 Includes payments to pensioners in benevolent asylums and to invalid pensioners.

possessed of that amount of property...would be deprived of £26 per annum, which sum, if capitalized, would represent far more than £310."\(^4\)

In July 1909, a matter of days after the first pension payment, W. M. Hughes scorned that under the present system

"A man who has been industrious is penalized, while the man who does not work reaps a reward for his lack of industry...I feel that it is quite wrong to perpetuate such a system. If we desire to save money, we ought to say so; if we have not sufficient money to do justice, we ought not to penalize a man in this way."\(^5\)

The exclusion of aliens, institutional inmates and recently-arrived immigrants from the pension scheme was also a point of contention.\(^6\) At the same time, fundamental criticism of the non-contributory nature of the scheme was being made.

The conflict between non-contributory pensions and individual self-help or sound business practice was a continuing theme. It was argued by some that the existing scheme was "absolutely opposed to the encouragement of thrift"\(^7\). Others believed that it was

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\(^4\) Commonwealth Parliamentary Debates (CPD), (1909), Vol. 50, p.1337; see also, (1911), Vol. 60, p.231; and, (1912), Vol. 69, p.6979.


\(^7\) CPD, (1909), Vol. 52, p.3940; see also, (1911), Vol. 62, p.2674.
"...not calculated to improve the national character, nor to ensure the payment of pensions at the rate which has been fixed...we need a sane business basis, so that both those who are now in receipt of pensions, and those likely to need them, shall be sure of relief."8

George Knibbs, the Commonwealth Statistician and a firm supporter of the contributory principle, added his not inconsiderable weight to this body of critical opinion when his masterly study on social insurance appeared in September 1910. In it Knibbs not only outlined, quite succinctly, his views on the desirability of a compulsory-contributory system of social services, but he also provided a blue-print for future action for any government intending to introduce such a scheme. It is to this study that attention is now turned.

THE KNIBBS REPORT ON SOCIAL INSURANCE

Knibbs gave new life to many of the arguments offered in the 1890s against non-contributory age pensions. Reminiscent of earlier critics he believed that the existing pension legislation

"...must be regarded as a social experiment, the success or otherwise of which has yet to be shown by experience...The most obvious criticism to be made...is that it is empirical and that it treats the problem of old-age poverty superficially rather than scientifically. Unquestionably it provides relief for the aged pauper of to-day; but the question may well be asked how far the discipline

8 CPD, (1911), Vol. 61, p.2208; see also, Vol. 66, p.578; Vol. 62, pp.2674 - 7; and, (1913), Vol. 70, pp.72 - 3 and 728.
of thrift should be reinforced by requiring, from the physically able, compulsory contributions to this scheme."\(^9\)

He went on to point out that it was arbitrary in both the level of benefits and the pensionable age it specified. He also considered the method of enquiry into the merits of any particular application to be "inquisitorial."\(^10\)

For good measure he added that, rightly or wrongly, the community regarded the payment of pension as

"...a form of charitable relief, and not as an individual right arising out of participation in a compulsory system, by contributing either directly or through general taxation."\(^11\)

In a more positive vein, Knibbs provided a detailed, and tightly reasoned, case for social insurance, which he envisaged would include age pensions. He believed that

"...a proper regard for the solidarity of each community requires that all classes belonging to the community should be protected by the strength of the community as a whole, against the incidents of misfortune on one class or on the individual."\(^12\)

Social insurance was also an essential factor in character development:

"Beyond all material considerations, the beneficient moral effect of the [Social Insurance] System in Germany has been enormous, and a direct and far reaching result is that the spirit of thrift,

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\(^10\) Ibid., p.86
\(^11\) Ibid., Knibbs did not make clear what he meant by "contributing...through general taxation." Perhaps he had some form of earmarked taxation in mind.
\(^12\) Ibid., p.88.
manliness, and self-reliance has been reinforced in the working class."\textsuperscript{13}

In addition, it was, he argued, "...probably in no incon siderable degree responsible for the present efficiency and power of [the German] empire."\textsuperscript{14} Knibbs went even further by suggesting that "in every direction the system seems to have promoted civilization and the common welfare."\textsuperscript{15} He also believed that a comprehensive system of compulsory-contributory social services, which included accident, sickness and retirement assurance, would improve working conditions, increase labour efficiency, improve medical treatment and hygiene, and would ensure "general prosperity".\textsuperscript{16}

Knibbs also endeavoured to combat the well-entrenched distrust felt by many people about social insurance. To those who believed, as a matter of principle, that the state should not provide any form of insurance, he argued that, for a number of reasons, a social insurance system could only be operated by the state. To begin, only it could provide security for contributors "...without the accumulation of any reserve", although he offered no details as to how this could be achieved.\textsuperscript{17} Also, only the state "...could provide insurance at a minimum cost, being able to gain the attention of the working man without the expenses of agents' commissions, advertising, fees etc."\textsuperscript{18}

\textsuperscript{13} Ibid., p.88.
\textsuperscript{14} Ibid., p.87.
\textsuperscript{15} Ibid., p.88.
\textsuperscript{16} Ibid., pp.87 - 8.
\textsuperscript{17} Ibid., p.89.
\textsuperscript{18} Ibid.
Further, "...a Government institution does not require to make a profit", and, therefore, could provide insurance benefits at a lower cost.\(^{19}\) In addition, the data needed for the actuarial calculations could be more cheaply and efficiently collected by the state.\(^{20}\) Moreover, "no other agency or source of information could command as great confidence as a properly organized State bureau."\(^{21}\) Furthermore, "State insurance affords facilities for the collective insurance of workmen by the employers."\(^{22}\) Finally, he believed that "one of the greatest advantages offered by State institutions is the facility afforded for the organization of compulsory social insurance."\(^{23}\)

To those who saw social insurance as a breach of individual liberty and freedom, Knibbs pointed out:

"The State should certainly not invoke compulsion for trivial reasons, but when national destiny and large interests concerning the welfare of the majority of the population are involved and a desired end can be attained only through compulsion, the State has no grounds for hesitation."\(^{24}\)

A three-pronged refutation was offered to those who believed that the cost of such a system would be inhibitive. Knibbs argued, first, that "it would, \textit{prima facie}, appear... that the profits of the employers in a country like Australia could reasonably be expected to bear a considerable share of the burden."\(^{25}\) Secondly, he suggested that
"Judging by the immense sums spent by workmen and others on various objects the natural value of which is questionable, the wages could also carry a fairly heavy load for social insurance purposes. There are however, numbers of employees whose wages do not now suffice to pay for the bare necessaries of healthy life. Yet there are probably few, even of those, who do not on an average spend at least the amount of the premiums on luxuries with which they could well dispense. The question is merely one of the standard of duties recognized, and not one of amount of income."\textsuperscript{26}

Finally, he asserted that

"it would...not be too optimistic to expect that under a scientific system of social insurance there would be considerable economy compared with present admittedly wasteful methods."\textsuperscript{27}

To those critics who predicted the demise of private "organization of thrift" if a social insurance system was introduced, Knibbs replied that a negative attitude towards social insurance

"...would...be extremely short-sighted, for any modification of these institutions necessary to bring them into line with a national scheme of social insurance, would ultimately prove the reverse of inimical to their interests. Beyond doubt, a well-designed system of workmen's insurance...would do much for the wage-earner...and the probability is that such a system when once properly presented and clearly explained to the members of friendly societies and trade unions would soon win their favour."\textsuperscript{28}

\textsuperscript{26} Ibid.
\textsuperscript{27} Ibid.
\textsuperscript{28} Ibid., p.85
This was not, however, to suggest that the existing mutual benefit organizations would not be affected at all:

"If the transition be so arranged as to cover a considerable period of time the grave difficulties and serious wrongs from instant change could be largely avoided, though naturally some degree of individual hardship must be associated with the introduction of a new system of things." 29

In contrast to some of the earlier supporters of the contributory principle, Knibbs had no illusions about social insurance catering for all members of the community:

"[I]t affects immediately only workmen - those who spend most of their lives earning a living wage. For defectives and paupers, workman's insurance is inapplicable, and these persons must still be either supported by public or private charity, or be made, through a well-directed system of industrial education and activity, to provide wholly or partially for their own support." 30

The blue-print for action outlined by Knibbs was both simple and fundamental. 31 The government had first to educate the community about the use of social insurance. At the same time it had to collect the required statistics and undertake the preliminary actuarial calculations. Then, the machinery needed to operate the scheme had to be established. It was, however, on a sobering note that Knibbs concluded his study:

"To hope to bring a supremely difficult matter of this kind to a successful issue, it will be necessary to develop its details on the results

29 Ibid.
30 Ibid., p.90.
31 Ibid., pp.92-3.
of an exhaustive study...and [a] successful solution will require the undivided attention of a well-informed mind."

THE OVERSEAS EXAMPLE

Interest in social insurance in Australia was stimulated by its introduction in certain European countries. The German experience was a continuing source of inspiration for many supporters of social insurance. For example, Sir John Cockburn, who was Australia's representative at the 1908 International Congress on Social Insurance, was clearly impressed with the German system, which he saw as being responsible for the increased "industrial efficiency" so evident there. The British experience, under the 1912 National Health and Unemployment Insurance Act, was also keenly watched, because many of the barriers confronting those wishing to establish a social insurance scheme in Britain were the same as those existing in Australia.

One of the more important barriers was the entrenched opposition of friendly societies to social insurance. The evident success of the British Liberal Government in pacifying these societies by involving them, profitably, in the administration of the health and unemployment insurance scheme, must have been of considerable interest to Australian supporters of social insurance. Instead of creating a state bureaucracy, the British government

32 Ibid., p.93.
established a network of "approved societies" which collected contributions and paid out benefits. That benefits were not actuarially related to contributions was another feature which interested Australian observers. The British scheme provided flat-rate benefits, and contributions were uniform for all ages-at-entry and for all classes of the insured population, differing only on the basis of sex. By Australian standards this was a radical proposition.

Elsewhere in Europe the compulsory-contributory principle had also gained favour. In 1909 Iceland established a contributory age pension scheme which covered every man and woman between the ages of eighteen and sixty. The following year saw France introduce a similar scheme (covering all employees in industry, commerce, the "liberal professions", agriculture and the public service) to supplement its non-contributory scheme, which had been in existence since 1905. Other countries which introduced contributory schemes included Luxemburg (1911), Rumania (1912), and Sweden and Holland (1913). In all, by the beginning of the First World War, fourteen countries provided compulsory-contributory age pensions, with varying degrees of coverage and government assistance. In contrast, only Denmark, New Zealand, Australia and Britain (since 1908) provided non-contributory age pensions.

35 It was intended that contributions should be set so that only a fixed proportion of the scheme's costs would be covered, the remainder would be financed from the Exchequer.
exclusively. In these circumstances it is not surprising that social insurance found increasing support in Australia.

A BRIEF FLIRTATION WITH SOCIAL INSURANCE: 1910 - 1914

While advocates of social insurance could be found in all the major political groupings, strongest support came from the non-Labor parties. Despite the fact that it was a Deakin-led non-Labor Government which established the non-contributory age pension scheme in 1908, it was members of Deakin's new "Fusion Party" who called for the creation of a compulsory-contributory scheme early in 1910. These early demands received little support, but as dissatisfaction with the existing scheme increased, social insurance seemed a more viable alternative. The climate of party opinion changed quickly. Reflecting this, the deputy leader of the "Fusion Party", Joseph Cook, remarked in 1911:

"Old-age pensions should be lifted out of the charitable rut in which they are running...The taint of pauperism and charity should be entirely eliminated from them...The more I think of it the more convinced I am that we must come ultimately to a form of national insurance...that is the scheme which commends itself to me."

Andrew Fisher, the first Labour Prime Minister, flirted, towards the end of 1913, with the idea of introducing an unemployment and invalidity insurance scheme, but his interest was squashed after the proposition was rejected at the Fifth Commonwealth Conference of the ALP in 1912, (see CPD, (1911), Vol. 60, p.7; and, Official Report of the Fifth Commonwealth Conference of the ALP, 1912, pp.22 - 3).


Support for social insurance continued to increase, and in the following year the Liberal Party (as the "Fusion Party" became known) made the provision of compulsory-contributory age pensions part of its electoral platform. With the Labor Party still supporting the non-contributory principle, the major political parties were now polarised on the method of financing social services.

During the campaign for the 1913 General Election social services were an important issue. Cook, who had replaced Deakin as leader of the Opposition Liberal Party, declared in his policy speech:

"We propose to mature as early as possible a comprehensive scheme of national insurance providing for sickness, accident, maternity, widowhood, and unemployment on a contributory basis." Surprisingly, given his party's policy, Cook made no mention of contributory age pensions. Fisher, the retiring Labor Prime Minister, in contrast, called for a referendum to change the Constitution so as to allow his Government to centralize control of social services, which would facilitate the payment of further non-contributory benefits. After the elections, Cook replaced Fisher as Prime Minister, and a government sympathetic to the social insurance cause was in office.

40 The Inserted plank read:

"To secure a complete national insurance scheme, embracing old-age and invalid pensions, unemployment benefits, maternity aid, properly-equipped sanatoria and a great national comprehensive contributory scheme."

See the Argus, (September 6 1912), p. 12; and, CPD, (1911), Vol.60, p.578.

41 CPD, (1913), Vol. 70, p.874.

Sir John Forrest, as Treasurer, hinted in his 1913-14 budget that all pensions would soon be placed on a compulsory-contributory basis to reduce Government expenditure; but this did not eventuate. As one New South Wales Liberal Party newspaper, *The Fighting Line*, pertinently remarked the following year:

"The old-age pensions are absorbing a huge quantity of money and it is necessary that the country should be protected from imposition. The Cook Ministry has no more intention of attacking the [non-contributory] principle than it has of taking poison. Either would be suicide."

Between 1908 and 1914 then, the non-Labor parties' attitude to non-contributory pensions had completed a full circle. In 1908 they supported the non-contributory principle; two years later they began moving cautiously towards social insurance, only to revert to their initial position by 1914. Why did this happen? It may have been that by 1914 non-contributory age pensions had become a political sacred cow which had been made sacrosanct by public opinion and which no political party would dare destroy, their principles notwithstanding. This does not, however, fully explain why the Cook Government failed to take action on its 1913 electoral promise to introduce a broad social insurance scheme. To explain this, three other factors need to be considered.

First, Cook was under pressure from friendly societies to abandon any idea that he might have had about introducing a broad compulsory-contributory social service system.

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43 Ibid., p.118.
44 Quoted in CPD, (1914), Vol. 74, p.1439.
which, these societies argued, would encroach upon their activities and hence their profits. Secondly, serious doubts existed as to the Commonwealth's constitutional authority to introduce a system of social insurance.\(^{45}\)

That the Cook Government recognized this barrier seems clear, for in October 1913 it announced that consideration was being given to whether a referendum would be necessary before any action could be taken on social insurance.\(^{46}\)

But perhaps the most important factor was the political crises faced by Cook's Government in 1913-14.\(^{47}\) As Cook was dependent on the casting vote of the Speaker to continue in office, and had the support of only a minority in the Senate, he had little hope of drastically changing the method of financing social services. In fact, his Government was frustrated in all directions. Understandably, his main ambition was to force a double dissolution, which he succeeded in doing in June 1914.

After the subsequent election Andrew Fisher, leading the Australian Labor Party, again became Prime Minister. This new Government was unsympathetic to the contributory principle and, in any event, it was preoccupied with the problems of a nation at war.\(^{48}\) Thus social insurance

\(^{45}\) CPD, (1914), Vol. 72, p.1211.


\(^{47}\) See Geoffrey Sawer, op. cit., pp.121 - 5 for details.

\(^{48}\) However, during the 1915 Premiers' Conference some discussion occurred about the desirability of the Commonwealth introducing a national unemployment insurance scheme, but nothing came of the idea (see Commonwealth of Australia, Conference between Commonwealth and State Ministers, Report of Proceedings, (1915), p.66).
was only an unfulfilled promise at the outbreak of the First World War.

A PERIOD OF INACTIVITY: 1914 - 1922

During the Great War criticism of the existing age pension scheme abated, and the protagonists of the compulsory-contributory principle remained silent. While it was recognized by both the Government and Opposition that pensioners were suffering as a result of inflation, insufficient action was forthcoming because of a pre-occupation with the War effort.\(^49\)

With peace in November 1918, Federal Parliament's attention shifted from the War effort to the repatriation of the armed forces and old age pensioners continued to receive little consideration, although they did gain a small pension increase in 1919.\(^50\) During the General Election held that year, the Labor party campaigned strongly for higher pensions, while the Nationalist Party, which had replaced the Liberal Party as the major non-Labor grouping in 1917, remained silent on the matter.\(^51\) The National Party was returned to government, with W. M. Hughes as Prime Minister.

One of the prominent features of the early post-War period was inflation, and because of it demands for pension reform became more insistent.\(^52\) At the same time, advocates

\(^49\) The maximum pension rate was increased by 25 percent in 1916 but this did not restore the pension's real value to its 1909 level.


\(^51\) Ibid., pp.183 - 5.

\(^52\) See CPD, (1920 - 1), Vol. 91, p.151; Vol. 92, pp.2254 and 2335 - 6; Vol. 93, pp.3900 and 5434; Vol. 94, p.5552, 5661 - 2, 5694 - 5, 5701 - 2 and 5712; Vol. 95, pp.7618 and 8402; Vol. 97, p.12014; and Vol. 98, p.13296.
of social insurance became more vocal, inspired by the growing public debt and the need for economies in government expenditure. Further impetus was generated when the newly formed Country Party, under the leadership of Dr Earle Page, made social insurance part of its original 1921 electoral platform. Page, who became a dedicated and persistent advocate of social insurance, clearly stated his party's attitude in 1922:

"The amount to be provided for [pensions] must increase each year if we go on as at present; the only way in which the cost can be reduced is by means of some system of contributory national insurance. I am hopeful that with the assistance of friendly societies, some plan may be devised and adopted to bring about a reform of the kind, so as to enable us to provide for those old people much more liberally than at present; for then the national conscience would be a little more tender."

As a result of the 1922 General Election the Country Party became an influential force in Federal politics. Holding the balance of power in the House of Representatives, Page was able to demand, and obtain, the removal of Hughes

53 Between 1919 and 1920 the Commonwealth public debt increased by over 17 per cent to £381.3m, and interest charges rose by 18 per cent to £17.8m a year. This prompted one Member of Parliament to remark:

"...if this country is to proceed as it is now doing with a load of debt upon it, the day may come when we shall find that we cannot afford to pay old age pensions" (CPD, (1920), Vol. 94, p.5829).

See CPD, (1920), Vol. 94, pp.5828 - 9; and, Vol. 93, p.5435.

as Prime Minister, and the formation of a coalition ministry, with Page himself as Treasurer and S. M. Bruce as Prime Minister. Thus, once, more, social insurance had sympathetic supporters in office.

SOCIAL INSURANCE AT THE FOREFRONT: 1923 - 1929

The Bruce-Page Coalition Government quickly made it clear that it intended to convert the existing non-contributory age pension scheme into a contributory one. Its first step was to appoint a Royal Commission to investigate the whole question of social insurance. By moving in this direction Australia was following a world-wide trend. Between the end of the Great War and 1923, ten countries introduced some form of social insurance. (Only Norway opted for a non-contributory pension scheme.)

The first of the Royal Commission's four reports emerged in June 1925. It recommended that the Commonwealth should establish a compulsory-contributory system of social services, providing superannuation, sickness, invalidity and maternity benefits. It suggested that superannuation contributions should be compulsory for all wage-earners aged sixteen or over, and that these contributions should vary in accordance with age of entry into the scheme and with sex. As an example, the Commission suggested that a man entering the scheme at sixteen years of age should pay 9.4 pence a week, which, when matched by his employers

57 Ibid.
58 Ibid.
equal contribution, would yield a pension of £1 a week from the age of sixty-five. A woman, on the other hand, should receive the same pension, but from the age of sixty and for a smaller weekly contribution.

Armed with this report, Page announced in August 1925 that the Government would soon be able to establish a compulsory-contributory scheme in connection with old age and sickness benefits. But before he could do so he required the Royal Commission's detailed administrative recommendations, which he seemed to think would soon appear. This was not, however, the case, for delays continued. Two further specialized reports became available in March 1927, but still the Commission's vitally important report on administration was not forthcoming. Seven months later the final report, at last, appeared. It contained the following recommendations regarding membership, finance and the administration of the proposed social insurance scheme:

1. that membership should be restricted to wage and salary earners sixteen years of age and over;
2. that flat-rate contributions should be paid by both employee and employer, regardless of the age at which the insured person entered the scheme, although there should be a different rate for men and women;

Page was so confident that these recommendations would soon appear, which would allow him to quickly establish a social insurance scheme, that he made provision in his 1925-6 Budget for the maximum pension to be increased to £1 a week simultaneously with the setting up of the scheme. (Ibid.)
(3) that employers should deduct from the employee's wages the appropriate contribution and, by means of insurance stamps available through post offices, transmit both their own and their employee's contributions to a central National Insurance Fund;

(4) that the scheme should be administered by a system of district units under central control, and "...wherever practicable the administrative machinery of existing mutual benefit associations [should] be availed of in the administration of each district";\textsuperscript{61} and,

(5) that flat-rate benefits, including a superannuation pension of £1 a week, should be paid to men at the age of sixty-five and women at sixty.

The overall findings of this Royal Commission prompted a flurry of activity from friendly societies. Hints that a conflict with the Bruce-Page Government was brewing were beginning to emerge by mid 1927. Mr. T Crosby, a spokesman for the Australian Natives Association, expressed the opinion that if any social insurance scheme came into effect then "...the weaker societies would be compelled to go to the wall."\textsuperscript{62} By late 1927 it was quite clear that opposition from these societies was one of the Government's major stumbling blocks. The Leader of the Government in the Senate, Senator Pearce, recognised this when he pointed out:


\textsuperscript{62} Quoted in CPD, (1927), Vol. 116, p.634; see also, p.1795.
"It is necessary [for the Government] to devise a [National Insurance] scheme which, while it is acceptable to [friendly societies] may also be fair to the whole community."\textsuperscript{63}

The Bruce-Page Compromise

By mid 1928 the Bruce-Page Government had still not been able to placate satisfactorily the friendly societies. This became evident in June of that year when Bruce announced:

"I am afraid that it will not be possible to introduce the National Insurance Bill before the forthcoming adjournment [of Parliament]. The friendly societies have appointed a committee of three to discuss with the Government the questions which will be the subject of the proposed legislation. That discussion has not yet taken place, and there will be no time for Ministers to meet those representatives and have the bill ready for introduction before the House adjourns."\textsuperscript{64}

But it seems he still intended to introduce a social insurance scheme, regardless of the opposition put up by the friendly societies.

An actuarial advisory committee was appointed in July 1928 to up-date the Royal Commission's estimates, and to submit a more specific plan to the Government. The National Insurance Bill, which was introduced in Parliament in the following September, embodied that Committee's specific recommendations, which included a flat-rate contribution of 1s per week for men, and 6d. a week for women, with employers contributing the same amount for each of their employees. There was, however, one aspect

\textsuperscript{63} CPD, (1927), Vol. 117, p.2493.
\textsuperscript{64} CPD, (1928), Vol. 119, p.5454.
of the proposed scheme which differed, considerably, from the recommendations of the Royal Commission; namely the administrative structure.

Instead of creating a system of district administrative units under central control, as recommended by the Royal Commission, the 1928 proposal included a system of "approved societies", no doubt in an effort to pacify the friendly societies. Under this system any group of one thousand or more persons could constitute themselves into an "approved society". This meant that the facilities of existing friendly societies, life assurance societies and trade unions could be utilized to administer the scheme. These "approved societies" would collect contributions and pay the appropriate benefits, including a superannuation pension of £1 a week, for which they would receive a commission. The Royal Commission had been quite unambiguously opposed to this type of administrative system because it...

"...involved enormous and complicated administration [and] experience has proved that national schemes which provide for administration through approved organizations are cumbersome, complex, and not the most satisfactory or desirable basis, as they lead to overlapping, unnecessary competition, and high administrative expenditure." Page, however, was far more optimistic:

66 Ibid., p.6759
"In respect of costs of administration it has been assumed that each approved society will conduct its business at a rate approximating to that shown by experience to be required by the best conducted friendly societies." 68

Perhaps anticipating that the 1928 National Insurance Bill would receive a cool reception, Bruce announced immediately after presenting the bill to Parliament that his Government would not proceed further with it at this stage. Such caution may have been prompted by a fear that if the proposed social insurance scheme was pushed too hard, then a sensitive political issue might develop on the eve of a general election. 69 As it eventuated the Bruce-Page Coalition was returned to office at the 1928 General Election, but with a greatly reduced majority. 70

It seems that the 1928 proposal did not obtain the support that some of its supporters might have expected. Criticism came from many quarters, particularly friendly societies, employers and state governments.

**Opposition to the 1928 National Insurance Bill**

Not unexpectedly the most vocal opposition to the 1928 proposal came from the friendly societies. They continued to see it as a competitor which challenged their very existence. Needless to say they argued that it was not only unnecessary, for they were quite capable of satisfying any effective demand for such insurance, but also uncalled for, as no one had asked the Commonwealth to

68 CPD, (1928), Vol. 119, p.6767,
70 Ibid., p.302.
move into social insurance. Further, they pointed out that, on the basis of the last election result, the Coalition did not have a clear popular mandate to introduce such a scheme. Even the concessions made previously - particularly the "approved societies" administrative structure - were not sufficient to dampen the flow of criticism from the friendly societies. Indeed, it seems that nothing less than exclusive rights to administer the scheme would pacify them.

Opposition also came from those who feared that higher wages would, inevitably, result if the scheme came into operation. Employers, for example, argued that higher wages would add further to the already high costs of production, and thus the cost of living. This concern was, to some extent, shared by Bruce, who, in his speech at the 1929 Premiers' Conference, remarked:

"The test as to the desirability [of National Insurance] which must apply is whether industry can at this juncture bear any additional burden being placed upon it for the purpose of further social legislation."

A similar view was held by members of Bruce's own party.

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71 See Sydney Morning Herald, (October 5 1928), p.14; (October 11), p.10; (October 16), p.11; (October 18), p.10; (October 20), p.17; (October 23), p.10; (October 27), p.18; see also, CPD, (1929), Vol. 120, p.160.

72 See CPD, (1929), Vol. 120, p.161; also, Sydney Morning Herald, (May 18 1929), p.10.


74 CPD, (1929), Vol. 120, pp.160 - 1 and 1728 - 9; also, Sydney Morning Herald, (September 15 1928), p.18.
The Labor Party, however, was muted in its opposition, for not only had it gained representation on the Royal Commission upon whose recommendations the proposal was broadly based, but also there were influential senior Party members who favoured social insurance for some, but not all, social services. However, disappointment was expressed because the proposal excluded unemployment insurance, particularly as it had been practiced in Britain for many years, and in Queensland since 1923.

Since the proposed scheme extended Commonwealth powers, the States were hostile to it. Bruce, concerned about the inflationary implications of a high level of government expenditure, asked the various states to reduce their social welfare expenditure, so as to allow for the introduction of his social insurance scheme. But the States were in no mood for co-operation. This was clearly evident at the 1929 Premiers' Conference, the official report of which noted:

"The discussion showed a large divergence of views...as to the possibility of making any savings which would be sufficient in amount to justify (or to assist substantially) a national [insurance] scheme, and as to the desirability of the Commonwealth taking any action in the direction proposed."

75 The Leader of the Labor Opposition, James Scullin, had, as early as 1922, indicated that he was a supporter of social insurance (CPD, (1922) Vol. 100, p.2586).
76 CPD, (1929), Vol. 120, pp.160 and 1404 - 5.
78 Ibid., p.16.
With opposition so widespread the Bruce-Page Coalition was forced to abandon entirely its 1928 proposal. Before any compromise could be developed, however, Parliament was dissolved, and the subsequent general election resulted in a landslide victory for the Labor Party. Thus, once more, a Government which was generally unsympathetic to the social insurance cause was in office.

A Changed Attitude Towards Social Insurance

The details of the 1928 National Insurance Bill suggest that there had been a change in public attitude towards social insurance since the introduction of non-contributory age pensions in 1908. The strict individual equity principle associated with private insurance, for so long the model used when considering social insurance, had been discarded. No longer was it necessary for benefits to be actuarially related to contributions. The belief that the estimated value of future benefits should never exceed the estimated value of the contributions receivable plus any accumulated funds, had been considerably watered down. These once-considered essentials of any compulsory-contributory scheme were abandoned because of the desire to use social insurance as a means of solving the problem of both existing and future income insecurity.

As a result, one of the earlier claimed advantages of the compulsory-contributory principle, that it would reduce public expenditure on social services, would not materialize. This attitudinal change which had occurred in the late 1920s was the product of a more sophisticated and more affluent society, one accustomed to government intervention in a multitude of forms, considering the
problem of destitution. Thus a compulsory-contributory scheme had become a reasonable interference with personal liberty. Moreover, it had become acceptable that such a scheme would only cover the wage earner, who, it was now assumed, could afford the required contributions. Social insurance was no longer considered an impractical ideal, as it was in the 1890s.

CONCLUSION

Soon after the Australian age pension scheme came into effect, both its details and philosophical foundation were severely criticized. One the one hand, the supporters of the non-contributory principle called for the removal of anomalies from the scheme. On the other hand, social insurance advocates demanded the introduction of a scheme which would foster self-help and follow the accepted principles of sound business practice. On two occasions between 1909 and 1929 supporters of the contributory principle were in government, and two unsuccessful moves were made towards the introduction of a contributory age pension scheme.

The first move came between 1910 and 1914, but it was, at best, only half-hearted. It failed because of the reluctance of the Cook non-Labor Government to dismantle the existing non-contributory scheme, which had taken on all the features of a political sacred cow. The second attempt to introduce a contributory age pension scheme was made in the 1920s. It failed because of the opposition of friendly societies, employers and the States. By the end of the 1920s, however, it was clear that public attitudes
towards social insurance had changed. No longer, as in
the 1890s, was it considered an ideal that could never
eventuate.
5. ATTEMPTS TO INTRODUCE A COMPULSORY-CONTRIBUTORY AGE PENSION SCHEME: (2) 1930 - 1939

INTRODUCTION

The 1930s depression not only generated a series of austerity measures which were designed to reduce Commonwealth expenditure on old age pensions, but it also provided considerable impetus to the social insurance cause. Throughout this depression the non-labor parties expressed the view that comprehensive social insurance was the only means by which the Commonwealth could guarantee the payment of pensions. The Scullin Labor Government, which had succeeded the Bruce-Page Coalition in 1929, was, however, unsympathetic. It was not until December 1931, when the United Australia Party gained office, that Australia, once more, moved towards the introduction of contributory age pensions, as part of a comprehensive social insurance scheme. Over the next seven years momentum built up - reports were received; ideas were aired; opinions were sought. Finally, in 1938, the National Health and Pension Insurance Bill was presented to Parliament. It was critically received by many sections of the community, particularly the medical professions, but it eventually became law. However, the scheme never came into effect because of conflicting and uncompromising sectional interests.

This chapter will examine the events which led up to the enacting of the 1938 National Health and Pension Insurance Act. It will also consider why, once more, social insurance and thus contributory age pensions failed to take root in Australia.
As the 1920s drew to a close there was a general world-wide worsening of the economic climate. In this context, Australia's economic future looked bleak. The first hint of trouble was the severe liquidity shortage caused by the depletion of London Funds, following this was a rapid deterioration in the Australian balance of payments. Then came the struggle to reduce imports, so as to reduce the growing balance of payments deficit and to allow the payment of interest on funds borrowed from overseas. This was achieved only at the expense of lower incomes, higher unemployment and falling Commonwealth revenue. A budget deficit quickly developed. By 1930-31 the Commonwealth was facing a budgetary crisis.

Economic orthodoxy demanded that the Commonwealth reduce its expenditure. To do otherwise would, so it was believed, inevitably lead to chronic inflation! Under considerable pressure from the Commonwealth Bank, the Opposition-controlled Senate, and the financial community at large, the Scullin Labor Government, which was also faced with a faction-ridden and disintegrating Caucus, adopted orthodox policy measures. In particular, it became a signatory to the Premiers' Plan on June 10 1931.

Under this Plan, the Commonwealth was committed to reducing its expenditure by twenty per cent, increasing income and sales tax as well as primage duties, and

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1 For full details see C.B. Schedvin, Australia and the Great Depression, (1970), passim.
2 See Ibid., pp.250 - 5 for a summary of the background to this plan.
reducing both public and private interest rates.\textsuperscript{3} It was expected that the Commonwealth would reduce its budget deficit to £14.6m in 1931-32, a cut of £25m.\textsuperscript{4} As part of this economy drive it was proposed that age pension expenditure be reduced by 14.5 per cent.\textsuperscript{5} In an effort to justify his Government's action Scullin told Parliament:

"...we have to face stern facts, and I say frankly to the old-age pensioner...Although we are proposing to reduce what you are receiving, the cut is being made in a legal and orderly way in order to preserve for you more than you would get in the event of default."\textsuperscript{6}

In the following July the legislative instrument by which pension expenditure was reduced - the 1931 Financial Emergency Act - was passed by Parliament.\textsuperscript{7} The main economy measure was a reduction of 12.5 per cent in the maximum pension, which was designed to save the Commonwealth £1.6m over the ensuing financial year.\textsuperscript{8} In fact, because of an increase in the number of pensioners, pension expenditure fell by only £0.6m, or 4.9 per cent (see table 5.1).

At the 1931 General Election there was an overwhelming victory for the non-Labor parties.\textsuperscript{9} The United Australia Party, an amalgamation of the Nationalist Party and a

\begin{itemize}
  \item \textsuperscript{3} Ibid., p.249.
  \item \textsuperscript{4} Ibid.
  \item \textsuperscript{5} Commonwealth Parliamentary Debates (CPD), (1931), Vol. 130, pp.3403 ff.
  \item \textsuperscript{6} CPD, (1931), Vol. 130, p.2785.
  \item \textsuperscript{7} Act 10 of 1931.
  \item \textsuperscript{8} CPD, (1931), Vol. 130, pp.2793 and 2796.
\end{itemize}
### COMMONWEALTH EXPENDITURE ON PENSIONS: 1930 - 1939

<table>
<thead>
<tr>
<th>YEAR ENDED 30 JUNE</th>
<th>AMOUNT PAID IN PENSIONS(^1) (£'000)</th>
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<tr>
<td>1930</td>
<td>10,634</td>
<td>742</td>
</tr>
<tr>
<td>1931</td>
<td>11,550</td>
<td>806</td>
</tr>
<tr>
<td>1932</td>
<td>10,979</td>
<td>766</td>
</tr>
<tr>
<td>1933</td>
<td>10,643</td>
<td>743</td>
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<tr>
<td>1934</td>
<td>10,836</td>
<td>756</td>
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<tr>
<td>1935</td>
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<td>1936</td>
<td>12,635</td>
<td>882</td>
</tr>
<tr>
<td>1937</td>
<td>13,828</td>
<td>965</td>
</tr>
<tr>
<td>1938</td>
<td>15,615</td>
<td>1,090</td>
</tr>
<tr>
<td>1939</td>
<td>15,798</td>
<td>1,102</td>
</tr>
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</table>

**NOTE:** 1 Includes payments to pensioners in benevolent asylums and to invalid pensioners.

number of Independent Labor Members, under the leadership of Joseph Lyons, gained majorities in both Houses of Parliament. In September 1932 Lyons, who strongly adhered to the orthodox view that the proper economic policy was for the Government to balance the budget, announced that the Government was considering the best way of further reducing pension expenditure.\(^{10}\) The result was the austere 1932 Financial Emergency Act which severely affected pensioners.\(^{11}\) First, those whose non-pension income exceeded £13 per year had their pensions reduced by 12.5 percent. Secondly, direct relatives were expected to contribute towards the support of aged family members wherever possible. Thirdly, pension payments became a charge on the pensioner's estate at his death. Finally, more restrictive provisions dealing with the transfer of property by pensioners were introduced. These measures resulted in a reduction in pension expenditure of some £350,000 during the 1932-33 financial year.\(^{12}\) They were, however, received critically by the Labor Opposition in Parliament.\(^{13}\)

Considerable dissatisfaction was expressed about the harshness of the administrative methods adopted by the Lyons Government in its effort to reduce pension

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11 Some minor modifications to this legislation were made by the 1932 Financial Relief Act.
12 Official Yearbook of the Commonwealth of Australia, (1934), No. 27, p. 412.
expenditure. Under increasing pressure, Lyons was forced to modify his Government's approach in two ways. First, from 1933 he allowed the maximum pension rate to automatically vary in accordance with annual changes in the cost of living. Secondly, all administrative actions relating to the economy measures introduced in 1932 ceased in June 1933, although the 1932 legislation was not repealed until 1935.

Concern about the growing cost of age pensions continued throughout the depression years. The various austerity measures introduced were only short-term expedients designed to improve the Commonwealth's budgetary position. The long-term panacea, at least for the Lyons Government, was the introduction of a contributory pension scheme.

SOCIAL INSURANCE AT THE FOREFRONT AGAIN: 1932 - 1938

The social insurance lobby, which had remained virtually dormant during the depression years, gathered support as economic recovery progressed. Further impetus was given when Lyons indicated during the 1932-33 Budget speech that he supported the contributory

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15 Act 17 of 1933; see also CPD, (1933), Vol. 141, p.3399ff.

16 CPD, (1935), Vol. 146, pp.73 - 7. These clauses were finally repealed in October 1935.

17 See, for example, Earl Page's suggestion in 1932, (CPD, (1932), Vol. 136, p.1335) and again in 1934 (CPD, (1934), Vol. 145, p.77); and also Senator Dunn's question in 1933 (CPD, (1933), Vol. 140, p.2190).
principle, although he hastened to point out that under the prevailing economic conditions a social insurance scheme could not be introduced.\(^{18}\) The technical advice of the General Manager of the A.M.P. Society, A. W. Sneddon, regarding the actuarial aspect of a broad social insurance scheme, was sought by Lyons the following year. Sneddon advised, as Lyons had done earlier, that economic recovery was not far enough advanced to make the introduction of such a scheme practicable, for unemployment was too high.\(^{19}\) This advice was accepted and no further action was taken until 1935.\(^{20}\) The Country Party, however, was eager to take more positive steps.

Dr Earle Page, the Leader of the Country Party, continued his advocacy of social insurance.\(^{21}\) At the 1934 General Election he announced that his Party was prepared

"to convene a conference of all public and private authorities interested in this matter [of national insurance] to find a possible way of embracing all these separate social services [operated by the States] in a comprehensive national scheme which makes the fullest use of existing voluntary agencies".

He went on to offer the novel suggestion that

"such a scheme could make provision for the voluntary retirement of workers at sixty in order to make way for the boys and girls who have just left school and who have never had an opportunity


of employment. In this way unemployment relief taxation in various states will be relieved in part of its burden and could subsidize in its early stages a national insurance scheme embracing superannuation, invalidity, accident, maternity, etc."

Clearly, Page was interested in social insurance as a means of reducing expenditure on social services, particularly unemployment relief. Because of the gains made by the Labor Party at the 1934 General Election, Lyons was forced to accept the Country Party as a coalition partner in Government. Australia was, therefore, once more firmly on the path leading to the establishment of a social insurance scheme.  

With economic recovery well under way by 1935 Commonwealth finances improved, and agitation for the introduction of a social insurance scheme increased. The 1935-36 Budget revealed that the previous year a surplus of £0.7m had been generated and it was expected that the current financial year would yield a surplus of £1.0m. Lyons could now take positive steps towards the introduction of a comprehensive social insurance system. His first move was to appoint a sub-committee of Cabinet to investigate the matter. Then, the services of the Western Australian

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23 The Labor Party was still unsympathetic to social insurance (see CPD, (1934), Vol. 145, p.886).

24 See, for example, CPD, (1935), Vol. 146, pp.288 ff.; Vol. 147, pp.331, 468 - 9, 1146 and 1159.


26 CPD, (1935), Vol. 147, pp.739 and 1250.
Deputy-Statistician, Samuel Bennett, and the Assistant Acutary of the AMP Society, Frederick Innes, were acquired to actuarially update the 1928 National Insurance proposal. They produced no written report, but both advised Treasury officials that in the light of current overseas, especially British, experience, a full-scale inquiry would be warranted.\(^{27}\)

In December 1935, the Parliamentary Under-Secretary for Employment, Frederick Stewart, tabled a report on the International Labour Conference held earlier that year in Geneva.

As a result of the Geneva Conference at which social insurance was an important issue, Stewart was able to provide the Lyons Government with some useful advice, and a few words of caution. He suggested that "...the British plan [for social insurance] is by far the most complete and offers best opportunities for adaption to Australian conditions."\(^{28}\) He also made two other points which proved to be important in the light of subsequent events. First, the inclusion of a medical benefits scheme in any national insurance proposal, as indeed the English scheme did, "would involve an arrangement with the medical profession not altogether free from difficulties... [and since] membership of Friendly Societies in Australia (553,000), represents about 30 per cent of those who come within ordinary insurable limits... [there would be] nothing to gain from the inclusion of medical benefits in any form of insurance..."\(^{29}\)


\(^{29}\) Ibid., p.16.
Secondly, since any national insurance scheme would have to be undertaken by the Commonwealth, and since

"...most of the financial implications of these schemes refer to matters of State concern... I would recommend that early discussions with the States be arranged with a view to determining the financial realignment involved."\(^{30}\)

The Lyons Government evidently intended establishing a social insurance scheme which would include not only retirement, unemployment, maternity and sickness benefits but also free medical treatment. To assist in the planning of such an ambitious undertaking, the Government announced, in March 1936, that it was bringing "...a well qualified individual from Great Britain to advise it generally in the matter of National Insurance."\(^{31}\) This prompted an outburst of criticism from both the Labor Opposition and the supporters of social insurance. From the former, it was claimed that unnecessary expenses would be incurred. The latter complained that it would cause more delays. Criticism intensified a month later when it was announced that, in fact, two advisers were to be brought from Britain.\(^{32}\)

In September, Godfrey Ince, Chief Insurance Officer of the Ministry of Labour, and Sir Walter Kinnear, Controller of the Insurance Department in the Ministry of Health, and Deputy Chairman of the National Health Insurance Joint Committee of Great Britain, began their investigations.

\(^{30}\) Ibid., p.17.


\(^{32}\) Ibid., pp.446 - 50 and 588 - 738.
Ince concentrated on unemployment insurance, while Kinnear examined health and pension insurance.\(^{33}\)

Before examining in detail the recommendations made by Ince and Kinnear, it is necessary to provide a background to the Commonwealth's pending involvement in health and unemployment insurance.

**Background on Commonwealth Activity in Health and Unemployment Relief**

The Commonwealth had no constitutional authority to enter into the areas of health and unemployment insurance, but it had, for some years, been active in related areas. The Commonwealth first entered the public health field soon after the Great War. In 1918 the States were offered financial assistance to encourage them to treat venereal disease, the spread of which was promoted by the War.\(^{34}\) In the following year the State Premiers were advised that the Commonwealth was contemplating the creation of a Department of Health, which was to have merely advisory powers.\(^{35}\) With their co-operation this Department was established in 1921. Five years later, a Royal Commission suggested that the Commonwealth should further involve itself in the area of public health by means of special-
purpose grants, under Section 96 of the Constitution.\(^{36}\) It also recommended the establishment of a Federal Health Council to foster Federal-State co-operation. Such a body was quickly created, once more with the support of the State Premiers.\(^{37}\) The Bruce-Page Government, however, was reluctant to use special-purpose grants to produce a more integrated Federal-State public health service, because the whole future of Federal-State financial relations was being renegotiated at the time. In addition, existing special-purpose grants were not well received by the States.\(^{38}\)

With the establishment of the Commonwealth Grants Commission, in 1933, general revenue grants to the States were made such that adequate public health services could be maintained without recourse to special-purpose grants.\(^{39}\)

In fact, the Grants Commission was quite critical of special-purpose grants:

"...we think it right to point out that a system of specific-purpose grants, side by side with a

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\(^{36}\) Commonwealth of Australia, Royal Commission on Health, Report, (1926), p.52. The first major use of specific-purpose grants as a means of extending Commonwealth power occurred in 1923 when the Main Road Development Act allocated £500,000 in matching grants to the States. This practice was subsequently validated by the High Court (see R.L. Matthews and W.R.C. Jay, Federal Finance, (1973), pp.127 - 31).


\(^{38}\) See CPD, (1929), Vol. 122, p.235 for the attitude of South Australia to the Commonwealth's offer of a £1m conditional grant. Also, Western Australian Parliament, Financial Statement, 1930 - 31, pp.9 - 10 for the hostile attitude adopted by Western Australia to a similar offer by the Commonwealth.

system of special grants for general needs, may produce considerable overlapping and other anomalies.⁴⁰

The States, however, felt differently. Their representatives suggested to the Commonwealth in 1936 that, first, it should provide special grants for health-care services, and secondly, the Federal Health Council should give advice on how the States should spend them.⁴¹ Nevertheless, the Lyons-Page Coalition did not favour the provision of special-purpose grants for the promotion of health-care, preferring, instead, to introduce its own national health scheme. But, of course, that required the co-operation of the States.

As far as unemployment insurance was concerned the Commonwealth had, until the 1930s, expressed no desire to enter this field, although the suggestion had been made from time to time. But this attitude changed during the depression when it was recognised that the States were no longer capable of coping with the problem of unemployment relief; their antiquated systems proved to be quite ineffective.⁴² Whereas the Scullin Government was too preoccupied with the problems of external liquidity and deficit budgets to involve itself in unemployment relief, the Lyons Government took some positive steps.⁴³ In 1932


⁴³ See C.B. Schedvin, op. cit., pp.337 - 40 for full details.
the Commonwealth Employment Council was established to advise the States on unemployment matters. At the same time, limited financial assistance was given to States providing unemployment relief. During his election speech in August 1934 Lyons promised further unemployment assistance to the States. No doubt the idea that an unemployment insurance scheme would be part of a comprehensive national insurance system was in his mind when he remarked during the course of the 1934 election campaign that if he were returned to office unemployment relief would be "...handled upon a national, as well as a State and Municipal basis." Again, for this to happen, the co-operation of the States was required.

This, then, is the setting in which the Lyons government received the Ince and Kinnear reports.

The Ince Report on Unemployment Insurance

Ince was able to produce his report in less than seven months, for it was published in February 1937. He concluded that:

"...while the institution of a system of unemployment insurance in Australia presents a number of difficulties, a scheme based on the principles of the British scheme and modified to suit the conditions existing in the Commonwealth is quite practicable."  

44 Geoffrey Sawer, op. cit., p.72.
47 Ibid., p.5.
He favoured the creation of an Australia-wide scheme under Commonwealth control, which, he argued, "...ensures uniformity, spreads the risk of unemployment throughout the Commonwealth and treats it as an industrial unit for insurance purposes." 48

Ince made a number of detailed recommendations. The scheme should be compulsory for all men aged between eighteen and sixty-five and women aged between eighteen and sixty, whose wages were fixed by a State of Commonwealth tribunal. 49 Contributions should be graduated according to age of entry into the scheme, and age, sex and marital status (with allowances made for size of family). 51 To administer the scheme a Commonwealth

48 Ibid., p.39.
49 Ibid.
50 The weekly contributions were as follows:

<table>
<thead>
<tr>
<th>Contributor</th>
<th>Males 18-21</th>
<th>Males 21-65</th>
<th>Females 18-21</th>
<th>Females 21-60</th>
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<tr>
<td>Employee</td>
<td>8</td>
<td>9</td>
<td>7</td>
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<tr>
<td>Employer</td>
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<tr>
<td>Government</td>
<td>8</td>
<td>9</td>
<td>7</td>
<td>8</td>
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<tr>
<td>TOTAL</td>
<td>24</td>
<td>27</td>
<td>21</td>
<td>24</td>
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</tbody>
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51 The weekly benefits were as follows:

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<tr>
<th></th>
<th>Males 18-21</th>
<th>Males 21-65</th>
<th>Females 18-21</th>
<th>Females 21-60</th>
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<td>(d)</td>
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</tr>
<tr>
<td>Single</td>
<td>13/6</td>
<td>15/-</td>
<td>12/-</td>
<td>13/6</td>
</tr>
<tr>
<td>Married</td>
<td>..</td>
<td>27/-</td>
<td>..</td>
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</tr>
</tbody>
</table>

Source: Ibid.
Statutory Commission should be appointed, with routine administration carried out by "local offices", which were responsible to "State Record Offices". A system of "Employment Exchanges" was also proposed. He emphasised that unemployment benefits should be paid only to people who were "involuntarily unemployed", with the question of eligibility a matter for "semi-judicial examination".

The Kinnear Report on Health and Pension Insurance

The health and pension insurance report was released in June 1937. Kinnear was critical of the existing non-contributory pension scheme, and he recommended that it should be supplemented by a compulsory-contributory pension and national health insurance scheme. He was particularly concerned about the "...disquieting upward trend in the cost of the non-contributory scheme..." (see table 5.1). He also considered the means test to be objectionable, although he did acknowledge that it was necessary in a non-contributory scheme. Under a compulsory-contributory system, pensions, he believed, would be paid as a "right", not as "charity".

52 Ibid., pp.31 - 9.
53 Ibid.
56 Ibid., p.18.
57 Ibid., pp.7 and 17.
58 Ibid., p.19
The pension scheme Kinnear proposed was based, very largely, on the existing British system. Its coverage was limited to men (16-65) and women (16-60) employed under a contract of service or apprenticeship, excluding, however, those in "employment in an area so remote, or so sparsely populated, that an efficient system of administration would not be possible"; members of the armed forces; and Commonwealth or State employees.\(^{59}\) (He did, however, propose that a voluntary scheme be created to cater for those excluded from the compulsory scheme.\(^{60}\)) To finance this scheme he suggested that equal contributions be paid by employees and employers (for the first five years 10½d. and 8d. a week for men and women respectively), to be supplemented by a government grant:\(^{61}\)

"It is...proposed that the Commonwealth Government should start the scheme with a grant of £1,000,000 a year for the first five years and thereafter that the grant should be increased at the rate of £500,000 a year until it reached a maximum of £10,000,000 in the year 1960 at which date the grant would be stabilized."\(^{62}\)

As to the benefits to be provided, Kinnear suggested that aged men should receive a pension of £1 a week, while aged women only 15s a week, with an additional allowance of 3s 6d. a week for each dependent child under sixteen years of age.\(^{63}\) He also envisaged the payment of widow and

\(^{59}\) Ibid., p.30.
\(^{60}\) Ibid., pp.19 and 30.
\(^{61}\) Ibid., p.22.
\(^{62}\) Ibid., p.26.
\(^{63}\) Ibid., p.29.
orphans pensions. 64 If necessary, a supplementary allowance should be provided to ensure that the benefits under the new system were, at least, equal to those under the existing scheme. 65 To administer the scheme, Kinnear advocated the creation of a Commonwealth Insurance Department under Ministerial control. 66 Contributions should be paid into a "central pensions account", by means of "pension stamps" which would be purchased from post offices. Finally, it was suggested that all pensions should be distributed through post offices.

The health insurance scheme proposed by Kinnear was also based on the British system. Its coverage was similar to his proposed pension scheme, except that non-manual labourers with incomes over £365 a year were excluded. 67 He also recommended that the scheme should be financed by equal contributions from employers and employees (7½d. a week for men and 7d. a week for women); 68 supplemented by a Government contribution of £900,000 a year. 69 The benefits to be provided include free medical treatment, drugs, and medical or surgical appliances; a sickness allowance; and a disablement pension. 70 These would be available after both the duration of a qualifying period and the payment of a certain number of weekly

64 Ibid.
65 Ibid.
66 Ibid., p.19.
67 Ibid., p.10.
68 Ibid., p.13.
69 Ibid.
70 Ibid., p.29
contributions, the number varying with the type of benefit sought. He also suggested that when the scheme's finances allowed, subsidies for dental and ophthalmic treatment, and hospital care, should be paid. As with the pension scheme, Kinnear believed that the health insurance scheme should be administered by a Commonwealth Insurance Department under Ministerial control. But he also suggested that the detailed, day-to-day running of the scheme, except for the payment of medical benefits, should be undertaken by a network of "approved societies".

Since the Commonwealth had no constitutional authority to implement any of the suggestions made by Ince or Kinnear, Lyons was obliged to seek the necessary co-operation from the States.

State Attitudes on Social Insurance

The States were quite unwilling to allow the Commonwealth to enter the social insurance field. This was made quite clear at a meeting of Federal and State Ministers, convened by Lyons in August 1937. At that meeting it was decided, in order to frustrate the Commonwealth, that a "conference of experts" would be appointed to re-calculate the unemployment insurance statistics provided by Ince, after making adjustments for the modifications sought by the

71 Ibid.
72 Ibid.
73 Ibid., p.32.
74 That there was a conflict between the Commonwealth and the States on the Constitutional validity of the Commonwealth's proposed scheme was made clear by R.G. Menzies, Attorney General, in mid 1937 (CPD, (1937), Vol. 153, p.99).
States. Such opposition to the Commonwealth’s proposal was not unexpected. The question of co-ordinating Commonwealth and State social services had been raised from time to time since Federation, but no satisfactory working arrangement had ever been found. In June 1933 for example, the Victorian Minister in charge of sustenance, W. S. Kent-Hughes, suggested that consultation between Commonwealth and State welfare authorities should occur "...with a view to achieving closer co-operation in the administration of social services", but the idea was rejected by his State colleagues.\footnote{Commonwealth of Australia, Conference of Commonwealth and State Ministers, Report of Proceedings, (1933), p.9.} At the 1934 Premiers' Conference it was decided that

"...the blending of [Social Services] administration was not practicable...[because] the degree of benefit made available by the States was a matter for each individual State's determination, and that being a matter of purely domestic policy it was outside the purpose of this conference."\footnote{Commonwealth of Australia, Conference of Commonwealth and State Ministers, Report of Proceedings, (1934), p.71.}

Clearly, the States saw the provision of social services as, predominantly, their function, and they believed that this should continue. Lyons was, however, not deterred. He fought the 1937 General Election, held after the August Premiers' Conference, on a platform which included social insurance, and was returned as Prime Minister.\footnote{See Geoffrey Sawer, op. cit., p.98,} Confident that his government had a popular mandate to introduce a social insurance scheme, Lyons laid the blame for his inability to introduce such a scheme squarely with the States.\footnote{CPD, (1938), Vol. 155, p.651.}
Continuing to be frustrated in his endeavours, Lyons quickly tired in his efforts to gain State co-operation, and decided, somewhat defiantly, to introduce his long-promised social insurance legislation. But it did not include unemployment insurance, for that would have required the full co-operation of the States to be effective. No doubt he hoped that unemployment insurance could be introduced later. There seems little doubt, however, that both Lyons and his advisors realised that the constitutional validity of this legislation was in some doubt. But by proceeding as he did, Lyons was virtually daring the States to challenge it, in the face of evident popular approval. Perhaps Lyons thought he could bluff the States, but the medical profession was a different matter.

The Attitude of the Medical Profession Towards Health Insurance

Doctors had been aware of the growing interest in health insurance since the mid 1930s. Soon after the release of the Stewart Report, towards the end of 1935, the official journal of the British Medical Association in Australia serialized a report by Dr A. R. Southwood, Head of the South Australian Department of Health, on developments in public health in various countries. Southwood offered an interesting comment on the British health scheme:

"At its inception the British scheme was opposed by a large proportion of the medical men, largely on account of the capitation basis of payment..."

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79 Act 25 of 1938; see also Acts 26 and 27 of 1938.
[but] I sought the views of many people, medical men and others, and it was generally agreed that the service is a satisfactory one."\(^8^0\)

This report, which clearly outlined the various types of health schemes operating throughout the world, was designed to acquaint practitioners with the range of alternatives available. Early in 1937, the President of the New South Wales Branch of the BMA, Dr C. A. Dey, announced, on behalf of the Federal Council of the BMA in Australia, that the growing interest in health insurance over the last few years had prompted the Council to send its Secretary, Dr John Hunter, to Britain to fully examine its health scheme. On his return in April Hunter reported, amongst other things, that the per capita basis of payment to doctors was reasonable and that there was little official regulation of British doctors.\(^8^1\)

The Australian medical profession clearly stated its position on health insurance in June 1937, some two months after the Kinnear Report was released. The Federal Council at a meeting held in Adelaide in mid September, decided that it would demand from the Government the following price for its co-operation.\(^8^2\) First, a general capitation fee of £1 per year per insured individual (or £2 per year per insured family). Secondly, a clear undertaking that each doctor would treat no more than 1500 insured persons (excluding dependents). Finally, a special capitation fee of £4.4s. for each maternity confinement. Not all members

\(^8^0\) Medical Journal of Australia (MJA), (May 11 1935), p.599. The capitation basis of payment was simply a lump-sum payment per patient per year.

\(^8^1\) MJA, (April 10 1937), pp.527 - 31.

\(^8^2\) MJA, (September 18 1937), p.492.
of the profession agreed, however, with the details of this log of claims. The South Sydney Medical Association, for example, suggested that the appropriate general capitation fee would be 32s 6d.\(^3\)

Confronted with these demands, Page, the architect of the Government's social insurance policy, followed the advice tendered by Kinnear and convened a conference with representatives of the BMA in Australia in March 1938.\(^4\) At this conference it was decided that, in principle, per capita fees was the most suitable method of remunerating doctors, and that the most appropriate general capitation fee was 11s per annum, with a travel allowance of at least 2s per mile, one way, beyond three miles.\(^5\) This represented a major concession by the medical profession. An editorial in the official organ of the BMA in Australia declared its approval with the outcome of these negotiations in the following May

"The conditions of service that have been set out [at the March Conference] have been accepted by the Executive Committee of the Federal Council as being reasonable in view of the contract practice obtaining in Australia at the present time."\(^6\)

These conditions were incorporated into the 1938 proposal, which will now be looked at in some detail.

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84 Sir Walter Kinnear, op. cit., p.15. He did, however, suggest that doctors should be able to decide whether or not they wished to participate in the scheme. A list of those that did should, he suggested, he compiled and regularly published (ibid).
86 Ibid., p.861.
The proposed social insurance scheme was based, very largely, on the Kinnear Report, and had the following features:

(1) that flat-rate contributions would be paid in respect of all men between fourteen and sixty-five years of age, and all women between fourteen and sixty years, who were employed under a contract of service or an apprenticeship, except non-manual workers with an income in excess of £365 a year; Government or semi-Government employees who contribute to a comparable superannuation scheme; and certain other types of employees;  

(2) that both employers and employees would contribute equally towards the scheme's cost, with eligible men contributing 1s 6d. a week, and eligible women 1s a week. Junior contributors, who were to receive health benefits only, would pay only 5d. a week;  

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87 CPD, (1938), Vol. 155, p. 795; also Official Yearbook of the Commonwealth of Australia, (1938), No. 31, p. 970; and, National Insurance Commission, A Guide to Insurables, (October 1938). For those who were ineligible it was suggested by Page that a voluntary scheme would be established (CPD, (1938), Vol. 155, p. 795). He also commented that it was intended that the scope of the proposed scheme would be widened to include itinerant labour (i.e. Cane cutters, shearers, share farmers and tribute miners) (ibid).

88 These rates were to be increased by 3d. in January 1944. The male rate was again to be increased by 3d. in January 1949 (CPD, (1938), Vol. 155, pp. 793-811).
that an annual amount of £100,000 would be granted by the government to defray administrative costs. In addition, an annual health benefits subsidy of 10s per insured person would be provided. Also, a grant of £1m a year, for five years would be made towards the payment of pension benefits, which would increase by £500,000 a year until 1961, when the scheme was expected to be self-financing;

that flat-rate benefits would be provided including an age pension (£1 a week for men at the age of sixty-five, and 15s a week for women at the age of sixty); a widow's pension; an orphan's pension; disablement and sickness benefits; a dependent child allowance; free general practitioner treatment; free drugs; and free medical and surgical appliances. These benefits would be available only after a qualifying period had been completed, and after a certain number of weekly contributions had been paid, both of which would vary in accordance with the type of benefit sought;

that the central administrative unit would be the National Insurance Commission, which would be responsible for the scheme's finances (including the disbursing of age, widows' and orphans' pensions and the provision of health

89 Ibid.
90 Ibid.
benefits). Contributions would be collected by "approved societies", which would also distribute the sickness, disability and dependent child allowances. With few exceptions, every insured person would have to be a member of an "approved society", which would issue him with an "insurance card", upon which would be recorded any contribution that was paid on his behalf by his employer, who would have to purchase "insurance stamps" for that purpose; and,

(6) that doctors would receive a per capita fee of £1 a year for each insured patient, plus a travel allowance.  

During the Parliamentary debate on this scheme, the Treasurer, R. G. Casey, pointed out that the full cooperation of the friendly societies had been obtained, which was not surprising given that the Government had not only agreed to the "approved society" administrative structure, but also to making membership in such societies compulsory. Friendly societies were thus guaranteed an active involvement in the scheme's administration, for which they would be suitably remunerated.

91 A payment of £1 per insured person who joined an "approved society" before March 31 1939, was made to the society to cover administrative costs (CPD, (1938), Vol. 157, pp.9, 10, 41 and 49; see also Vol. 155, p.14 - 17. National Insurance Commissions, Approved Society Handbook, (preliminary Edition), passim; and, NIC, Administration and Memberships, (October 1938), passim).


93 It was, however, suggested that some friendly societies were abusing the administrative cost subsidy system (see CPD, (1938), Vol. 155, p.800; and, Vol. 157, pp.9 - 10, 41 and 49 - 50).
Casey was eager to dispel any fears that might be held about the cost of the proposal, while also emphasising that the existing pensions would remain unaffected. The two schemes, he estimated, would together cost the Commonwealth more than the existing non-contributory scheme. But he expressed the belief that the proposed scheme would improve the quality of work and would result in better labour relations, which, he argued, would more than justify this increase in Commonwealth welfare expenditure.

This proposal was embodied in three separate bills, the main one being the National Health and Pension Insurance Bill, which covered the administrative aspect of the scheme and specified the benefits to be paid. It was supplemented by two other bills which imposed the liability for contributions on employers and employees. All three

95 Ibid., p.799.
96 Ibid.
97 This procedure was adopted, according to the Treasurer, because:

"It is possible that the contributions payable in respect of the insurance contemplated by this proposal may, by reason of their compulsory nature, be regarded as taxation within the meaning of the Constitution. [Should this be judicially decided then]...the law by which they are imposed would fall within the application of Section 55 of the Constitution, which provides that 'Laws imposing taxation shall deal only with the imposition of taxation and any provision therein dealing with any other matter shall be of no effect.'" (CPD, (1938), Vol. 155, p.796.)

The constitutional validity of the proposal was, according to Geoffrey Sawer, a matter of some doubt:

"The pension aspect of the legislation was amply supported by a combination of the taxation and pension powers (Sec. 51 (ii) and (xxiii)), but the health benefit provisions had no such direct support; they were said to be justified as an exercise of the insurance power (sec. 51 (xiv)). However, it was doubtful whether a system of compulsory
received Royal Assent on September 21, 1938.\textsuperscript{98} It was intended that the scheme, excluding the medical benefits, would come into effect in January 1939, with the remainder coming into operation three months later, although the legal obligation to pay contributions was not to begin until February 2.

Opposition to this proposal came from many quarters. The medical profession was certainly the most vocal. Not unexpectedly the Labor Party disagreed with it. The States also expressed their disapproval. But it was the entrenched antagonism which came from sections of the Country Party that most disturbed Lyons and his supporters. It is to these sources of opposition that attention is now turned.

Opposition from the Medical Profession

Despite the March 1938 agreement on remuneration and conditions of service negotiated by the BMA in Australia, most doctors were hostile to the scheme. In the following May, less than a month after the National Health and Pension contributions could be called insurance, and if the contributions were valid because they constituted a tax, then there was no basis for treating the medical benefits as a form of insurance. If the Commonwealth was free to spend its tax revenues as it pleased, then there was no difficulty, but that question was in doubt" (Geoffrey Sawer, op. cit., p.120).

Thus the over optimistic claims made by the Commonwealth regarding the proposal's constitutional validity seem to be somewhat presumptuous (CPD, (1938, Vol. 155, p.1645; and, Vol. 156, p.2712). It is not surprising that the Treasurer declined to provide the names of the legal advisors who "asserted the constitutional validity of the bill" (CPD, (1938), Vol. 155, p.1543; and, Vol. 156, p.2377).

\textsuperscript{98} Acts 25, 26 and 27 of 1938.
Insurance Bill had been presented to Federal Parliament, the BMA in Australia, which was under intense pressure from its members, sought to reopen negotiations. It demanded a capitation fee of 14s for metropolitan doctors and 17s 6d. for country doctors, as well as higher travel expenses, and an after-hours consultation allowance. The medical profession were also critical of other aspects of the proposal, both medical and non-medical. First, it did not provide free medical treatment of dependents of those who were insured. Secondly, it did not cover specialists' services. Thirdly, it did not include unemployment insurance.

Endeavouring to highlight the bitterness with which the medical profession opposed the proposal, Curtin, the Leader of the Labor Opposition, commented towards the end of May, that certain Members of Parliament had received threatening telegrams from doctors. This type of response continued throughout the remainder of 1938. In September it was seriously suggested that some Members had received correspondence threatening "summary political execution."

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100 MJA, (May 28 1938), p.935.
102 Ibid.
103 Ibid.
In the face of such hostility, the Government, having no guarantee that any agreement which might be reached with the BMA in Australia would be honoured, decided in June 1938 to establish a Royal Commission which would make recommendations on doctors' fees. This prompted the Federal Council of the BMA in Australia to set up a special committee - the Federal National Health Insurance Committee - to organize and research its submission to this Royal Commission. As part of its preparation the Federal Council decided to investigate the constitutional legality of the proposed scheme. The first sitting of the Royal Commission occurred in August, and three weeks later the medical profession made its submission.

The BMA in Australia offered four criticisms of the doctors remuneration provided in the 1938 proposal. First, "...the [per capita] rate will necessarily lower the quality of service and reduce efficiency in general practice." Secondly, "...it will destroy the status of the general practitioner as a professional man doing work of the utmost importance and of great responsibility." Thirdly, "...it will lower the emoluments that he is fairly entitled to receive for his work." Finally, "...it will

107 MJA, (July 9 1938), pp. 67 and 69; and, (April 15 1939), p. 595.
110 Ibid., p. 394.
111 Ibid.
112 Ibid.
tend to prevent him from rendering the beneficial services he now renders to the community in the form of honorary hospital and charitable work."  

The Royal Commission's deliberations were, however, frustrated by two unforeseen circumstances. First, two of the lawyers who were assisting the BMA in Australia died. Then, a little later, the Commission's Chairman also died. This left the Commonwealth in a predicament.  

With less than six months before the medical benefits scheme was due to come into operation a reconstituted Royal Commission would barely have time to complete its inquiries. There was, also, little hope that the Government could reach an agreement with the medical profession. Thus Lyons could only postpone the introduction of the medical benefits scheme, which he did in November 1938.

Opposition from the Labor Party

The Labor Party was totally opposed to a contributory scheme which included invalid, old-age and widows pensions. According to Curtin, such a contributory scheme "imposes sectional taxation regardless of individual capacity to pay, while excluding many sections from their just obligation to pay...[also] it confines eligibility for benefits to the insurance status of the contributors...[and further]"

113 Ibid.
the probability is that those most in need or equally
deserving will not have rights assured to them."\textsuperscript{117}

Three specific objections to the 1938 scheme were
made by the Labor Party.\textsuperscript{118} First, it did not provide
medical benefits to dependents of those who were insured.
Secondly, it unfairly differentiated between men and
women in the benefits it provided. Finally, "by
partially overlapping the field of friendly society activity
it tends to discourage young men and women from joining
these associations of self-help, thus threatening the
continued strength of friendly societies without providing
in full the services which they now render."\textsuperscript{119}

Opposition from the States

The States also expressed their opposition to the
proposed scheme largely on the grounds that the Commonwealth
did not consult them before the scheme came into effect.\textsuperscript{120}

\textsuperscript{117} CPD, (1938), Vol. 155, pp.1329 - 30. As early as 1915
the Labor Platform provided for the introduction of
"National Assurance, including sick, accident and life",
(Official Report of the Sixth Commonwealth Conference of
the ALP, (1915), p.31). In 1919 provision for unemploy-
ment insurance was made, (Official Report of the Eighth
Commonwealth Conference of the ALP, (1919), p.3). The
wording was slightly changed in 1936, when "assurance"
became "insurance", (Official Report of the Thirteenth
Commonwealth Conference of the ALP, (1936), p.6215). In
1939 a further change was to include the payment of
benefits to the dependants of the persons insured,
(Official Report of the Fifteenth Commonwealth Conference

\textsuperscript{118} CPD, (1938), Vol. 155, p.1335; see also ALP, Why Labor
opposed the Lyons Government's National Insurance
Scheme...and how it could be improved, (Pamphlet,
(1938)), passim.

\textsuperscript{119} CPD, (1938), Vol. 155, p.1335.

\textsuperscript{120} CPD, (1938), Vol. 157, p.384. For the view of the
N.S.W. Premier see CPD, (1938), Vol. 155, p.956.
This criticism is rather difficult to understand, since a meeting did take place in August 1937 at which a "conference of experts" was appointed to re-calculate the statistics in the Ince Report on unemployment insurance.\textsuperscript{121} The States also feared that "disruptive influences" would stem from the proposed scheme, especially for the State-financed public hospitals.\textsuperscript{122} Presumably, this fear was based on the assumption that the demand for hospital treatment would increase as a result of the provision of "free" medical services and the payment of sickness and disablement benefits. It was, however, criticism from another source that most worried the Lyons Government.

\textbf{Opposition from the Country Party}

Since the 1937 General Election, when the Country Party increased its representation in the House of Representatives, relations between the coalition partners had become strained.\textsuperscript{123} It was within this context that the National Health and Pension Insurance Bill, the principle of which had long been supported by the Country Party, became, what one historian describes as, "...the measure which brought to light the ominous cracks in the fabric of the Government..."\textsuperscript{124}

Soon after the Bill entered Parliament it became clear that certain sections of the Country Party were hostile to it.\textsuperscript{125} One Member, Bernard Corser, whose objections were

\textsuperscript{121} CPD, (1937), Vol. 154, p.13.
\textsuperscript{122} CPD, (1938), Vol. 157, p.384.
\textsuperscript{123} U. Ellis, op. cit., p.220.
\textsuperscript{124} Ibid., p.235.
\textsuperscript{125} CPD, (1938), Vol. 155, pp.1512 - 17.
similar to those of the Labor Opposition, went so far as to vote against the Bill.\textsuperscript{126} In an effort to obtain solidarity, a Party Meeting was quickly called.\textsuperscript{127} It seems that the hostility was based on the fear that if the small farmer was not exempted from the obligation to pay contributions then he would be adversely affected by the scheme.\textsuperscript{128} Calls for the exemption of small farmers, and other more technical amendments, were considered by the United Australia Party to be either too expensive or too difficult to administer and were, accordingly, rejected. This meant open warfare. During the passage of the Bill through Parliament a number of Country Party Members voted against it on two occasions, one of which actually led to the defeat of the Government.\textsuperscript{129} In June 1938 the \textit{Sydney Morning Herald} commented:

"A move is developing rapidly among a section of Government supporters which may raise national insurance issues seriously embarrassing to the Ministry...if they remain in their present frame of mind, they will deliver a virtual ultimatum - that either their demands or a substantial portion of them be granted, or they will raise the question in the House."\textsuperscript{130}

By this stage the growing number of rebellious Country Party Members were joined by a small group of U.A.P. Members

\begin{itemize}
\item \textsuperscript{126} \textit{CPD}, (1938), Vol. 156, p.1771.
\item \textsuperscript{127} \textit{Australian Country Party Monthly Journal}, (June 1938), p.1.
\item \textsuperscript{128} Ibid.
\item \textsuperscript{129} \textit{CPD}, (1938), Vol. 156, pp.2130 and 2219.
\item \textsuperscript{130} Quoted in \textit{CPD}, (1938), Vol. 157, p.6145.
\end{itemize}
from New South Wales, who were primarily concerned about the effect of the payment of employers' contributions on industry costs, thus profits and employment.\textsuperscript{131} In fact, it was suggested that in Sydney a "large number of employees" had already been dismissed because of the proposed scheme.\textsuperscript{132} Rural Industry spokesmen were also fearful that profits would fall because of the proposal. One of these was the General Manager of the Gippsland and Northern Co-operative, an important figure in both the Victorian Dairy Industry and the Victorian Country Party, who remarked:

"It is possible that Federal legislation might prove a hardship to many engaged in agricultural pursuits, who contribute as employers, but receive no benefits. Farmers' returns are already inadequate, and if reduced by insurance contributions they would be unfairly taxed."\textsuperscript{133}

The prospects of a compromise being reached looked bleak in early November. So Arthur Fadden, who was to become the Country Party Leader after Page's retirement, called for the postponement or repeal of the scheme until commodity prices had recovered and economic conditions in general improved.\textsuperscript{134} Lyons, however, was adamant that "...there is no intention to postpone the operation of this scheme."\textsuperscript{135}

\textsuperscript{131} In total, 26 of the 44 Government supporters in the House of Representatives were sympathetic to the rebellious Country Party Members (ibid).

\textsuperscript{132} Ibid.

\textsuperscript{133} Quoted in CPD, (1938), Vol. 157, p.800.

\textsuperscript{134} CPD, (1938), Vol. 158, p.1930.

\textsuperscript{135} CPD, (1938), Vol. 157, p.1443.
The Government's Response

Lyons was determined to push ahead with the proposal as quickly as possible, but he was soon frustrated. Less than a week after he announced, in early November, that the scheme would not be postponed, Lyons was forced to accept a one-month delay in the establishment of the medical benefits scheme, because agreement with the medical profession could not be reached. This, in turn, required that the payment of contributions also be postponed until May 1 1939, in order to avoid administrative difficulties. Then, to ensure that there was no disruption to the planning and recruiting activities of the approved societies, so that the pension scheme could be introduced on January 1, the Commonwealth was forced to provide them with bridging finance. For this purpose a second National Health and Pension Insurance Bill was introduced into Parliament. These developments added further fuel to the rumours that were circulating about the fate of the proposed scheme. Once more the Lyons Government stated, categorically, that it had no intention of either abandoning or indefinitely postponing its national insurance scheme.

However, in December it was announced that the pension scheme scheduled to commence on January 1 1939, would not be introduced until September 4. The reason given for this delay was that it would

137 Ibid., p.1546.
138 Ibid., p.2975.
139 Ibid., pp.2975 and 3001.
"...allow time for the investigation of certain proposals now before the government for the rectification of anomalies and the introduction of consequential amending legislation in the next sitting early next year." 140

While no further details were given, it seems likely that those proposals had come from the Country Party. This delay meant that bridging finance was no longer required, thus the second National Health and Pension Insurance Bill was withdrawn from Parliament.

With the new year came intensified uncertainty about the future of the 1938 proposal. Page suggested in a speech in February that a majority of Cabinet favoured a further postponement because of the growing need for defence preparedness, although it seems more likely that it was because a suitable compromise could not be reached. 141 This public disclosure forced Lyons' hand. Faced with a dwindling support in Cabinet, he told members of his Party the following month that the introduction of the proposed scheme would have to be further postponed, to allow still further investigation to take place. R. G. Menzies, Lyons' deputy, and a few of his followers disagreed. 142

The Country Party, however, still hopeful that a satisfactory scheme could emerge, submitted a number of detailed proposals to a meeting of the joint Government Parties, but they, too, were rejected. The Coalition was in deadlock: a compromise was impossible. On March 14 Cabinet decided that drastic changes to the whole scheme

140 Ibid., p. 2975.
141 U. Ellis, op. cit., p. 237.
142 Ibid.
would be necessary.\textsuperscript{143} This prompted Menzies, a long-
time supporter of social insurance, to resign from the 
Ministry in protest.\textsuperscript{144} Lyons subsequently made a detailed 
statement on his Government's position:

"After prolonged consideration the Government has 
decided to substitute a revised and modified 
system of national health insurance for provisions 
now embodied in the National Insurance Act. It 
has been faced with this necessity because of 
increased and increasing liabilities on account of 
defence and prospective additional costs of 
liberalizing the national insurance plan as laid 
down in the Act, together with the decreased 
ability on the part of the Government and people 
of Australia to meet the costs..."\textsuperscript{145}

No revised scheme was, however, produced. 

The once determined Lyons had, after a hard struggle, 
succumbed to the pressures of his critics, especially 
those within the ranks of the Coalition. While it might 
be somewhat unfair to dismiss entirely the importance 
that the worsening international situation may have had on 
his reversal, a comment made by Professor Douglas Copland 
later in 1939 is, perhaps, enlightening. He mused:

"In these circumstances, it is difficult to follow 
the argument that national insurance and adequate 
defences are competing activities and that the more 
urgent needs of defence should take precedence."\textsuperscript{146}

\begin{flushleft}
\textsuperscript{143} Ibid.
\textsuperscript{144} Ibid.
\textsuperscript{145} Quoted in Ibid.
\textsuperscript{146} Quoted in CPD, (1939), Vol. 160, p.1849.
\end{flushleft}
Lyons died on April 7 1939 and Page was installed as Prime Minister, but he failed to gain the support of the UAP. When Menzies was elected leader of the UAP, on April 26, he replaced Page as Prime Minister, but Page, who was not reluctant to show his antagonism to Menzies, then led the Country Party away from the Coalition, which meant that Menzies was leading a minority government. Soon after taking office, Menzies announced that he still intended to proceed with the 1938 scheme.

In an effort to gain the support of all parties, Menzies suggested that a Parliamentary Committee should be set up to review the 1938 scheme, with a view to including in it a family medical service, and to reconsider its financial basis in the light of growing defence commitments. But the idea was firmly rejected.

Realizing that whatever further initiatives he might take would be aborted by the Opposition, Menzies accepted defeat. On June 8 1939, he introduced in Parliament a third National Health and Pension Insurance Bill, the purpose of which was "...to annul certain proclamations made under the National Health and Pension Insurance Act, 1938, and under Acts with which that Act is incorporated." By this measure the 1938 proposal was indefinitely postponed.

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147 This antagonized Page, who blamed Menzies for this lack of support.
148 See U. Ellis, op. cit., p.238 for details of the political crisis which occurred.
150 Ibid; see also, Vol. 160, pp.1515 - 25.
152 Ibid., p.1525; and, Act 8 of 1939.
CONCLUSION

The passage of the 1939 National Health and Pension Insurance Bill through Parliament marked the end of an era. Social insurance had been in the forefront of the Commonwealth's social welfare policy deliberations during the 1930s. Even though a broad social insurance scheme had been approved by Parliament, it never came into effect. Why? Largely because the sectional interests that it affected were unable or unwilling to compromise. Once more, then, the introduction of a compulsory-contributory aged pension scheme was frustrated.
6. THE FINANCING OF SOCIAL SERVICES: 1940 - 1954

INTRODUCTION

The Second World War engendered a strong national sentiment. Both public opinion and judicial judgements generally tended to lend their support to political, social and economic changes which strengthened the Commonwealth's powers, and extended its social welfare activities. During the War many welfare reforms were made, but these were only the beginning of a comprehensive attack on the whole problem of income insecurity. Whereas in 1939 the Commonwealth provided only age and invalid pensions, and maternity allowances, ten years later the list of available benefits also included child endowment, widows' pensions, and unemployment, sickness and special benefits. The issue facing successive Commonwealth Governments was not merely how best to finance age pensions, but rather how should social services, in general, be funded. Because it is not possible to isolate the financing of age pensions from the financing of other pensions and allowances, it is necessary to look, in some detail, at the various approaches that were adopted to finance social services in the 1940s and early 1950s.

The financing of social services remained an unresolved issue until the mid 1950s. As in the past, the non-Labor parties were still actively advocating the adoption of social insurance, while the Labor Party was intent upon ensuring that social services were not only available to all who needed them, but also financed by those who could best afford it. Clearly, then, there remained a fundamental disagreement between the major political groupings.
Circumstances, however, compelled the non-Labor parties to abandon their long-cherished social insurance ambitions in the mid 1950s. Thus the philosophical differences that previously differentiated the Labor and non-Labor views on the financing of social services evaporated, after more than forty years.

This chapter is concerned with the various methods of financing social services that were used between 1939 and 1954. It looks, first, at the approach adopted by Menzies in the early 1940s. Then, it outlines the procedure introduced by the Labor Party between 1943 and 1946. Finally, it traces out the circumstances which forced Menzies to accept the non-contributory principle.

**DEVELOPMENTS DURING THE SECOND WORLD WAR**

War was declared on September 3 1939, and soon after Parliament passed the National Security Act, which empowered it to make regulations "...on all matters...necessary or convenient to be prescribed, for the more effective prosecution of the present war".\(^1\) The extensive, but temporary, powers acquired by the Commonwealth gave it virtually unlimited prerogative in many areas which were formerly the exclusive domain of the States.\(^2\) In the social welfare

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1 Act 15 of 1939.

field its role underwent a sweeping change as a new public attitude emerged. Some of the Commonwealth's temporary social welfare powers were made permanent by the successful 1946 referendum, which extensively widened its constitutional authority. Federal financial relations also changed in favour of the Commonwealth during the War.

As a result of the 1942 uniform taxation legislation, which excluded the States from the collection of income tax, and its subsequent High Court validation, the structure of Commonwealth revenue was dramatically recast. Income tax had become the predominant Commonwealth revenue source by the end of the War, increasing as it did from £11.7m (or 12.3 per cent of total Commonwealth revenue) in 1938-1939 to £214.6m (or 49.8 per cent) in 1945-46. Over the same period, total Commonwealth revenue increased from £95.1m to £431.3m, which allowed the Commonwealth to increase sharply, its expenditure on social services. Between 1938-39 and 1945-46 Commonwealth expenditure on social services increased from £16.4m to £53.2m. Not only was the age pension scheme extensively modified but also new benefits were paid, including child endowment (1941), widows' pensions (1942), unemployment benefits (1944), pharmaceutical benefits (1944) and health benefits (1944-45).

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3 The 1946 amendment altered the Constitution by empowering the Commonwealth to make laws relating to maternity allowances; widows' pensions; child endowments; unemployment; pharmaceuticals, sickness and hospital benefits; medical and dental services (but so as not to authorize any form of civil conscription); benefits to students; and, family allowances.


6 Ibid., p.629.
These developments notwithstanding, the most important social welfare policy decisions made during the War related to the financing of social services.

MENZIES AND THE COMPULSORY-CONTRIBUTORY PRINCIPLE: 1940 - 1941

Despite his defeat on the 1938 National Health and Pension Insurance scheme, Menzies was still determined to introduce a comprehensive social insurance scheme that incorporated age pensions. But first he had to consolidate his position as Prime Minister. At the 1940 General Election he was returned to office, and, with the removal of Page as leader of the Country Party, he was able to re-establish a coalition with the Country Party. But he still required the support of the sympathetic Independent Members to govern, which meant, of course, that he could not introduce a social insurance scheme, at least not immediately. He did, however, take small steps in that direction.

The first move came in January 1941 when it was announced that the Government would soon introduce a child endowment scheme financed, to a large extent, by a special tax on wages and salaries.\(^7\) By this means, Menzies was able to introduce a scheme which had, at least, the appearance of being "contributory", even though not all beneficiaries contributed towards the benefits they received. With this scheme, however, Menzies won a tactical victory over his opponents. The War had virtually forced the Labor Party to accept this pseudo-contributory method.

\(^7\) For details of this scheme see T.H. Kewley, Social Security in Australia, (1973), Ch. 10.
of financing, for as John Curtin, the Leader of the Opposition, remarked:

"The Opposition is more concerned with making payments to the mothers of Australia [than with the method of financing]...We simply take the view that as we have agreed to the establishment of a child endowment scheme, we see no reason why we, as an Opposition, should fail to support the Government's method of raising the necessary money...The commonsense view in this situation is that if we oppose this tax there may be no child endowment scheme." 8

In an effort to gain more support for social insurance, Menzies appointed a Joint Parliamentary Committee in July 1941 to

"...inquire into, and from time to time, report upon ways and means of improving social and living conditions in Australia and of rectifying anomalies in existing legislation." 9

Soon after, the Minister for Social Services referred a series of specific policy matters to the Committee, including the feasibility of introducing a contributory invalid and age pension scheme. 10 Menzies hoped, no doubt, that this Committee would support the principle of contributory pensions, but he did so in vain.

A period of political uncertainty began after Menzies resigned as Prime Minister in August 1941. The outcome was the return of Labor to office, with Curtin as Prime Minister. 11

8 Commonwealth Parliamentary Debates (CPD), (1941), Vol. 166, pp.390 - 1.
9 Commonwealth of Australia, Joint Committee on Social Security, Interim Report, (September 1941), p.5.
10 Ibid., p.7.
A new approach to the financing of social services was soon adopted.

THE CREATION OF A NATIONAL WELFARE FUND: 
THE CURTIN SOLUTION

By the end of 1942 the Curtin Government was faced with a perplexing financial and political problem: how could revenue be increased, to finance the continuing war effort, and demand reduced, to avoid domestic shortages, without alienating an electorate which had been promised, at the 1940 General Election, that a Labor Government would not increase income tax rates? The problem became more acute because there was a general election due the following year. J. B. Chifley, the Treasurer, was able to side-step the issue in his 1942-43 Budget. He correctly anticipated that the 1942 uniform income tax legislation would substantially broaden the Commonwealth's tax base and thus increase Commonwealth revenue. But it was soon recognised that this was only a temporary expedient, for defence expenditure was increasing rapidly. A solution had to be found quickly. In February 1943, Chifley announced the formation of a National Welfare Fund. It was proposed that into this Fund would be placed at least £30m a year, which would be more than enough to finance existing social services. In fact, it would allow a reserve to build up out of which future social services could be financed. More immediately, however, all such

12 Commonwealth income tax revenue increased by more than 80 per cent to £141m in the 1942 - 3 financial year, while defence expenditure rose by 46 per cent to £159.5m (see Official Yearbook of the Commonwealth of Australia, (1944 - 1945), No. 36, pp.665 - 6).

accumulated funds would be used to finance the continuing War-effort. To provide revenue for this Fund it was proposed that individual income taxation be increased. Taxpayers, who now included low income earners, were thus asked to pay in advance for future social service benefits.

The idea of creating a separate Fund out of which social service benefits were paid was not novel, for invalid and age pensions had been financed this way since 1909. But, to guarantee that it would receive a fixed amount each year from Consolidated Revenue was unprecedented. Previously, appropriations were made on an ad hoc basis.

No doubt the Curtin Government gained the inspiration for this idea from two sources. The first was the New Zealand Government's Social Security Fund which was established in 1938. The second was the Joint Parliamentary Committee on Social Security, which recommended, in March 1942, that to finance unemployment benefits, a special graduated tax should be imposed on all but the lowest income earners and that the proceeds should be placed into a "special unemployment fund".

14 Ibid., p.556.
15 Income tax rates were increased, but not at a uniform rate, and concessional deductions, which allowed gross income to be adjusted for the size of the taxpayers family, were introduced. The maximum annual non-taxable gross income was reduced from £150 to £104, however, married taxpayers with children were able to earn £175 a year before becoming liable for income tax. Payroll tax revenue was also directed into this fund, Acts 10 and 12 of 1943. See also: J.E. Edwards, "The Power of the Australian Senate in Relation to Money Bills", Australian Quarterly, September 1943, Vol. XV, No. 3, pp.75 - 86; and, CPD, (1943), Vol. 173, pp.549 - 52.
The National Welfare Fund proposal was criticised by both the non-Labor Opposition and Government supporters. Members of the Opposition argued that the proposal had no substance because it merely created a Trust Fund which had no clearly defined purpose, except to justify the imposition of income tax of low income earners.\(^{18}\) Within the Labor Party one of the more vocal critics, A. A. Caldwell, then a backbencher, similarly argued that under this proposal the low income earner, who previously paid little or no income taxation, could now be seen to be paying for his social service benefits, whereas, previously, only the wealthy paid for them.\(^{19}\)

At the 1943 General Election the Labor Party gained majorities in both Houses of Parliament, which enabled it to press ahead with its social welfare legislation. Unemployment and sickness benefits were the first new benefits to be financed from the National Welfare Fund.\(^{20}\) These were soon followed by the provision of pharmaceutical subsidies.\(^{21}\) However, the High Court decided that these subsidies were unconstitutional.\(^{22}\) Curtin died before he could see his social welfare vision materialize, but J. B. Chifley, who became Prime Minister in July 1945, maintained the flow of welfare legislation. Following the advice of the Joint Parliamentary Committee on Social Security, he used specific-purpose grants to subsidize public hospitals, to promote


\(^{19}\) CPD, (1943), Vol. 173, pp.1132 - 3.

\(^{20}\) Unemployment and Sickness Benefits Act, 1944.

\(^{21}\) Pharmaceutical Benefits Act, 1944.

the treatment of tuberculosis, and to increase the supply of cheap rental accommodation.\(^2\) This increased provision of welfare benefits, however, soon necessitated another change to the method of financing social services.

**THE INTRODUCTION OF A SEPERATE "SOCIAL SERVICES CONTRIBUTION": THE CHIFLEY SOLUTION**

Towards the end of 1945, the Chifley Government was confronted with the problem of how to increase revenue, in order to finance its growing social services expenditure, without antagonizing an already long-suffering electorate. The problem was made more acute because of the imminence of a general election. The device seized upon was a separate "social service contribution".\(^3\) This, like the creation of a National Welfare Fund in 1943, was nothing more than an excuse to increase income tax rates.\(^4\) The scale of the proposed "social service contribution" was graduated up to a maximum of 7.5 per cent of taxable income, with graduations depending both on the taxpayers's gross income and family size.\(^5\) It was expected that this contribution would yield £51m in the first year.\(^6\)

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23 Commonwealth of Australia, Joint Committee on Social Security, Interim Report, (September 1941), pp.6 and 12 - 4; Hospital Benefits Act, 1944; Tuberculosis Act, 1945; and, Commonwealth and State Housing Agreement Act, 1945.


25 But it did have the blessing of the Joint Parliamentary Committee on Social Security, (see Interim Report, p.5).


27 Whereas social services expenditure amounted to £67.1m in 1944 - 45; see, Official Yearbook of the Commonwealth of Australia, (1944 - 45), No. 36, p.682.
Chifley argued that this approach to the financing of social services had two advantages. First, the payment of a separate and obvious "contribution" would help remove the stigma of charity that had long been attached to the receipt of pensions.\footnote{Official Report of the Seventeenth Commonwealth Conference of the ALP, (1946), p.46.} Secondly, the progressive character of these "contributions" would provide a means of redistributing income towards the poor.\footnote{Ibid.} Government supporters, generally, were favourably disposed to the Chifley solution because it appeared to offer a way of abolishing the means test on all social services, a long-cherished Labor ambition.\footnote{See, for example, the comments of F.M. Daley in July 1946 (CPD, (1946), Vol. 188, p.3411) and the views of the Committee appointed by the ALP Conference in September 1945 to examine the possibility of abolishing the means test on social service benefits (Sydney Morning Herald, (June 19 1946)).} It also allowed the Government to push ahead with its welfare reforms.\footnote{For details of the changes made to the age pension scheme see Chs. 7 and 8 below.} Needless to say, however, the non-Labor parties were critical of it.

Menzies described Chifley's levy as a "...hesitant step towards a contributory system." \footnote{CPD, (1945), Vol. 184, p.5395.} And he went on to welcome the Government's action, to the extent that it was, indeed, a movement towards a proper contributory scheme.

A. W. Fadden, the Leader of the Country Party, on the other hand, described it as "...economically unscientific, ...actuarially unsound, and politically unjust... even if he [the contributor] paid his social service contributions regularly..."
every year, he would still not be eligible for a pension [because of the means test]."\(^{33}\)

He called for the establishment of a contributory scheme "...on a sound actuarial basis."\(^{34}\)

**THE NON-LABOR PARTIES' RELUCTANT ACCEPTANCE OF THE NON-CONTRIBUTORY PRINCIPLE: 1946 - 1954**

During the 1946 General Election campaign Menzies placed considerable emphasis on the need for a comprehensive social insurance scheme that included, at the very least, sickness, widowhood, unemployment and old age benefits. This was in line with the policy adopted by the newly-formed Liberal Party at its first Conference, held in 1944, during which Menzies declared:

"Concentration upon Government action and the payment of social benefits entirely out of the public Treasury means the discouragement of thrift. Without thrift there can be no independence, and without independent citizens there can be no independent nation...Thrift and independence must therefore be positively encouraged by our political policies. This involves a complete overhaul of our taxation system in order to help people with family responsibilities. It involves the conversion and extension of our social services on a contributory basis..."\(^{35}\)

Subsequently, Menzies sought to justify the contributory principle on the grounds of equity:

"From the democratic point of view there is a strong foundation for the proposition that we cannot found

\(^{33}\) CPD, (1945), Vol. 185, p.6152.

\(^{34}\) Ibid., p.6153.

such schemes [as those which provide social security benefits] on a sound basis unless we say to the citizen, 'You are entitled to receive benefits from the community, but you also have a contribution to make to the community; and every contributor in due course will receive.'³⁶

He also argued that a social insurance scheme would allow the reduction of income tax, which, he believed, would encourage thrift and self help.³⁷

In 1948, Dr Earle Page, a long-standing and vocal supporter of social insurance, argued that the existing non-contributory system was entirely dependent on the Commonwealth's budgetary condition for its continuation, and this seems to have concerned him greatly:

"Economic security will be provided only by some national insurance scheme which builds up its funds in good times and is not dependent on current receipts...so that it will be able to stand the shock of a drain in bad times."³⁸

He also advocated that any such scheme should be administered by friendly societies.³⁹

During the 1949 General Election campaign, Menzies, who argued that the Chifley Government had imposed an intolerable income tax burden on the community, promised to reduce income tax rates "as national product and income rises, and as economies are affected in administration".⁴⁰

He saw the introduction of a comprehensive social insurance

³⁷ Ibid., p.3167.
scheme as one way that income tax rates could be lowered, for if social services could be financed from a separate fund into which a social insurance levy was directed, than an important drain on Consolidated Revenue would be reduced, and this would allow income tax rates to be reduced.\textsuperscript{41} It seems, however, that Menzies may have overlooked the fact that for most taxpayers any reduction in income tax liability would be offset, to a large extent, by the payment of a social insurance contribution. Perhaps he was content merely to redistribute the effective tax burden to potential social service recipients. As a result of the 1949 Elections, Menzies was able to form a government, but it had the support of only a minority in the Senate, It was not until late 1950 that the Menzies Government made its first tentative move towards the introduction of a social insurance scheme.

The Treasurer, A. W. Fadden, announced during the 1950-51 Budget Speech that the previously separate income tax and social services contribution levies would soon be merged, as a preliminary to the introduction of a comprehensive social insurance scheme.\textsuperscript{42} He also advised that, as a temporary expedient, the National Welfare Fund would receive annual appropriations from Consolidated Revenue based, to a large extent, on the annual growth in payroll tax receipts.\textsuperscript{43} This action is reminiscent

\textsuperscript{41} Menzies promised to present the electorate with a social insurance proposal before the General Election in 1952 (Ibid., p.22).

\textsuperscript{42} CPD, (1950), Vol. 209, pp.775 - 6; and, Act 48 of 1950.

\textsuperscript{43} CPD, (1950), Vol. 209, pp.774 - 5; and, Vol. 210, p.2074. The appropriation from Consolidated Revenue was made equal to £101m plus an amount equal to the annual growth in payroll tax receipts, estimated at £26m for the 1950 - 51 Financial Year.
of the move Menzies made ten years earlier, when he decided to finance child endowments by a payroll tax. No doubt his intentions in 1950 were the same as they were in 1940: to move towards the establishment of a compulsory-contributory system of social services.

One important consequence of the 1950 funding procedure was that it tied the revenue of the National Welfare Fund indirectly to wages and salaries. This meant that during a period of inflation, when money wages were rising, the flow of revenue into that Fund would, similarly, increase. If expenditure from the Fund remained relatively stable, then a surplus would necessarily develop. With inflation running at over 20 per cent in the early 1950s, a surplus in the National Welfare Fund did, in fact, quickly emerge, reaching £185m by July 1 1952, which was more than sufficient to guarantee the payment of social services. This development prompted action from the Treasurer who, early in 1952, announced that from July 1 1952, annual appropriation to the National Welfare Fund would be equal to the budgeted social service expenditure.

The Menzies government probably adopted this course of action for two reasons. First, with inflation spiralling to over twenty per cent a year and imports increasing rapidly, the Government wanted a budget surplus, but it also wanted to reduce taxation, and that meant a reduction in expenditure from Consolidated Revenue, which was achieved by reducing appropriations to the National Welfare Fund. Secondly, the Government also realized that

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45 Act 65 of 1952.
any further accumulation of funds in the National Welfare Fund might prove embarrassing, first because it might highlight that the Government was not spending all the funds it allocated to social services, and secondly, because it might encourage increased pressure for greater benefits, which, if agreed to, would worsen inflation. For these reasons the Menzies Government was no longer interested in maintaining its contributory social services facade.

Throughout the early 1950s, however, social insurance was still an issue. In November 1950, the Treasurer remarked that the Government was still investigating the feasibility of establishing a social insurance scheme. But he added, somewhat soberingly, that it was, indeed, a difficult matter. It seems that Menzies may have been of the same mind, for his stance on the introduction of a broad social insurance scheme was less dogmatic by the time of the 1951 General Election campaign. During that campaign, Menzies indicated that his social insurance ambitions had been reduced to the introduction of merely a national contributory retirement scheme. The idea of establishing a social insurance scheme that would cover sickness, widowhood, unemployment and old-age, seems to have lost much of its appeal. What could have changed Menzies mind in such a short time - a mere two years - after two decades of strong support for a comprehensive scheme? Perhaps he was more concerned about the worsening situation in Korea and thus the need for a greater

Australian defence capability. Possibly he believed that a broad social insurance scheme would not allow income tax rates to be reduced significantly after all. Or he might have realized, after a closer examination, that the sectional interests which had frustrated the 1938 National Health and Pension Insurance Act might again take action against an ambitious scheme. Whatever the reasons, Menzies had dramatically watered down his social insurance aspirations between 1949 and 1951. But more was still to come.

Early in 1953 the Minister for Social Services announced that a contributory age pensions scheme would soon be introduced:

"Efforts have been made...to devise a new system of social services whereunder pensions are paid as of right and without a means test. A solution had already been reached which, it is felt, will be suited to Australian social and economic conditions and which will meet the general approval of the community.

Owing chiefly to the Commonwealth's heavy financial commitments in defence and payments to the States, it has not been found possible to introduce the new scheme at present. As soon, however, as the economic and international position improves, the Government hopes to proceed with this important reform."  

Apart from the fact that it would involve only wage earners, no details of the proposal were made available. There is, however, little doubt that a contributory scheme would have been generally well received, if the results of a public

---

opinion survey are any indication.49 The Government was now apparently faced with deciding when the economic and political climate would permit it to introduce a compulsory-contributory age pension scheme. In 1954 it decided that the time was still not appropriate, and in so doing appears to have turned decisively against such a scheme. At the 1954 General Election, Menzies asked the rhetorical question:

"Could we, at the present very high level of taxation and social service expenditure (£142m in 1952 - 53), produce a practical scheme under which the Means Test was completely abolished (at an added cost of £100m per annum, even at present rates of pensions) and a new tax in the form of a contribution created?"50

To which he gave the following answer:

"...we do not believe that the Australian people could now be asked to accept increased taxation on such a scale."51

He also pointed out, somewhat cynically in the light of his statements in the mid 1940s,

"...there are now 3½ million income tax payers. Tax includes the cost of social services. We therefore have, broadly, a contributory system."52

With these words a major policy reversal by Menzies and the Liberal-Country Party Government was accomplished.

What brought this policy reversal about? The Menzies Government was probably loath to introduce any measure which might be construed as an underhanded method of raising income tax, regardless of the future benefits which might flow from

51 Ibid.
52 Ibid.
it. No doubt the fact that there was a marked disagreement in the electorate over whether or not the Government had carried out its 1949 election promises, which included the reduction of income tax rates, was not overlooked. Furthermore, the Government believed that tax relief was, on political grounds, a highly desirable policy, and that the introduction of a separate social insurance levy would certainly be incompatible with such a policy.

CONCLUSION

Between 1939 and 1954 successive Commonwealth Governments sought a solution to the problem of how best to finance social services. In the early 1940s a non-Labor Government introduced a child endowment scheme that had a contributory facade to gain support for the introduction of a broad social insurance scheme. But this did not proceed very far. A Labor Government established the National Welfare Fund in 1943, ostensibly to finance post-war welfare reforms, but, in fact, to justify an increase in income tax rates to finance the war-effort. Immediately after the War another Labor Government introduced a "social service contribution", which was nothing more than a camouflaged increase in income taxation rates. The non-Labor Parties, on their return to office in 1949 were still advocating the establishment of a broad contributory social services system. But this never emerged.

Ironically, the long-standing supporters of social insurance were forced by economic and political circumstances

53 See results of Gallop Poll conducted in April 1954 (Murray Goot, op. cit., p.37).
to abandon the social insurance cause in the mid 1950s. In 1954 it was announced, in effect, that the non-contributory system of social services should remain. With the method of financing now virtually a settled issue, at least until 1972, the Commonwealth's attention was turned to improving the existing age pension scheme. Concurrently with the rapid expansion of Federal revenue came a period of intense legislative activity aimed at, first, removing the many anomalies from the eligibility criteria, especially the means test; and secondly, providing more and larger benefits for the aged.
PART III

THE AUSTRALIAN AGE PENSION SCHEME:

1908 - 1972
INTRODUCTION

The Australian age pension scheme has always contained a number of eligibility tests. In 1908 a successful pension applicant had to satisfy tests relating to age, income and property, race and nationality, residency, morality and domicile. Initially there entry requirements were quite restrictive, but, over the years most have been substantially modified, and this has allowed an increasing proportion of the aged community to participate in the scheme.

This chapter is concerned with the entry requirements of the Australian age pension scheme. It begins by examining their initial form. Then, the various changes that were made up to 1972 are itemized. Finally, the effect that these changes had on the growth in the number of age pensioners between 1911 and 1972 is estimated.

COMMONWEALTH POLICY IN 1908

In chapter 3 the point was made that one of the initial objectives of the Australian age pension scheme was to provide assistance only to the "deserving aged poor". The entry requirements decided upon in 1908 were designed to achieve this goal. There seemed to be a broad consensus of opinion within the Australian community in the 1900s about who should not receive an age pension. Thus, aliens, Aborigines, Asians, Africans and the natives of the Pacific Islands and New Zealand were excluded almost without consideration. In addition, the principle of having a residency, a morality, a domiciliary, and a means test was never seriously challenged. To participate in the
pension scheme, then, an applicant had to satisfy the following eligibility conditions:

**Age:** Sixty-five years of age and over;

**Race-**

**Nationality:** British subject of at least three years standing, but specifically excluding Aborigines, Asians (except those born in Australia), Africans and natives of the Pacific Islands and New Zealand;

**Residency:** Continuous residency in Australia for at least twenty-five years, apart from "occasional absences" (which, in total, could not exceed ten per cent of the total residency period), and residency upon application;

**Means:** Property valued at less than $620; and an income of less than $2.00 a week, excluding cash benefits from Friendly Societies, Trade Unions and Provident Societies, and after allowing for a board deduction of 50c a week;

**Morality:** "Good Character" and (a) not have, without "just cause", either deserted spouse or family, or failed to maintain spouse or family, for a period of more than twelve months during the five years immediately prior to making application; or, (b) not have deprived self of any property or income to participate in the scheme; and,

**Domicile:** Not be an inmate of any of the following institutions:

(a) a benevolent asylum;
(b) a general hospital;
(c) a hospital for the insane; or
(d) a gaol.
The Calculation of the Exclusion Means Test

Of all the eligibility tests the exclusion means test has always been the most complex. For this reason it is useful to explain how this test was initially calculated before describing the various changes that have been made to it.

Since the Commonwealth Government wanted to take into consideration both the value of property owned by a pension applicant and his income, a complicated exclusion means test was adopted in 1908. To fully appreciate how it was calculated two examples need to be looked at before the complications are introduced.

For the first example assume that a pension applicant owned no property but did receive an income. He could gain the maximum pension only if his "non-exempt income" (that is, his total income less that part of it which was deemed to be exempt under the pension legislation) did not exceed the "maximum pension income limit" (that is, the maximum amount of non-exempt income allowable in conjunction with the maximum pension). If it did, then the maximum pension was reduced by the amount of that excess. This meant that once the applicant's non-exempt income was equal to the sum of the maximum pension and the maximum pension income limit he was excluded from participating in the Australian age pension scheme. Algebraically, the maximum exclusion income limit can be expressed as:

S.21 (1) of Act 17 of 1908 provided that,

"The amount of a pension shall...not exceed the rate of Twenty-six pounds per annum in any event, nor shall it be at such a rate, as will make the pensioner's income, together with the pension, exceed Fifty-two pounds per annum". (Author's emphasis.)
Ye = Ym + Mp --- (1)

where
Ye is the maximum exclusion income limit;
Ym is the maximum pension income limit; and,
Mp is the maximum pension.

The second simple example requires the assumption that a pension applicant received no income but did own property. He could gain the maximum pension only if the value of his "non-exempt property" (that is, the total value of his property less any part of it deemed to be exempt under the pension legislation) did not exceed the "maximum pension property limit" (that is, the maximum value of non-exempt property allowable in conjunction with the maximum pension). If it did, then the maximum pension was reduced by $2 for every complete $20 of that excess. This meant that once the value of the applicant's non-exempt property exceeded the sum of ten times the maximum annual pension plus the maximum pensions property limit, he was excluded from the Australian age pension scheme. Algebraically this simple exclusion property limit (Pe) can be expressed as:

\[ Pe = 10 \, M_p^a + P_m \] --- (2)

where
M_p^a is the maximum annual pension; and,
P_m is the maximum pension property limit.

However, the pension legislation also specified a statutory maximum exclusion property limit, that is, a maximum value for Pe. (There was no corresponding statutory maximum for the exclusion income limit.)
When a pension applicant both owned property and received an income, the exclusion means tests became more complex. First, the value of the applicant's non-exempt property determined the amount of non-exempt income that would exclude him from the Australian age pension scheme. Thus, the exclusion income limit \( (Y_e) \) became:

\[
Y_e = Y_m + M^a - 0.1 A_m
\]  
\( (3) \)

where

- \( A_m \) is the value of non-exempt property owned by the applicant in excess of the maximum pension property limit.

Clearly, for any value of \( Y_m \) and \( M^a \), \( Y_e \) will be maximized when \( A_m = 0 \). Secondly, the applicant's non-exempt income determined the amount of non-exempt property that would exclude him from the scheme. Thus, the exclusion property limit, for all values up to the statutory maximum, became:

\[
P_e = 10 \left[ M^a - Y^a \right] + P_m
\]  
\( (4) \)

where

- \( Y^a \) is the amount of non-exempt annual income received by the applicant in excess of the maximum pension income limit.

To be eligible to participate in the Australian age pension scheme in 1908 an applicant had to satisfy both the exclusion income and the exclusion property tests.

The Determination of the Exclusion Income and Property Limits in 1908

The public evidence available seems to suggest that of all the initial eligibility requirements only the exclusion means tests were discussed in any detail, either inside or outside Parliament, prior to the enacting of the 1908 pension legislation. The most detailed consideration came from the 1906 Royal Commission on Old-age Pensions.
How much income should a pensioner be allowed to receive in conjunction with the maximum pension? That was one crucial question with which the Royal Commission had to grapple. During the course of its hearings, the Commission was frequently advised that an age pension was, in fact, a wage subsidy which would allow pensioners to compete unfairly for the limited employment opportunities with the "ordinary worker".\(^2\) The Commission's thinking on the maximum pension income limit seems to have been dominated by this suggestion. What it endeavoured to determine was the amount that a maximum pension recipient could earn without competing unfairly with the "ordinary worker" and, thereby, without depressing wages.\(^3\) Of the thirty-three witnesses questioned on this, only one suggested that the limit should be nil. The majority recommended that it should be between 20c and $1.00 a week.\(^4\) The Royal Commission decided upon the latter amount, which meant that, with a maximum pension of $1.00 a week, the maximum exclusion income limit was fixed at $2.00 a week.

What of the property exclusion limit? The 1906 Royal Commission seems to have decided that applicants with property the value of which, if sold, would purchase an

\(^2\) Commonwealth of Australia, Royal Commission on Old-Age Pensions, Minutes of Evidence, (1906), pp.29, 33, 40, 44, 52, 92, 175, 220, 231, 277, and 279.

\(^3\) That this was, in fact, the initial basis of the income test was confirmed some years after the scheme was introduced (Commonwealth Parliamentary Debates, (CPD), (1916), Vol. 80, p.9138).

\(^4\) Commonwealth of Australia, Royal Commission on Old-age Pensions, Minutes of Evidence, (1906), pp.3, 29, 34, 35, 44, 45, 92, 110, 117, 143, 150, 156, 206, 209 and 293.
annuity sufficient to support a man in his old age should not receive a pension. Only two witnesses offered the Royal Commission any advice on the level of the exclusion property limit. One recommended that it should be $380. The other argued that all property valued in excess of $100 should be transferred to the Commonwealth if a pension applicant was granted a pension. The Commission decided that the limit should be $620, which suggests that the Commission believed, somewhat unrealistically, that ten per cent was not an unreasonable rate of interest for property owners to expect upon their retirement.

CHANGES TO THE ELIGIBILITY TESTS: 1909 - 1972

Since the Australian age pension scheme came into operation on July 1 1909, numerous changes have been made to its entry requirements. Virtually all of these extend the scheme's coverage. It is to these that attention is now turned.

The Age Test

Only one change has occurred to the age test, and that happened quite quickly. Provision was made in the 1908 Act for the minimum participatory age for females to be lowered to sixty, when Commonwealth finances permitted, which subsequently occurred on December 12 1910.

5 Ibid., p.42.
6 Ibid., p.238.
The Race-Nationality Test

Up to 1972 six changes were made to race-nationality test, but only two occurred before the Second World War. The first, in 1912, involved the removal of the restriction that only a naturalized subject of at least three years standing could obtain an age pension. This meant that all naturalized citizens became eligible for a pension. In 1926 there was a minor extension of the scheme's coverage when unnaturalized Indians who were born in British India were allowed to participate. This amendment was the result of pressure being exerted on Australia by the British as early as the Imperial War Conferences of 1918.

In the early 1940s two more changes were made. First, all British subjects were allowed to participate in the scheme under the 1941 amendment. Secondly, under the 1942 amendment, Kanaka natives who were of "good character and intelligence", and who were "civilized"; and aborigines who were exempt from the provisions of any State Law relating to their control and who were of "good character and intelligence" were allowed to receive a pension. The eligibility of aborigines thus depended, in part, upon the possession of a "certificate of exemption" from certain State Laws, but this proved to be administratively inefficient and inequitable because of the differing

8 Act 27 of 1912.
9 Act 44 of 1926.
10 See CPD, (1926), Vol. 114, p.4956. A maximum of 200 people were immediately eligible to receive an age pension because of this amendment (ibid).
11 Act 48 of 1941.
12 Act 3 of 1942.
policies followed by each State. In Victoria, for example, there was no legal provision for the issuing of such certificates. In these circumstances, whether a Victorian aborigine received a pension depended upon his character, his intelligence and extent of his social development, all of which were difficult to judge because of widely differing cultural standards within the aboriginal community. From February 1960, however, all aborigines, except "...those who follow a mode of life that is, in the opinion of the Director-General of Social Services, nomadic or primitive", became eligible to receive age pension benefits.

The final alteration to the race-nationality test was made in 1966, when, as a means of encouraging family migration, all aliens became eligible for a pension.

The Residency Test

Between 1909 and 1972 the residency entry requirement was changed on seven occasions. The first occurred soon

For full details see Department of Social Services (DSS), Annual Report, (1959 - 60), pp.5 - 6.

Ibid., p. 6.

The Director-General went on:

"While no hard and fast rule has been laid down for the present, the general policy is that, where an aborigine is in fact residing on a mission station or Government Settlement in a remote area and the mission station or settlement accepts full responsibility for his maintenance and welfare, he will not be regarded as monadic or primitive so long as he remains within the sphere of influence of that mission station or Settlement. This will apply notwithstanding the fact that his life may be to a large extent governed by tribal laws and customs, and that for part of the year he is absent on annual 'walkabout'" (Ibid).

Only 474 people received pensions as a result of this amendment (DSS, Annual Report, (1966 - 7), pp.7 - 8).
after the age pension scheme commenced when the minimum continuous residency period was reduced from twenty-five to twenty years. This was designed to bring the Australian scheme into line with those operating in Victoria and Queensland, so as to allow the transfer of all State pensioners. A long period then lapsed before the next amendment was made.

From 1943 the minimum continuous residency period condition was waived for people who were residents of New Zealand immediately prior to becoming residents of Australia. The desirability of a reciprocal agreement with New Zealand was first mooted in 1913, and from time to time since then. But Australia expressed reluctance at such an agreement, fearing that more New Zealanders than Australians would take advantage of it. The question of reciprocity was raised again in 1938 by the New Zealand Minister for Social Security and Internal Affairs, but again without success. However, in the following year, Australia, prompted by the need to foster a closer relationship with New Zealand at a time of war, decided, in principle, that some kind of reciprocal agreement should be signed. But further delays followed. Finally, in February 1943, the New Zealand Prime Minister suggested that the matter be raised yet again, this time by the Chairman of the New Zealand Social Security Commission who was then visiting Australia. Soon after, an agreement, which remained effective until July 1949 was signed. A

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17 Up to 1949 only 645 people took advantage of this arrangement (DSS, Annual Report, (1948 - 9), p.15).
new and more liberal agreement was then negotiated. It provided, among other things, that

"a person residing in Australia [who was previously a resident of New Zealand] shall not be entitled... to receive an age pension...unless that person, if residing in New Zealand, would have been qualified under the Social Security Act on residential grounds to receive an age benefit." 19

Three further changes were made to the residency test in the late 1940s and early 1950s. First, the Commonwealth decided in 1947 that any "occasional absences" which were attributable to the War (provided that for the purposes of Australian income tax the person was still considered an Australian resident) would not be included in the calculation of the minimum continuous residency period. 20 Secondly, in 1952 a person who had not resided continuously in Australia for twenty years became residentiary qualified if, first, he had lived in Australia for a total of eighteen years; secondly, his "occasional absences" did not exceed two years at any one time; and thirdly, his "occasional absences" did not exceed, in total, half the period by which his total residency exceeded eighteen years. 21

Finally, following a rapid influx of British migrants, Australia signed a reciprocal agreement with the United Kingdom in July 1954 which covered the whole spectrum of

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19 Statutory Rule No. 42 of 1949, S. 8, under Social Services Consolidation Act 1947 – 48, effective June 30 1949, (for details see DSS Annual Report, (1948 – 9), pp. 14 –16). Throughout the 1950s some 300 to 400 pensions were granted each year under this agreement. During the 1960s this number fell to around 100 a year.

20 Act 26 of 1947.

21 Act 41 of 1952.
social services. This provided that former residents of the United Kingdom who took up permanent residence in Australia would have the residency requirement waived.

Another product of Australia's post-war immigration programme was the growing demand, from the mid 1950s, for a reduction in the minimum continuous residency period.

By the early 1960s pressure from such bodies as the Commonwealth Immigration Advisory Council, the Migration Planning Council and the Good Neighbour Council for a reduction in the residency test was quite intense. Prime Minister Menzies promised to reduce the minimum residency period during the 1961 election campaign. The following year saw two important changes made. First, the minimum continuous residency period was halved to ten years. Secondly, where a person had more than one period of residency in Australia, and where the longest period of residency is between five and ten years, and where the aggregate of these periods exceeds ten years, then the ten year minimum continuous residency period is reduced by the amount of that excess.

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23 For details see DSS, Annual Report, (1952 - 3), pp.19 - 22. A "permanent resident" is a person who is likely to remain in Australia for at least 3 years (see Statutory Rule No. 8 of 1954, as modified by S.R. No. 30 of 1958 and No. 85 of 1962). The number of age pensions granted under this agreement has increased steadily since 1954, reaching 10,000 in 1972.


26 Act 1 of 1962.

27 It has been estimated that the 1962 amendment allowed 2,300 people to immediately receive a pension (DSS, Annual Report, (1962 - 3), pp.4 - 5.)
The Exclusion Means Test

Many changes have been made to the exclusion means test (that is, the amount of non-exempt income and property that would exclude a pension applicant from participating in the Australian age pension scheme), and they can be grouped as follows:

1. Increases in the maximum exclusion income and property limits between 1909 and 1960;
2. The introduction of the exclusion means-as-assessed in 1961;
3. Alterations to the definition of non-exempt income and property; and,
4. Changes in the administration of the exclusion means test.

It is to these that attention is now turned.


The maximum exclusion income limit was increased on thirty-one occasions between 1909 and 1960 (see table 7.1). From equation (1) it can be seen that this limit increased whenever either the maximum pension or the maximum pension income limit increased. Since both of these component parts will be examined in the following chapter, they will not be looked at here. What is of interest, however, is how changes in the maximum exclusion income limit compare with changes in the cost of living.

Between 1909 and 1960, the real value of the maximum exclusion income limit increased at an average annual rate of 1.2 per cent. If, however, this period is subdivided an interesting contrast emerges. The real average annual growth in this limit between 1909 and 1944 was only
### TABLE 7.1

**THE MAXIMUM EXCLUSION INCOME LIMIT: 1909 - 1961**

<table>
<thead>
<tr>
<th>DATE</th>
<th>EFFECTIVE LIMIT ($ per week)</th>
<th>INDEX</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. 7.1909</td>
<td>2.00</td>
<td>100</td>
</tr>
<tr>
<td>12.10.1916</td>
<td>2.25</td>
<td>113</td>
</tr>
<tr>
<td>1. 1.1920</td>
<td>2.50</td>
<td>125</td>
</tr>
<tr>
<td>13. 9.1923</td>
<td>3.00</td>
<td>150</td>
</tr>
<tr>
<td>8. 10.1925</td>
<td>3.25</td>
<td>163</td>
</tr>
<tr>
<td>23. 7.1931</td>
<td>3.00</td>
<td>150</td>
</tr>
<tr>
<td>13. 8.1932</td>
<td>2.75</td>
<td>138</td>
</tr>
<tr>
<td>26.10.1933</td>
<td>3.00</td>
<td>150</td>
</tr>
<tr>
<td>4. 7.1935</td>
<td>3.05</td>
<td>153</td>
</tr>
<tr>
<td>24. 9.1936</td>
<td>3.20</td>
<td>161</td>
</tr>
<tr>
<td>9. 9.1937</td>
<td>3.25</td>
<td>163</td>
</tr>
<tr>
<td>26.12.1940</td>
<td>3.35</td>
<td>168</td>
</tr>
<tr>
<td>3. 4.1941</td>
<td>3.40</td>
<td>170</td>
</tr>
<tr>
<td>11.12.1941</td>
<td>3.60</td>
<td>180</td>
</tr>
<tr>
<td>2. 4.1942</td>
<td>3.75</td>
<td>188</td>
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<td>1.10.1942</td>
<td>3.80</td>
<td>190</td>
</tr>
<tr>
<td>7. 1.1943</td>
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<td>193</td>
</tr>
<tr>
<td>1. 4.1943</td>
<td>3.90</td>
<td>195</td>
</tr>
<tr>
<td>25.11.1943</td>
<td>3.95</td>
<td>198</td>
</tr>
<tr>
<td>5. 7.1945</td>
<td>4.50</td>
<td>225</td>
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<td>13. 8.1946</td>
<td>5.25</td>
<td>263</td>
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<td>3. 7.1947</td>
<td>5.75</td>
<td>288</td>
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<td>21.10.1948</td>
<td>7.25</td>
<td>363</td>
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<td>2.11.1950</td>
<td>8.00</td>
<td>400</td>
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<td>1.11.1951</td>
<td>9.00</td>
<td>450</td>
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<tr>
<td>2.10.1952</td>
<td>9.75</td>
<td>488</td>
</tr>
<tr>
<td>29.10.1953</td>
<td>11.00</td>
<td>550</td>
</tr>
<tr>
<td>6.10.1954</td>
<td>14.00</td>
<td>700</td>
</tr>
<tr>
<td>27.10.1955</td>
<td>15.00</td>
<td>750</td>
</tr>
<tr>
<td>24.10.1957</td>
<td>15.75</td>
<td>788</td>
</tr>
<tr>
<td>8.10.1959</td>
<td>16.50</td>
<td>825</td>
</tr>
<tr>
<td>1. 3.1961</td>
<td>Separate exclusion income</td>
<td></td>
</tr>
<tr>
<td></td>
<td>limit abolished</td>
<td></td>
</tr>
</tbody>
</table>

**SOURCE:** Invalid and Old Age Pensions Act, 1908 - 1946; and, Social Services Act, 1947 - 1972.
0.06 per cent, while between 1944 and 1960 it was 3.8 per cent. This contrast reflects the upturn in the growth of real Gross Domestic Product per head that occurred in the post-War period.

Two changes of some significance also occurred. First, from 1920 blind age pensioners could receive a pension even if they received a non-exempt income of up to $8.50 a week.\(^{28}\) This exclusion limit was subsequently increased, reaching $26.00 a week in the early 1950s. It was, however, abolished in 1953.\(^{29}\) Secondly, between 1948 and 1955 a separate maximum exclusion income limit was applied to non-blind age pensioners who were receiving war pensions (see table 7.2).\(^{30}\)

### The Maximum Exclusion Property Limit: 1909 - 1960

Prior to 1960, only eight changes were made to the statutory maximum exclusion property limit (see table 7.3). The sole adjustment made before the end of the Second World War occurred in 1923, following a period of rapid inflation which had caused the real value of this limit to fall markedly.\(^{31}\) Substantial changes were made, however, in the second half of the 1940s as part of a long-range plan

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28 Act 53 of 1920; Only 400 people were granted a pension immediately as a result of this legislation (CPD, (1920), Vol. 94, pp.6773 - 4).

29 Under Act 41 of 1952.


31 CPD, (1923), Vol. 105, pp.3558 - 600. The extent of the increase in the exclusion property limit was determined administrative considerations, not inflation. The Treasurer, in 1923, argued that if the limit was raised above $800, then, given the size of the maximum pension and the maximum pension reduction rate, the increased cost of investigating pension claims would not justify the small pension payable to those with property above $800 (ibid., p.3586).
TABLE 7.2

THE MAXIMUM EXCLUSION INCOME LIMIT
FOR AGED PEOPLE WHO RECEIVED A WAR PENSION:
1948 - 1955

<table>
<thead>
<tr>
<th>DATE EFFECTIVE</th>
<th>UNMARRIED ($) per week</th>
<th>MARRIED SPOUSE ($) per week</th>
<th>NOT AGE OR INVALID PENSION ($) per week</th>
<th>OTHER ($) per week</th>
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<tbody>
<tr>
<td>21.10.1948</td>
<td>9.25</td>
<td>13.00</td>
<td></td>
<td>15.20</td>
</tr>
<tr>
<td>2.11.1950</td>
<td>10.00</td>
<td>13.75</td>
<td></td>
<td>16.00</td>
</tr>
<tr>
<td>1.11.1951</td>
<td>11.00</td>
<td>14.75</td>
<td></td>
<td>17.50</td>
</tr>
<tr>
<td>2.10.1952</td>
<td>12.75</td>
<td>15.50</td>
<td></td>
<td>19.00</td>
</tr>
<tr>
<td>29.10.1953</td>
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<td>20.00</td>
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<td>21.75</td>
</tr>
<tr>
<td>6.10.1954</td>
<td>18.25</td>
<td>23.50</td>
<td></td>
<td>26.50</td>
</tr>
<tr>
<td>27.10.1955</td>
<td>Abolished</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SOURCE: Social Services Act, 1947 - 1954
TABLE 7.3

THE EXCLUSION PROPERTY LIMIT: 1909 - 1961

<table>
<thead>
<tr>
<th>DATE</th>
<th>EFFECTIVE</th>
<th>LIMIT ($):</th>
<th>INDEX</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. 7.1909</td>
<td>620</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>13. 9.1923</td>
<td>800</td>
<td>129</td>
<td></td>
</tr>
<tr>
<td>13. 8.1946</td>
<td>1300</td>
<td>210</td>
<td></td>
</tr>
<tr>
<td>21.10.1948</td>
<td>1500</td>
<td>242</td>
<td></td>
</tr>
<tr>
<td>2.10.1951</td>
<td>2000</td>
<td>323</td>
<td></td>
</tr>
<tr>
<td>29.10.1953</td>
<td>2500</td>
<td>403</td>
<td></td>
</tr>
<tr>
<td>6.20.1954</td>
<td>3500</td>
<td>565</td>
<td></td>
</tr>
<tr>
<td>15.10.1958</td>
<td>4500</td>
<td>726</td>
<td></td>
</tr>
<tr>
<td>1. 3.1961</td>
<td>Separate exclusion property test abolished.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

undertaken by the Chifley Labor Government to abolish the property test. These changes had the effect, however, of doing little more than restoring the maximum exclusion property limit to its initial real value. During the 1950s, this limit was frequently raised by the Menzies non-Labor Government, essentially for two reasons. First, to lessen the penalty on thrift that a property test was believed to impose. Secondly, to assist those who had neither non-exempt income, a pension nor any negotiable non-exempt property.


In 1960 the Menzies Government decided to merge the previously separate, but interrelated, exclusion income and property tests by providing a formula which would convert non-exempt property into an income equivalent. Thus the concept of "means-as-assessed" was introduced. This was defined as the sum of the annual rate of non-exempt income plus ten per cent of the value of non-exempt property over $400. The exclusion means-as-assessed limit (Me) was determined as follows:

\[ Me = M_p + M_m \quad \text{--- (5)} \]

where

- \( M_m \) is the maximum pension means-as-assessed limit; and,
- \( M_p \) is the maximum annual pension.

Thus for the pension applicant who owned no non-exempt property, the exclusion weekly income limit was(\( \frac{Me}{52} \)), while


the applicant who received no non-exempt income faced an exclusion property limit of \((10 \text{ Me} + \$400)\). As a result of the introduction of this merged exclusion means test in March 1961, the maximum exclusion property limit more than doubled from \$4,500 to \$9,240, while the maximum exclusion income limit increased by less than three per cent, from \$16.50 to \$17.00 a week. From equation (5) it is clear that \(\text{Me}\) increased whenever either \(\text{Mp}^a\) or \(\text{Mm}\) increased (see table 7.4.). As these will be discussed, at length, in the next chapter they will not be considered here.

Two features of table 7.4, which shows how the exclusion means-as-assessed limit changed between 1961 and 1972, do require some consideration. First, when the Menzies Government decided, in 1963, to give unmarried pensioners \$52 a year more than married pensions, one of the immediate results was to create a different exclusion means-as-assessed limit for married and unmarried pension applicants. As the maximum pension differential subsequently increased, so did the exclusion means-as-assessed limit differential. By September 1972, it had reached \$429. Secondly, with the "tapering" of the means test in 1969 (which meant that the annual maximum pension was reduced by only 50 per cent, rather than 100 per cent, of the amount by which means-as-assessed exceeded the maximum pension means-as-assessed limit) the method of calculating the exclusion limit became:

\[ \text{Me} = 2 \text{ Mp}^a + \text{ Mm} \quad --- (6) \]
## TABLE 7.4

**THE EXCLUSION MEANS-AS-ASSESSED LIMIT: 1961 - 1972**

<table>
<thead>
<tr>
<th>DATE EFFECTIVE</th>
<th>EXCLUSION MEANS-AS-ASSESSED LIMIT</th>
<th>MAXIMUM WEEKLY NON-EXEMPT INCOME ALLOWABLE IN CONJUNCTION WITH ANY PENSION, GIVEN NO NON-EXEMPT PROPERTY</th>
<th>MAXIMUM NON-EXEMPT PROPERTY ALLOWABLE IN CONJUNCTION WITH ANY PENSION, GIVEN NO NON-EXEMPT INCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. 3. 1961</td>
<td>884</td>
<td>17.00</td>
<td>9,240</td>
</tr>
<tr>
<td>5.10.1961</td>
<td>910</td>
<td>17.50</td>
<td>9,500</td>
</tr>
<tr>
<td>7.11.1963</td>
<td>962/910</td>
<td>18.50/17.50</td>
<td>10,020/9,500</td>
</tr>
<tr>
<td>1.10.1964</td>
<td>988/936</td>
<td>19.00/18.00</td>
<td>10,280/9,760</td>
</tr>
<tr>
<td>13.10.1966</td>
<td>1,040/975</td>
<td>20.00/18.75</td>
<td>10,800/10,650</td>
</tr>
<tr>
<td>30. 6.1967</td>
<td>1,196/1,053</td>
<td>23.00/20.25</td>
<td>12,360/10,930</td>
</tr>
<tr>
<td>10.10.1968</td>
<td>1,248/1,092</td>
<td>24.00/21.00</td>
<td>12,880/11,320</td>
</tr>
<tr>
<td>9.10.1969</td>
<td>2,080/1,820</td>
<td>40.00/35.00</td>
<td>21,200/18,600</td>
</tr>
<tr>
<td>8.10.1970</td>
<td>2,132/1,872</td>
<td>41.00/36.00</td>
<td>21,700/19,120</td>
</tr>
<tr>
<td>8. 4.1971</td>
<td>2,184/1,924</td>
<td>42.00/37.00</td>
<td>22,240/19,640</td>
</tr>
<tr>
<td>7.10.1971</td>
<td>2,314/2,028</td>
<td>44.50/39.00</td>
<td>23,540/20,680</td>
</tr>
<tr>
<td>4. 5.1972</td>
<td>2,418/2,132</td>
<td>46.50/41.00</td>
<td>24,580/21,720</td>
</tr>
<tr>
<td>27. 9.1972</td>
<td>3,120/2,691</td>
<td>60.00/51.75</td>
<td>31,600/27,310</td>
</tr>
</tbody>
</table>

**SOURCE:** *Social Services Act, 1960 - 1972.*
The overall effect of these computational changes, and the various adjustments that have been made to the maximum pension and the maximum pension means-as-assessed limit, was that the exclusion means-as-assessed limit increased more than three-fold up to 1972. This clearly indicates the vigour with which successive Liberal-Country Party Governments approached the abolition of the exclusion means test in the 1960s.

The Definition of Non-Exempt Income

By changing the definition of non-exempt income, the level of total income (that is, exempt plus non-exempt income) which would exclude a pension applicant from the age pension scheme would also change. (Appendix A contains a full chronological list of all such changes made between 1909 and 1972.) It is possible to gain a broad overview of these changes if they are classified according to the group in the aged community that they affected.

Up to the 1940s five small groups found the pension easier to obtain as a result of changes in the definition of non-exempt income. Boarders benefited when the income deduction for board increased from 50c to $1.25 a week between 1908 and 1923. Aged ex-servicemen gained when their war pensions were made exempt income soon after the First World War. (This group received further, and greater, assistance by means of income exemptions and deductions, after the Second World War.)\(^{35}\) Aged ex-miners who received

an allowance under the Miner's Accident Relief Act of New South Wales also found the pension a little easier to get when their allowance was declared exempt income in 1909. 36 Other ex-miners benefited when, in 1933, Miner's Phthisis allowances were exempted. Aged ex-seamen who received a grant under the Seamen's Compensation Act also benefited when, from 1911, that compensation became exempt income. The final group consisted of those aged persons with generous relatives. In 1908 all gifts and allowances were defined as non-exempt income, but they were exempted in 1912. As part of the economy drive in the early 1930s, however, only gifts and allowances from an aged persons' children were exempted. (This remained the position, until 1958, when gifts and allowances from brothers and sisters were also exempted.)

The sick aged have benefited from the changes in the definition of non-exempt income that have been made since the Second World War. From 1947 all benefits paid under the Hospital Benefits Act (1945-47), the Pharmaceutical Benefits Act (1947) and the Tuberculosis Act were declared exempt income. With the introduction of the Commonwealth's voluntary health insurance scheme in 1953, benefits provided by registered health funds were also exempted, but only to the extent that they defrayed the costs incurred by aged patients. However, from 1958 all health benefits received were exempted.

The aged with dependent children have also received special consideration since the end of the Second World War.

36 This affected only 3 people to the extent of $26 a year each (CPD, (1909), Vol. 54, pp.6370 - 1).
An income deduction of $1.00 a week per child under sixteen years of age was allowed from 1947. In the following year this was halved, but, at the same time child endowment was made exempt. The deduction was, however, restored to its original level in 1949. No further change occurred until 1966, when it was raised to $3.00 a week per child. Three years later it was set at $4.00 a week per child.

Finally, aged property owners have been given assistance since the mid 1950s. From 1954 income (except if in the form of an annuity) derived from property or other assets (savings bank interest and income from boarders) has been classified as exempt income. Subsequently, in 1967 broad discretionary powers were given to the Director-General of the Department of Social Services which allows him to decide what constitutes an "annuity".

The Definition of Non-Exempt Property

Changes in the definition of non-exempt property, which have the effect of changing the total value of property (that is, the value of exempt and non-exempt property) which would exclude a pension applicant from the age pension scheme, have been infrequent (see Appendix B for full details). Up to 1946 only one, albeit important, change was made, and that occurred in 1912 when the value of a pension applicant's home was declared exempt.37 A series of changes were made, however, between 1946 and 1953. First, the value of personal effects and the surrender value of any life assurance up to $400 was made exempt.

37 See CPD, (1912), Vol. 69, p.6970.
Secondly, in the early 1950s, this surrender value limit was raised to $1,500. Thirdly, in 1951 wide discretionary powers were given to the Director-General of the Department of Social Services in regard to the definition of "exempt property." The only other change occurred in September 1972 when superannuation or annuity income could be capitalized (that is, given a property equivalent) in accordance with a prescribed "conversion factor", which varies with the age of the pension applicant. This action was taken to lessen the impact of inflation on superannuants by making the age pension easier for them to attain.

The Administration of the Exclusion Means Test

Under the 1908 legislation, the acquisition of any non-exempt income or property which lifted a pensioner's means above the exclusion limit would not only have resulted in him forfeiting his pension, but also in making him liable for full restitution of any excess pension that had been paid to him. This remained effective until 1947, although a number of important administrative changes were made before that year.

As part of the economy measures induced by the Premiers' Plan in 1931, a more stringent approach to the administration of the exclusion means test was adopted so as to ensure that pensions were paid only to those "legally entitled

---

38 The Director-General was given authority to "disregard the value of the whole or part of a pensioner's property" under "special circumstances", see DSS, Annual Report, (1951 - 2), p.5.

39 Act 7 of 1972.

40 CPD, (1972), H.R. 80, p.1768.
to them." Stricter conditions were placed on the transferring and the mortgaging of property. Furthermore, pensioners who acquired property which lifted them above the exclusion property limit were required to pay the Commonwealth a sum equal to the amount by which the value of acquired property exceeded the exclusion property limit.

Both of these measures were, however, abolished in 1935, after much public dissatisfaction had been expressed.

After the Second World War the method of administering the exclusion means test became less restrictive. Under the 1947 legislation age pensioners were allowed to receive a small but irregular non-exempt income without detriment to their pensioner status. Since then further changes have allowed the pensioner to receive a larger, but still

41 CPD, (1932), Vol. 135, p.603. The Auditor-General, in his 1932 - 33 Report, remarked that age pensions involved a "heavy expenditure" and that there was a need for a "complete investigation" to discover those "illegally paid" pensions (Annual Report, (1932 - 3), P.3709; see also, Annual Report, (1929 - 30), pp.41 - 2; and, Annual Report, (1933 - 4), Appendix E for a list of pension applicants who were incorrectly granted pensions in 1933 - 4).

42 Act 35 of 1932, 64 of 1932 and 17 of 1933.

43 The results of these measures were, first, that the number of pension applicants fell by 13,000 in 1933; and secondly, that 12,000 reduced pension recipients voluntarily surrendered their pensions (T.H. Kewley, Social Security in Australia, (1973), p.130).

44 Under 26 of 1947 a pensioner had to notify the Director-General of the Department of Social Services, within 14 days, if he received a non-exempt weekly income of either more than $4, if married, or more than $2, if single, for a period of 8 consecutive weeks.
but still, irregular, non-exempt income. The Morality Test

The only change made to the wording of the morality test occurred in 1947 when the "allowable desertion period" was reduced from twelve to six months. However, since the 1940s there is evidence of a change in attitude by administrators towards this test.

Initially, to ensure that only people of "good character" would receive a pension, an elaborate investigatory procedure was adopted. While this formally continued, virtually unchanged until 1967, the relative importance of the morality test declined from the 1940s. The earlier preoccupation with a pension applicant's "character" and "morals" was replaced by a more liberal

<table>
<thead>
<tr>
<th>Act</th>
<th>Single Pensioners $ per week</th>
<th>Married Pensioners $ per week</th>
</tr>
</thead>
<tbody>
<tr>
<td>38 of 1948</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>51 of 1953</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>45 of 1960*</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>10 of 1967</td>
<td>10</td>
<td>4</td>
</tr>
</tbody>
</table>

* For the first time, pensioners could dispose of non-exempt property valued up to $200 without notifying the Director-General of the Department of Social Services.
approach. The final vestiges of the initial procedures were removed in 1967 when the Department of Social Services acquired the investigatory role previously the prerogative of the District Magistrate.

The Domicile Test

For a number of years the Commonwealth considered aged institutional inmates to be a State responsibility. But during the First World War it agreed to provide certain aged benevolent asylum inmates with a small allowance, or institutional pension. Soon after, limited assistance was also provided to aged general hospital inmates. But the Commonwealth still refused to grant them pensioner status until 1942. The Curtin Labor Government, after intense lobbying by the States, then decided to allow general hospital inmates to retain or obtain an age pension. (Inmates of hospitals for the insane and goals however, have never been able to participate in the Australian age pension scheme.)

Now that the numerous changes that have been made to the various eligibility tests have been described, attention will be directed to estimating their effect on the growth in the number of age pensioners up to 1972.

46 S.38 (3) of Act 26 of 1947, provided that the investigating Magistrate was no longer, "...bound by any rules of evidence, but shall investigate the claim and make his recommendation according to equity, good conscience, the substantial nature of the case without regard to legal forms and technicalities".

47 Act 41 of 1966.


49 Act 3 of 1942.
ELIGIBILITY TEST CHANGES AND THE GROWTH IN THE NUMBER OF AGE PENSIONERS: 1911 - 1972

Changes in the eligibility tests effect the number of age pensioners by allowing more (or less) people in the pensionable age group to receive a pension. In other words, the proportion of people in the eligible age group receiving a pension, changes. If it is assumed that variations in this proportion occur only because of changes in the eligibility test, then it is possible to estimate their effect on the number of age pensioners. This assumption is, however, of doubtful validity, and so, before proceeding any further it requires some examination.

The important implication of this assumption is, of course, that if there are no changes to the eligibility tests then the proportion of people in the pensionable age group receiving a pension will not change. This ignores the possibility that some eligible aged people might not immediately apply for a pension upon becoming eligible, but might, subsequently, be induced to do so because of, say, the higher pension rate payable, the availability of better fringe benefits, greater knowledge of pension benefits, the depletion of their resources by inflation, or a more enlightened social attitude towards the receipt of a pension. Thus it is likely that in what follows there is some overestimation of the impact of changes in the eligibility tests on the number of age pensioners.
The Estimating Procedures

Standardization procedures which are based on index number theory, provide a way of measuring the separate effects of a number of independent variables in producing a change over time in the dependent variable. The dependent variable in this application is the number of age pensioners \((N)\), and the independent variables are: the proportion of the population of pensionable age receiving a pension \((m)\), the proportion of the population in the pensionable age group \((s)\), and the size of the population \((P)\). Thus, in a given (base) period of time \((0)\),

\[
N_0 = m_0s_0P_0
\]

and in any subsequent period of time \(1\),

\[
N_1 = m_1s_1P_1.
\]

However, as with index numbers, the measurement is affected by the weights adopted, as is shown by the index number approaches of Laspeyre (base period weights), Paasche (current period weights), and Marshall-Edgeworth (average of base and current period weights).

Taking \(SP\) as a single (joint) variable, the standardization approach gives five possible methods of measuring changes in \(N\) due to changes in \(m\) and in \(SP\).\(^{50}\)

(i) \[
N_1 - N_0 = m_1(s_1P_1 - s_0P_0) + s_0P_0(m_1 - m_0)
\]

(ii) \[
N_1 - N_0 = m_0(s_1P_1 - s_0P_0) + s_1P_1(m_1 - m_0)
\]

---

(iii) \[ N_1 - N_0 = m_1(s_1^1 p_1 - s_0^1 p_0) + s_1^1 p_1 (m_1 - m_0) + (m_1 - m_0)(s_1^0 p_1 - s_0^0 p_0) \]

(iv) \[ N_1 - N_0 = m_0(s_1^1 p_1 - s_0^1 p_0) + s_0^0 p_0 (m_1 - m_0) + (m_1 - m_0)(s_1^1 p_1 - s_0^1 p_0) \]

(v) \[ N_1 - N_0 = \frac{1}{2}(m_0 + m_1)(s_1^1 p_1 - s_0^1 p_0) + \frac{1}{2}(s_0^0 p_0 + s_1^1 p_1)(m_1 - m_0) \]

When the effect of changes in \( m \) alone is considered these five methods give only three different values, depending on whether \( (m_1 - m_0) \) is weighted by the base period value of \( sP(s_0^0 p_0) \); the current period value of \( sP(s_1^1 p_1) \); or by the arithmetic average of these values.

The difference between these three measurements can be explained as follows.

(a) The change in \( m \) may be measured by computing a hypothetical number of pensioners in period 1, \( N_1^* \), which is the product of the current values of \( s \) and \( P \) and the base period's value of \( m \):

\[ N_1^* = m_0 s_1^1 p_1 \]

The effect of the change in \( m \) can then be measured by noting the difference between \( N_1 \) and \( N_1^* \) because this is due to differences in the value of \( M \):

\[ N_1 - N_1^* = s_1^1 p_1 (m_1 - m_0). \]

The weights are thus of the Paasche-type.

(b) The change in \( m \) may be measured by computing a hypothetical number of pensioners in period 0, \( N_0^* \), which is the product of the base period values of \( s \) and \( P \) and the current value of \( m \):
\[ N_0^* = m_1 s_0 P_0 \]

The effect of the change in \( m \) can then be measured by noting the difference between \( N_0^* \) and \( N_0 \) because this is due to differences in the value of \( m \):

\[ N_0^* - N_0 = s_0 P_0 (m_1 - m_0) \]

The weights are thus of the Laspeyre type.

(c) The third approach, based on Marshall-Edgeworth cross weights, measures the change in my by weighting it by the arithmetic mean of the base and current \( sP \) values, which can be expressed as:

\[ \frac{1}{2}(s_0 P_0 + s_1 P_1)(m_1 - m_0) \]

Measurements based on the index number approach are not exact, for they may overstate or understate the changes in question. Of the three measures discussed above, there is no a priori reason why (a) is preferable to (b). Since emphasis is here placed on the relative importance of changes in the selectivity criteria, then the computation of changes based on methods (a) and (c) are sufficient to show the general effects of variations in the weighting systems. As indicated in Tables 7.5 and 7.6 the differences between the methods are not very substantial.

The Paasche approach (current period weights) gives, as would be expected with \( sP \) rising over time, somewhat higher values than the Marshall-Edgeworth approach (average of base and current period weights). Method (b) based on Laspeyre-type weights would in this instance give the lowest values for the effect of changes in \( m \).
TABLE 7.5

CAUSES OF THE GROWTH IN THE NUMBER OF PENSIONERS:
(1) 1911 - 1972

PERCENTAGE OF THE INCREASE IN NUMBER OF AGE PENSIONERS ATTRIBUTABLE TO:

<table>
<thead>
<tr>
<th>PERIOD</th>
<th>CHANGES IN THE ELIGIBILITY CONDITIONS</th>
<th>GROWTH IN THE SIZE OF THE ELIGIBLE AGE GROUP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1911 - 1921</td>
<td>0.6</td>
<td>99.4</td>
</tr>
<tr>
<td>1921 - 1933</td>
<td>1.7</td>
<td>98.3</td>
</tr>
<tr>
<td>1933 - 1947</td>
<td>35.0</td>
<td>65.0</td>
</tr>
<tr>
<td>1947 - 1954</td>
<td>40.9</td>
<td>59.1</td>
</tr>
<tr>
<td>1954 - 1961</td>
<td>59.3</td>
<td>40.7</td>
</tr>
<tr>
<td>1961 - 1966</td>
<td>30.2</td>
<td>69.8</td>
</tr>
<tr>
<td>1966 - 1972</td>
<td>57.1</td>
<td>42.9</td>
</tr>
<tr>
<td>1911 - 1972</td>
<td>34.6</td>
<td>65.4</td>
</tr>
</tbody>
</table>

NOTE: 1 The intervals chosen for this table correspond to inter-census periods. This has been necessary because of the need for accurate Australian age distribution data.
### TABLE 7.6

**CAUSES OF THE GROWTH IN THE NUMBER OF PENSIONERS:**

(2) 1911 - 1972

**PERCENTAGE OF THE INCREASE IN NUMBER OF AGE PENSIONERS ATTRIBUTABLE TO:**

<table>
<thead>
<tr>
<th>PERIOD 1</th>
<th>CHANGES IN THE ELIGIBILITY CONDITIONS</th>
<th>GROWTH IN THE SIZE OF THE ELIGIBLE AGE GROUP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1911 - 1921</td>
<td>0.5</td>
<td>99.5</td>
</tr>
<tr>
<td>1921 - 1933</td>
<td>1.3</td>
<td>98.7</td>
</tr>
<tr>
<td>1933 - 1947</td>
<td>28.2</td>
<td>71.8</td>
</tr>
<tr>
<td>1947 - 1954</td>
<td>37.1</td>
<td>62.9</td>
</tr>
<tr>
<td>1954 - 1961</td>
<td>55.0</td>
<td>45.0</td>
</tr>
<tr>
<td>1961 - 1966</td>
<td>28.9</td>
<td>71.1</td>
</tr>
<tr>
<td>1966 - 1972</td>
<td>52.6</td>
<td>47.4</td>
</tr>
<tr>
<td>1911 - 1972</td>
<td>30.6</td>
<td>69.4</td>
</tr>
</tbody>
</table>

**NOTE:** 1 The intervals chosen for this table correspond to inter-census periods. This has been necessary because of the need for accurate Australian age distribution data.
(It must be remembered that few changes were made to the entry requirements between 1933 and 1939, which means that the increase in the number of age pensioners between 1933 and 1947 attributed to such changes must be the result of those made during, and immediately after, the Second World War, particularly those relating to the exclusion means test.) From the 1940s, however, eligibility test changes became a more important determinant of the growth in the number of age pensioners.

The impact of the various changes that were made to the maximum exclusion income and property limits between 1947 and 1959 is quite evident in tables 7.5 and 7.6. With the maximum income limit increasing as it did from $5.75 to $16.50 a week, and the corresponding property limit being raised from $1,300 to $4,500, it is not surprising that an estimated 45-50 percent of the pensioner population increase between 1947 and 1961 can be attributed to changes in the eligibility tests.

As the number of changes to the eligibility tests diminished in the first half of the 1960s, so did their impact on the number of age pensioners. Between 1961 and 1966 probably the most important change was the merging of the exclusion income and property tests in 1961, and, in the following year, by the halving of the minimum residency period.

It was probably the introduction of the tapered means test in 1969, and the increasing of the exclusion means-as-assessed limit in every subsequent year, that accounts for an estimated 50-55 per cent of the increase in the number of pensioners between 1966 and 1972 being the result of eligibility test changes.
CONCLUSION

In 1908 the Commonwealth Government was intent upon not "wasting" public funds on the "undeserving aged poor". Therefore a stringent set of eligibility conditions was attached to its age pension scheme. So restrictive were these entry requirements that less than one-third of all those in the pensionable age group initially participated in the scheme. Gradually, however, its coverage widened.

Up to the 1940s, few important changes were made to the entry requirements. Perhaps the most important were the omission of a pension applicant's home from the exclusion property test (1912) and the austerity measures introduced in the 1930s. The Commonwealth Government was, for many years, preoccupied with the establishment of a compulsory-contributory scheme, which ensured that little action was taken to liberalize the eligibility tests.

An entirely different situation developed during the Second World War. Social and political attitudes towards the aged began to change, and the Commonwealth was, for the first time, gaining financial dominance over the States. Gradually it became expected that the Commonwealth Government should acquire more responsibility for its aged community. No longer was it acceptable for the Commonwealth Government to provide assistance only to the "deserving aged poor". The scope of its responsibilities towards the aged began to widen. The race-nationality test was extensively liberalized. Firstly, all British subjects became eligible (1941). Then it was widened to include aborigines (1942 and 1960) and finally to encompass all aliens (1966). The
residency test was also made more liberal. Reciprocal agreements were made with New Zealand (1943 and 1949) and the United Kingdom (1954). Then the minimum residency period was halved to ten years (1962).

But probably the most important changes were made to the exclusion means test, which was extensively liberalized in the 1940s and 1950s before it underwent a radical change in 1961. Of all the eligibility conditions, this test has also been the most contentious. It has caused most problems for successive Commonwealth Governments. On the one hand, it acted as a crude device which ensured that there was no "wasting" of public funds and that available funds were concentrated on those aged who were "most in need". On the other hand, it tended to discourage thrift and induced a sense of stigmatization amongst pensioners, because it involved a loss of dignity, so important in a society which, ostensibly, placed great importance on independence and self-help. That the exclusion means test was retained was probably more the result of economic necessity than of any philosophical or moral consideration.

Finally, probably 30-35 per cent of the increased pensioner population between 1911 and 1972 can be attributed to the various changes in the eligibility tests, the balance being the result of the growth in the size of the eligible age group.
INTRODUCTION

The Commonwealth Government has been willing to provide age pensioners only with an income-supplement which has ensured them the ability to purchase the "basic necessities of life". The maximum pension has been paid only to those pensioners who could satisfy a maximum pension means test, while the remainder have received a reduced pension, the size of which has depended upon, firstly, the amount of non-exempt income that they received above the maximum pension income limit, and secondly, the value of the non-exempt property that they owned in excess of the maximum pension property limit.

One of the most persistent problems that has confronted successive Commonwealth governments has been to determine what constitutes an "adequate-but-equitable" maximum pension. Until the Second World War emphasis was placed on whether the maximum pension was an equitable amount to expect taxpayers to provide; its adequacy was barely considered. But this balance began to shift during the War, and since then more concern has been evidenced about whether the maximum pension could, indeed, support a pensioner.

This chapter deals with the basic cash allowance paid under the Australian age pension scheme. It looks, first, at the Commonwealth's policy in 1908. Then, it describes the numerous changes that were made to the maximum pension between 1909 and 1972. Finally, it examines the changes that have been made, over the same period, to the maximum
pension means test, and the maximum pension reduction rate, which, together, determine the size of the basic cash allowance paid to each pensioner.

THE COMMONWEALTH POLICY IN 1908

When the Commonwealth introduced its age pension scheme one of its objectives was to provide supplementary assistance to the "deserving aged poor". It was generally assumed, however, that the individual should be able to cope with the contingencies of old age, except in the most extreme circumstances. If help was required, the family was expected to provide it, augmented, if necessary, by voluntary charitable relief, and, only in the last resort, by government charity. This attitude seems to have influenced the Commonwealth's initial approach to the determination of the maximum pension rate.

The main issue in the debate on the appropriate maximum cash allowance that pensioners should receive from the Commonwealth was equity: What was a "fair" amount to ask the taxpayer to pay the "deserving aged poor"? Whether or not the amount received by age pensioners was adequate to support them in their old age received only cursory attention throughout the pension debate, for it was generally lost in the wrangle, among the various sectional interests, over who should bear the tax burden. Under these conditions the determination of the maximum pension rate involved a clash of value judgements that were based on different political and moral convictions and prejudices.

The Commonwealth decided on an initial maximum pension of $1.00 a week, as had Victoria, New South Wales and Queensland previously. That this was the "most desirable"
or the "most appropriate" amount had been the considered opinion of the many "expert witnesses" who gave evidence before the various Royal Commissions and Committees of Enquiry.¹ From that evidence it seems that the appropriate maximum pension had to satisfy three conditions. Firstly, it had to be a "fair" and "reasonable" amount to ask the community to provide.² One frequently espoused method of determining whether an amount could be considered "fair" was to compare it with the existing cost of maintaining aged inmates in benevolent asylums (which ranged from 38c to 58c a week).³ Secondly, the maximum pension had to be an "adequate" amount sufficient, at least, to allow a pensioner "...to live in some sort of decency and comfort", or to "...eke out an existence".⁴ The concept of "adequacy" embodied in the view of the "expert witnesses" was, however, never clearly defined. It seems that an "adequate" allowance was one which allowed a pensioner to have the "basic necessities of life" - food, clothing, and shelter. But what should be included under this umbrella was, largely, a matter of personal judgement; no universal agreement could be reached. The Tasmanian Government Statistician, Robert Mackenzie Johnston, provided the 1906 Royal Commission with the only estimate of the cost of the

¹ One notable exception was J.C. Neild, who recommended a pension of 75c a week for single persons and $1.25 a week for married couples (J.C. Neild, Report on Old-age Pensions, (1898), pp.455 - 8).

² Commonwealth of Australia, Royal Commission on Old-age Pensions, Minutes of Evidence, (1906), pp.113, 234, 116, 131, 140, 145, 156, 161, 230, 244 and 246.

³ Ibid., pp.17, 32 and 113.

⁴ Ibid., pp.95 and 141 respectively; see also, pp.97, 131, 143, 147, 149, 202, 211, 229 and 238.
"basic necessities of life" for a pensioner. He calculated that the cost of "total human consumption per day for people in Australia" was 25.79 pence, or a little over $1.50 a week, and, on this basis, he concluded, somewhat dubiously, that a pension of $1.00 a week (or two-thirds of the average requirement) would allow a man to "adequately" support himself in his old age. This opinion seems to have been uncritically accepted by the Commission, and, indeed, it may have confirmed its opinion that $1.00 a week was the appropriate maximum pension. Thirdly, it could not be an "excessive" amount which might "...cause a man to say 'It is plenty for me, I shall not try to help myself'." In fact, there was a pronounced concern that thrift might be discouraged if the maximum pension was "excessive". Indeed, the 1906 Royal Commission felt obliged to point out, reassuringly, in its Report that:

"...the fact of a necessitous person being entitled to a pension of 10s per week at the age of 65 will not have any appreciable influence on saving habits at an earlier age."

To obtain the maximum pension a pensioner had to satisfy a dual means test. The maximum pension income limit (that is, the amount of non-exempt income allowable in conjunction with the maximum pension) was fixed at $1.00 a week, while the maximum pension property limit (that is,}

5 Ibid., p.266.

6 Ibid., pp.266 - 7.

7 Ibid., p.107; see also, pp.40 - 1, 44 - 5, 61, 66, 91, 100, 153, 180, 183 - 4, 194 - 5, and 198.

the maximum value of non-exempt property allowable in conjunction with the maximum pension) was either $200 (if the pensioner was single and owned his own home), $100 (if he was either single and did not own his own home, or married and owned his own home), or $50 (if he was married and did not own his own home).

Pensioners who were unable to satisfy both of these tests received a smaller pension. For them the maximum annual pension was reduced, firstly, by one hundred per cent of the non-exempt annual income that they received in excess of the maximum pension income limit, and secondly, by ten per cent of the value of non-exempt property that they owned in excess of the appropriate maximum pension property limit. Thus, the annual pension payable \( (P^a) \) was:

\[
P^a = M_p^a - [Y - .1A_m]
\]

where

- \( M_p^a \) is the maximum annual pension;
- \( Y \) is the amount of non-exempt income received by the pensioner in excess of the maximum pension income limit; and,
- \( A_m \) is the amount of non-exempt property owned by the pensioner in excess of the maximum pension property limit.

Clearly, then the size of the age pension granted depended on three factors: the maximum pension rate; the maximum pension means test; and, the maximum pension reduction rate. It is to changes in these that attention is now turned.
THE MAXIMUM PENSION RATE: 1909 - 1972

Between 1909 and 1972 the maximum pension was increased on thirty-nine occasions, and reduced twice (1931 and 1932) (see table 8.1 for details). Over this sixty-three year period the maximum pension grew at an average annual rate of 4.7 per cent. However, an interesting contrast emerges if this period is sub-divided. Between 1909 and 1945 the maximum pension grew at an average rate of 2.8 per cent a year, whereas from 1945 the rate was 7.3 per cent. After allowing for inflation the real rates of increase are considerably more modest at 1.0 per cent and 2.5 per cent for each period respectively. This reflects, at least in part, the different rates of growth in real Gross Domestic Product per capita in each sub-period.

The variations in the real value of the maximum pension up to 1972 are shown in table 8.2. For most of the period between 1909 and 1923 the maximum pension was below its initial real value, despite nominal increases in 1916 and 1919. An upward trend in the pension's real value is evident throughout most of the 1920s, but this was abruptly truncated by the 1930s depression.

During the 1930s the maximum pension rate was twice reduced. The first reduction occurred in 1931, as part of the economy drive induced by the Premiers' Plan.\(^9\) The second was made in the following year, but it applied only to pensioners whose non-exempt income exceeded 25c a week.\(^10\)

\(^9\) Act 10 of 1931.
\(^10\) Act 35 of 1932.
<table>
<thead>
<tr>
<th>DATE EFFECTIVE</th>
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<td>1. 7.1909</td>
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</tr>
<tr>
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</tr>
<tr>
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</tr>
<tr>
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</tr>
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<td>9.50</td>
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<tr>
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<td>18.25</td>
</tr>
<tr>
<td>27. 9.1972</td>
<td>20.00</td>
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NOTES:  
1. Relates to pensioners with weekly income over 50¢  
2. Automatic cost of living increase  
3. Nullified a cost of living reduction of 5¢ a week  

### TABLE 8.2

**AN INDEX OF THE REAL VALUE OF THE MAXIMUM PENSION:**

1910 - 1972

<table>
<thead>
<tr>
<th>Year</th>
<th>AS AT 30 JUNE</th>
<th>INDEX (1911 = 100)</th>
<th>Year</th>
<th>AS AT 30 JUNE</th>
<th>INDEX (1911 = 100)</th>
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<td>123</td>
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<tr>
<td>1929</td>
<td>138</td>
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<td>138</td>
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<td>127</td>
<td>1972</td>
<td>1940</td>
<td>128</td>
<td>1971</td>
</tr>
</tbody>
</table>

**NOTE:**

1. The price index used as a deflator was derived by linking the "A" Series Retail Price Index, the "C" Series Retail Price Index, a composite Consumer Price Index Housing Group and "C" Series Index (excluding Rent) and the Consumer Price Index.
Because the cost of living fell during the depression, a real decline in the value of the maximum pension occurred only in 1931-32 and 1935. Moreover, pensioners may not have suffered as much as other, more vulnerable, groups within the community, for it must be remembered that at a time when income security was at a premium - with unemployment well in excess of twenty per cent - age pensioners were receiving a regular income. For the remainder of the decade the maximum pension's real value remained comparatively stable, except for the closing years when the effect of an upturn in the rate of inflation was not cushioned by any enlargement of the maximum pension rate.

The upward trend in the real value of the maximum pension which began in the early 1940s continued after the Second World War. As the 1940s drew to a close, however, inflation was such that the two, quite substantial, pension increases granted in 1947 and 1948 were able to do little more than maintain the maximum pension's real value. The 1950s saw a period of unprecedented inflation and a 2.4 per cent growth in the pension's real value was registered. During the 1960s the rate of inflation tapered off a little slower than did the rate of increase in the maximum pension, which meant a 1.75 per cent real expansion.

To compare the movements of the maximum pension and the cost of living is a useful, but limited, exercise. It is, perhaps, more important to see how the pensioner has fared as compared with other sections of the community. Such a comparison is, however, difficult. One problem is
that allowance must, somehow, be made for the fact that a pensioner receives a guaranteed income, which is particularly important during periods of high unemployment. Also, since the amount of income received by a pensioner in conjunction with his pension is unknown, details of his total income are not available. Furthermore, an adjustment has to be made for the various supplementary and fringe benefits that have become available to the pensioner over the years, particularly since the Second World War. A considerably more modest task is to compare the movements in the maximum pension rate with changes in minimum weekly wages and average weekly earnings (see table 8.3). Until the early 1920s the maximum weekly pension declined as a proportion of minimum weekly wages. But, thereafter, the proportion remained steady until the 1940s. Since then it has oscillated around an upward trend. The maximum weekly pension has, however, remained a comparatively stable proportion of average weekly earnings, although minor fluctuations have occurred.

Automatic Cost of Living Adjustments

Two attempts were made by non-Labor Governments to lift the determination of the maximum pension rate at least partly out of the political arena. The first occurred during the depression and the second during the Second World War. Both involved automatic cost of living adjustments, and both were short lived.

In 1933 the Commonwealth decided to allow the maximum pension to vary in accordance with annual variation in the cost of living. This was a decision which may well have been forced upon the Lyons Government. During 1932 there
### TABLE 8.3

**THE MAXIMUM PENSION AS A % OF MINIMUM WEEKLY WAGES AND AVERAGE WEEKLY EARNINGS: 1910 - 1972**

The maximum pension as a % of:

<table>
<thead>
<tr>
<th>AS AT 30 JUNE</th>
<th>MINIMUM WEEKLY WAGES</th>
<th>AVERAGE WEEKLY EARNINGS</th>
</tr>
</thead>
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<tr>
<td>1915</td>
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<td>19.6</td>
</tr>
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</table>
was growing opposition to the Lyons Government's austerity measures, which were designed, in part, to reduce age pension expenditure. Such criticism was aimed particularly at the selective reduction in 1932 of the maximum pension rate. In these circumstances, and given that the financially orthodox policies adhered to by the Lyons Government made it reluctant to increase government expenditure, the cost of living adjustment proposal may have been offered to appease those who were unhappy with the economy measures. This proposal was not calculated to add greatly to government expenditure in the short-term, as the cost of living was falling, yet it did contain a semblance of generosity towards the aged. Budgetary considerations may also explain the form that this automatic cost of living adjustment procedure took.

The Financial Relief Act of 1933 provided that the maximum weekly pension would vary, annually, at a rate of 5c for every variation of 100 units in the 'C' series food and groceries retail price index for the six capital cities, so long as the pension neither fell below $1.70 nor rose above $2.00. The choice of annual adjustments, when the index is compiled quarterly, may well reflect the Lyons Government's desire to minimize the immediate strain on Commonwealth finances. In fact, the first adjustment did not occur until twenty months after the procedure was introduced. This procedure, with minor amendments, resulted

in the maximum weekly pension being automatically increased in July 1935, and again in September the following year.

However, in September 1937 the link between the maximum pension and the cost of living was severed for two reasons. Firstly, the Lyons Government became aware by the middle of 1937 that economic recovery was well under way and this meant that prices, and thus pension expenditure, would soon be rising, perhaps rapidly, at a time when such expenditure was already considered in some conservative quarters to be excessive. Secondly, the Lyons Government anticipated that with a general election imminent an electoral advantage might be gained if it abandoned cost of living adjustments which might recklessly increase pension expenditure, and, at the same time, increase the maximum pension to its pre-depression level.

In the early 1940s the Menzies Government introduced a cost of living adjustment procedure. It was announced in November 1940 that the maximum pension would, from December 26, vary with quarterly variation in the 'C' Series (All Groups) Index. For every increase in this index of twenty-three units (above the existing 981) the maximum pension would increase by 5c, to be payable from the first pension instalment in the quarter succeeding that during which the price variation occurred. This procedure was an attempt to protect the age pensioners' real living

---

13 A General Election was, in fact, held on October 23, 1937.
14 Act 97 of 1940; see, CPD, (1940), Vol. 165, pp.1081 - 4.
standards against war-induced inflation and to lift social services out of the "realm of party politics".\textsuperscript{15}

Under the Curtin Labor Government minor adjustments to the linking scale, and five automatic increases, each adding 5c a week to the maximum pension, were made before the cost of living procedure was abandoned in November 1943.\textsuperscript{16} This occurred because a fall in the price index for the September 1943 quarter would, otherwise, have reduced the maximum pension by 5c a week, and this the Curtin Government considered to be electorally undesirable. A sub-committee of Cabinet, which was appointed to examine the desirability of continuing automatic cost of living adjustments to social service benefits, advised that such adjustments should be discontinued.\textsuperscript{17} It offered three reasons for this recommendation. Firstly, it was argued that the various price control regulations (under the National Security Act) had generated certain anomalies; for example, while prices were falling for Australia as a whole during the September 1943 quarter, they were rising in Tasmania, and unless the principle of providing a uniform maximum pension was to be abandoned, cost of living adjustments should not continue. Secondly, it was pointed out that the existing link between the cost of living index and the maximum pension rate was arbitrary and undesirable since a one per cent reduction in prices...

\begin{footnotes}
\item[16] The minimum value of the maximum pension was first fixed at $2.25 a week (under Act 48 of 1941) and then at $2.50 a week (under Act 3 of 1942); see, CPD, (1942), Vol. 170, p.707.
\item[17] CPD, (1944) Vol. 177, p.445 - 8; see also National Security (Supplementary Regulations 112 A), Statutory Rules 315 of 1943; and, Act 16 of 1944.
\end{footnotes}
would lead to an arbitrary two per cent reduction in the maximum pension. Finally, it was suggested that the continuation of quarterly cost of living adjustments would involve unjustifiably high administrative costs because of the frequent number of small changes to the maximum pension that it necessitated.

Since the Second World War no further attempts have been made to lift the determination of the maximum pension rate out of the political arena, although in 1972 both of the major political groups - the Liberal and Country Parties, and the Labor Party - declared their support for automatic adjustments to the maximum pension rate. William McMahon, the Liberal Prime Minister, advocated that the pensions should be increased in accordance with increases in the cost of living. E. G. Whitlam, the leader of the Opposition Labor Party supported the proposition that the maximum should be raised to twenty-five per cent of average weekly earnings.

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19 The ALP platform provides that all Social Security payments

"...will be tied to a proportion of the average weekly earnings so that persons receiving benefits will receive automatic increases as either productivity increases or as other factors increase general prosperity or as inflation occurs."

In 1972 Whitlam promised that

"All pensions will be immediately raised by $1.50 and thereafter, every Spring and Autumn, the basic Pension rate will be raised by $1.50 until it reaches 25 per cent of average weekly male earnings."

The Abandonment of the Uniform Pension Principle

Embodied in the 1908 legislation was the principle that all aged pensioners who could satisfy the maximum pension means test should receive the same pension, regardless of any differentiating characteristics they might have had. In 1963, however, this principle was abandoned when "unmarried" age pensioners were given a larger maximum pension than "married" pensioners. In so doing the Menzies Government had reverted to the practice adopted by New South Wales in 1900. To justify this action it was argued that it would remove the disadvantage being suffered by single as compared with married pensioners, because of the proportionately higher living costs the former experience. The initial differential was $1.00 a week, however, by 1972 it had reached $3.00. Since 1963, some sixty per cent of all pensioners have been paid at the "unmarried" or "standard" rate.

---

20 Act 46 of 1963. Under this Act, an "unmarried" pensioner was one who was either not married or married to a spouse receiving an age or invalid pension, a service pension, a tuberculosis allowance, unemployment benefits or sickness benefits (although the latter was excluded under Act 65 of 1968). This definition was widened in 1970 to include married pensioners forced to live apart because of illness and infirmity (Act 2 of 1970).


22 | Legislation   | Differential ($ per week) |
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>46 of 1963</td>
<td>1.00</td>
</tr>
<tr>
<td>41 of 1966</td>
<td>1.25</td>
</tr>
<tr>
<td>65 of 1968</td>
<td>1.50</td>
</tr>
<tr>
<td>94 of 1969</td>
<td>1.75</td>
</tr>
<tr>
<td>67 of 1971</td>
<td>2.00</td>
</tr>
<tr>
<td>14 of 1972</td>
<td>2.25</td>
</tr>
<tr>
<td>79 of 1972</td>
<td>3.00</td>
</tr>
</tbody>
</table>

23 Department of Social Services, (DSS), Annual Reports, (1963-4 — 1972-3).
THE MAXIMUM PENSION MEANS TEST: 1909 - 1972

Since 1909 many changes have been made to the maximum pension means test. Their effect has been to alter both the proportion of pensioners receiving the maximum pension and the pension rate payable to reduced pension recipients. It seems, however, that until the 1960s the impact of these changes was quite small, for not only did the proportion of pensioners receiving the maximum pension not vary markedly, but also the percentage deviation of the average from the maximum pension rate after 1941 remained quite small (see table 8.4). In what follows the various adjustments that were made to the maximum pension means test up to 1972 will be examined.

The Maximum Pension Income Limit: 1909 - 1960

Only five changes were made to the maximum amount of non-exempt income that a pensioner could receive in conjunction with the maximum pension before the maximum pension means-as-assessed test was introduced in 1961 (see table 8.5). The first happened in 1923, after a period of rapid inflation had substantially reduced the real value of the income limit. The remaining increases occurred between 1946 and 1954. During this eight year period the maximum pension income limit was raised from $1.25 to $7.00 a week. But the available evidence suggests that this probably had only a minor effect on both the proportion of pensioners receiving the maximum pension and the reduced pension payable, because only a small proportion of reduced

25 Acts 26 of 1946 and 30 of 1954,
### Table 8.4

**Indicators of the Impact of Changes in the Maximum Pension Means Test: 1915 - 1972**

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage of Pensioners Receiving Maximum Pension Rate</th>
<th>Percentage Difference Between Maximum and Average Pension Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1915</td>
<td>88.04</td>
<td>..</td>
</tr>
<tr>
<td>1920</td>
<td>83.54</td>
<td>..</td>
</tr>
<tr>
<td>1925</td>
<td>79.87</td>
<td>..</td>
</tr>
<tr>
<td>1931</td>
<td>78.16</td>
<td>..</td>
</tr>
<tr>
<td>1941</td>
<td>..</td>
<td>3.7</td>
</tr>
<tr>
<td>1948</td>
<td>78.00</td>
<td>4.1</td>
</tr>
<tr>
<td>1953</td>
<td>73.70</td>
<td>4.6</td>
</tr>
<tr>
<td>1960</td>
<td>75.70</td>
<td>4.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Standard Rate</th>
<th>Married Rate</th>
<th>Percentage Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1965</td>
<td>87.00</td>
<td>86.00</td>
<td>6.2^1</td>
</tr>
<tr>
<td>1970</td>
<td>79.10</td>
<td>75.30</td>
<td>7.2^1</td>
</tr>
<tr>
<td>1972</td>
<td>77.90</td>
<td>74.50</td>
<td>16.3^1</td>
</tr>
</tbody>
</table>

**Note:** 1 Relates to maximum standard pension rate.

**Source:** Department of Social Services, *Annual Reports.*
## TABLE 8.5

**THE MAXIMUM PENSION INCOME LIMIT:**  
**1909-1961**

<table>
<thead>
<tr>
<th>DATE</th>
<th>EFFECTIVE</th>
<th>LIMIT</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($ per week)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. 7.1909</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. 9.1923</td>
<td>1.25</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. 8.1946</td>
<td>2.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### PENSIONERS NOT RECEIVING WAR PENSIONS

<table>
<thead>
<tr>
<th>Date</th>
<th>Pensioner</th>
<th>Spouse Not</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>21.10.1948</td>
<td>3.00</td>
<td>5.00</td>
<td>8.75</td>
</tr>
<tr>
<td>2.11.1950</td>
<td>3.00</td>
<td>5.00</td>
<td>8.75</td>
</tr>
<tr>
<td>1.11.1951</td>
<td>3.00</td>
<td>5.00</td>
<td>8.75</td>
</tr>
<tr>
<td>2.10.1952</td>
<td>3.00</td>
<td>6.00</td>
<td>8.75</td>
</tr>
</tbody>
</table>

### PENSIONERS RECEIVING WAR PENSIONS

<table>
<thead>
<tr>
<th>Date</th>
<th>Pensioner</th>
<th>Spouse Not</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. 3.1961</td>
<td>12.50</td>
<td>14.75</td>
<td></td>
</tr>
</tbody>
</table>

Separate maximum pension income limit abolished

### NOTE: 1

Combined income of pensioner and non-pensioner spouse allowable in conjunction with the maximum pension.

### SOURCE:

Invalid and old-age pension act, 1908-1946; and Social Services Act, 1947-1960.
pension recipients received a non-exempt income in excess of the income limit. A survey carried out in Victoria in 1953 suggested that only fifteen per cent of reduced pension recipients were receiving reduced pensions because of the maximum pension income test. A comparable survey carried out in the following year in South Australia produced similar results. Three other changes were made to this income test for special categories of pensioners.

First, in 1920 a separate maximum pension income test was created for blind age pensioners. They could, initially, receive a maximum pension if their non-exempt income was no more than $7.00 a week. No particular income limit was, however, specified. Instead, the amending legislation provided that blind pensioners could receive an income (including a maximum pension of $1.50 a week) of no more than $8.50, which meant, of course, that as the maximum pension increased, the implied maximum pension income limit was, correspondingly, lowered. In 1947 the income limit was set, explicitly, at $6.75 a week.

28 Act 53 of 1920. The Treasurer, Sir Joseph Cook remarked in 1920:

"It is proposed to permit a blind pensioner to earn an amount which, together with his pension, will give him the basic wage as determined from time to time in New South Wales, namely, £14 5s per week" (CPD, (1920), Vol. 94, p.6773).

This principle was not, however, embodied in the 1920 Legislation.

29 Act 48 of 1941; see also CPD, (1941), Vol. 169, pp.58 - 61. The following year saw the introduction of automatic cost of living adjustments to the blind pensioner's maximum pension income test on the basis of variations in the Federal Basic Wage (Act 3 of 1942; and CPD, (1942), Vol. 170, pp.193 - 4). This continued until 1944 (Act 16 of 1944). In 1947 this income test included any non-exempt income received by the spouse of a blind pensioner.
By 1951 this limit had been increased to $20.00 a week.\textsuperscript{30} This special maximum pension income test for blind age pensioners was abolished in 1952.\textsuperscript{31} Secondly, between 1948 and 1955 a separate set of maximum pension income limits applied to age pensioners who were ex-servicemen. These limits were such that pensioners were able to receive a full service pension in conjunction with the maximum age pension. Thirdly, the 1953 amending legislation allowed married couples where only one partner qualified for a pension to receive the maximum pension with a non-exempt income of $2.00 a week more than that appropriate for a married pensioner couple. This differentiation was, however, only short lived, for it was discarded in the following year.

The Maximum Pension Property Limit: 1909 - 1960

Changes in the value of non-exempt property that a pensioner could own in conjunction with the maximum pension have also been infrequent (see table 8.6). In 1908, this limit depended on a pensioner's marital status and whether or not he owned his own home. But, when the value of his home was exempted in 1912, the latter distinction was dropped. No further changes occurred until the 1940s.

A series of important modifications were made between 1941 and 1954. Firstly, the distinction between married

<table>
<thead>
<tr>
<th>Legislation</th>
<th>Maximum Pension Income Limit ($ per week)</th>
</tr>
</thead>
<tbody>
<tr>
<td>26 of 1947</td>
<td>10.75</td>
</tr>
<tr>
<td>38 of 1948</td>
<td>11.75</td>
</tr>
<tr>
<td>26 of 1950</td>
<td>16.00</td>
</tr>
<tr>
<td>22 of 1951</td>
<td>20.00</td>
</tr>
</tbody>
</table>

\textsuperscript{30} Act 41 of 1952.
### TABLE 8.6

**THE MAXIMUM PENSION PROPERTY LIMIT: 1909-1972**

<table>
<thead>
<tr>
<th>DATE EFFECTIVE</th>
<th>UNMARRIED PENSIONERS</th>
<th>MARRIED PENSIONERS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HOME OWNERS</td>
<td>OTHERS</td>
</tr>
<tr>
<td>1. 7.1909</td>
<td>200</td>
<td>100</td>
</tr>
<tr>
<td>24.12.1912&lt;sup&gt;1&lt;/sup&gt;</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>11.12.1941</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>21.10.1948</td>
<td>200</td>
<td></td>
</tr>
<tr>
<td>29.10.1953</td>
<td>300</td>
<td></td>
</tr>
<tr>
<td>6.10.1954</td>
<td>400</td>
<td></td>
</tr>
<tr>
<td>1. 3.1961</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Separate maximum pension property limit abolished

**NOTE:** 1 A pensioner's home was declared exempt property.

**SOURCE:** *Invalid and Old Age Pension Act, 1908-1946; and Social Services Act, 1947-1960.*
and unmarried age pensioners was discarded in 1941, when all pensioners were required to satisfy the income limit previously applicable only to unmarried pensioners. Then, between 1948 and 1954, the maximum pension property limit was substantially liberalized, increasing as it did from $100 to $400. The available evidence suggests that this increase probably had a significant effect on both the proportion of pensioners receiving the maximum pension and the reduced pension payable, because a large proportion of reduced pension recipients owned non-exempt property in excess of the property limit. The abovementioned 1953 Victorian pensioner survey suggested that seventy-seven per cent of pensioners who received a reduced pension did so because of the maximum pension property limit.\textsuperscript{32} A similar result was produced by the 1954 South Australian pensioner survey.\textsuperscript{33}


The separate income and property tests were replaced by a composite means-as-assessed test in 1961. Under the new procedure means-as-assessed was equal to the sum of the annual rate of non-exempt income plus ten per cent of the value of non-exempt property over $400. To obtain the maximum pension a pensioner had to have means-as-assessed of no more than $364, which was equivalent to having either no non-exempt property and non-exempt income of $7.00 a week, or no non-exempt income and non-exempt

property to the value of $4,040 (see table 8.7). 34

Only pensioners who were receiving reduced pensions because of the maximum pension property test benefited from the merging of the means tests in 1961. The maximum level of the maximum pension property limit was increased more than ten-fold, from $400 to $4,040, while the maximum level of the maximum pension income limit remained unchanged. As a result, the maximum pension was immediately granted to some eighty-five per cent of pensioners who previously received only reduced pensions (or 85,000 pensioners), with the remaining fifteen per cent being given a larger reduced pension. 35 For the vast majority of pensioners, however, the introduction of the maximum pension means-as-assessed test was of no importance. Those already receiving the maximum pension (seventy-six per cent of all pensioners) and those receiving a reduced pension because of excessive non-exempt income (six per cent) gained nothing.

Only two changes were made to this test up to 1972. The first, in 1967, involved the specification of a separate, and higher, maximum pension means-as-assessed limit for unmarried pensioners, which was a further manifestation of the Commonwealth's policy of providing this group with

\[ Y_m = \frac{M_m}{52} \]

where \( Y_m \) is the maximum amount of non-exempt income allowable with the maximum pension; and, \( M_m \) is the maximum pension means-as-assessed limit.

\[ P_m = 10 \ M_m +$400 \]

where \( P_m \) is the maximum amount of non-exempt property allowable with the maximum pension.

TABLE 8.7


<table>
<thead>
<tr>
<th>DATE EFFECTIVE</th>
<th>MAXIMUM MEANS-AS-ASSESSED ALLOWABLE IN CONJUNCTION WITH THE MAXIMUM PENSION ($)</th>
<th>MAXIMUM NON-EXEMPT WEEKLY INCOME ALLOWABLE IN CONJUNCTION WITH MAXIMUM PENSION ($)</th>
<th>MAXIMUM NON-EXEMPT PROPERTY ALLOWABLE IN CONJUNCTION WITH MAXIMUM PENSION ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.3.1961</td>
<td>364</td>
<td>7.00</td>
<td>4,040</td>
</tr>
<tr>
<td>30.6.1967</td>
<td>442</td>
<td>520</td>
<td>8.50 10.00 4,820 5,600</td>
</tr>
<tr>
<td>4.5.1972</td>
<td>897</td>
<td>1,040</td>
<td>17.25 20.00 9,370 10,800</td>
</tr>
</tbody>
</table>

MARRIED  UNMARRIED  MARRIED  UNMARRIED  MARRIED  UNMARRIED

special assistance because of the cost of living disadvantage that they supposedly faced.\textsuperscript{36} The second change occurred in 1972, when both means-as-assessed limits were substantially raised.\textsuperscript{37} These changes operated largely to the advantage of non-exempt property owning pensioners who were previously in receipt of a reduced pension. They gained either a maximum pension or a larger reduced pension.

**The Definition of Non-Exempt Income**

By allowing certain income deductions, and by exempting certain types of income from the income test, the Commonwealth has been able to assist certain groups within the age pensioner population. Maximum pension recipients benefitted by being able to receive a larger non-pension income. Some pensioners who received a reduced pension because of the income test gained by being able to receive a larger pension. As details of the numerous changes that were made to the definition of non-exempt income were provided in the previous chapter, only a brief summary is required here. The main groups to benefit were: aged ex-servicemen; the aged sick with dependant children and those with income-earning property.

**The Definition of Non-Exempt Property**

By exempting certain types of property from the property test the Commonwealth not only allowed pensioners who received the maximum pension to own more property, but it also allowed pensioners who received a reduced pension because of the property test to receive a larger pension. In the previous chapter full details of the changes that

\textsuperscript{36} Act 10 of 1967.

\textsuperscript{37} Act 79 of 1972.
were made to the definition of non-exempt property were provided. The more important of these were: the exemption of a pensioner's home (1912); his personal effects (1946); the surrender value of a life insurance policy up to $1500 (1951); and, the capitalization of superannuation payments (1972).

The Administration of the Maximum Pension Means Test

Under the 1908 legislation a pensioner was bound to notify the Pension Commissioner if he acquired any non-exempt income or property which would have led to a reduction in his pension. This requirement continued for many years. In 1932, however, a more stringent approach to administration of the maximum pension means test was adopted. In the first instance all pension applicants after October 1932 found that their applications were more closely scrutinized to ensure that those who were successful did not receive a pension larger than that to which they were entitled. Then, from April 1934, a general review was made of all pensions granted before October 1932, in order to ensure that "illegal" pensions were not being paid. This review was, however, stopped before many pensions were actually reduced. With the emergence of a more liberal approach to the administration of the means test after the Second World War, a procedure was adopted whereby pensioners could earn a small, but irregular, non-exempt income without detriment to their pensions. Clearly,

39 For details see footnote 45 in the previous chapter.
such a practice operated to the advantage of those who were able to obtain casual work.

**THE MAXIMUM PENSION REDUCTION RATE: 1909 - 1972**

Those pensioners who could not satisfy the maximum pension means test could receive only a reduced pension, the size of which depended on the amount of non-exempt income that they received and the value of non-exempt property that they owned. The 1908 legislation specified that the annual maximum pension was reduced, first, by one hundred per cent of the amount by which non-exempt annual income exceeded the maximum pension income limit, and secondly, by ten per cent of the value of property owned in excess of the maximum pension property limit. This practice remained in force until 1946, when the Chifley Labor Government decided to penalize pensioners who owned property, as part of its programme of redistributing income. Thus property-owning pensioners found their pensions reduced by an extra ten per cent of the value of property owned in excess of $800. Under this procedure, pensioners with no non-exempt income found that their pension approached zero as the value of their non-exempt property in excess of the maximum pension property limit approached $995 (at the time the exclusion property limit was $1300). A minor change was made to this formula before the initial one was reintroduced by the Menzies Government in 1954, as part of its plan to favour property owners under the guise

40 Act 26 of 1946.
of encouraging thrift and self-help.\textsuperscript{41}

With the introduction of the merged means test in 1961, came a new pension formula. The annual maximum pension was reduced by the amount by which means-as-assessed (that is, the sum of the annual rate of non-exempt income and ten per cent of the value of non-exempt property over $400) exceeded the maximum pension means-as-assessed limit. This meant that for a pensioner with no non-exempt income the maximum pension was reduced by ten per cent of the value of non-exempt property he owned over $4,040. On the other hand, for a pensioner with no non-exempt property the maximum pension was reduced by one hundred per cent of the non-exempt income he received over $364 a year.

A further, more important, development took place in 1969 when the tapered means test was introduced. Under this the maximum pension was reduced by only half the amount by which means-as-assessed exceeded the maximum pension means-as-assessed limit.\textsuperscript{42} The effect of this was to increase the pension payable to all reduced pension recipients, the vast majority of whom were property owners. In total, 90,000 pensions, some 12.8 per cent of the pensioner population, benefited from the tapering of the means test.

\textsuperscript{41} Under Act 51 of 1953 the maximum pension was reduced by an extra eight rather than ten per cent of the value of property owned in excess of $800. This, marginally, assisted reduced pension recipients who owned property valued at between $900 and $2500.

\textsuperscript{42} Act 92 of 1969. In 1971 (under Act 16 of 1971) reduced pension recipients whose means-as-assessed exceeded the maximum pension means-as-assessed limit by no more than $52 were granted a pension increase equal to half the increase in the maximum pension. Subsequently, this margin was increased to $182 (under Act 67 of 1971), before it was abolished early in 1972 (under Act 14 of 1972).
Until the Second World War, successive Commonwealth Governments were content to provide merely supplementary assistance to age pensioners. Since then, however, priorities have changed. Gradually Commonwealth Governments have accepted more financial responsibility for pensioners. Those entirely dependent on their pensions have benefited by the frequent increases in the maximum pension and the liberalizing of the maximum pension means test. Those receiving reduced pensions, especially those with property, have gained by the liberalizing of both the maximum pension means test and the maximum pension reduction rate.

Without doubt the most important changes that have been made to the maximum pension means test occurred in the 1940s and early 1950s when the maximum pension income and property tests were both substantially liberalized. These changes benefited all pensioners. Property owning pensioners gained most, however, from the three changes that were made during the 1960s and 1970s. The first of which was the merging of the means tests in 1961, followed by the tapering of the means test in 1969. The last important change was the doubling of the maximum pension means-as-assessed limit in 1972.

The maximum pension has become more generous over the years, particularly since the mid 1940s. It has been able to more than keep pace with the cost of living since the end of the First World War, although set-backs did occur in the early 1930s and early 1950s. As to the relative
position of aged pensioners in the community's income structure it seems clear that it had, at best, only marginally improved up to the Second World War. Thereafter, however, pensioners probably gained *vis a vis* the rest of society.
INTRODUCTION

Until the Second World War successive Commonwealth Governments gave little assistance to age pensioners who had a demonstrable need for special relief even though they received the maximum pension. During the 1940s, however, the range of additional non-pension benefits available was extended. And the following two decades saw a further proliferation of such benefits.

This chapter is concerned with the various non-pension benefits, both cash and in-kind, that the Commonwealth provided for the aged up to 1972. The first section outlines the Commonwealth's policy in 1908. Then a detailed catalogue of the numerous non-pension benefits that were introduced is given, with an assessment made, where possible, of their impact upon the aged community.

COMMONWEALTH POLICY IN 1908

In 1908 the Australian age pension scheme was designed to give assistance to the "deserving aged" not on the basis of each individual's demonstrated need but in accordance with an assumed average need. In short it was assumed that a maximum pension of $1 a week would satisfy the needs of an age pensioner with limited means. If that proved to be too little, it was then taken for granted that some other income source could be tapped. The Commonwealth refused to provide the "deserving aged" with more than a basic cash allowance, even if a need for extra assistance could be established. Moreover, the Commonwealth entirely ignored those it considered to be either "undeserving" of assistance or outside its sphere of responsibility. This policy was probably adopted for two reasons. First, it
limited expenditure on aged relief to a "fair and reasonable" amount for the community to provide. Secondly, it ensured that thrift and self-reliance would not be discouraged.

Up to the Second World War the Commonwealth only grudgingly relinquished its rigid policy on non-pension benefits. Gradually and somewhat reluctantly, however, a range of new benefits were introduced in the 1940s. This range was extended considerably in the 1950s and 1960s. It is to these non-pension benefits that attention is now turned.

INSTITUTIONAL PENSIONS

Aged inmates of public institutions were, initially, considered to be solely the responsibility of the States and thus the Commonwealth provided them with no assistance. But during the First World War this attitude softened a little under pressure from the States. In 1916 an institutional pension of 20c a week was provided to inmates of benevolent asylums who were either age pensioners or qualified pension applicants before admission. While reluctant to take more financial responsibility for aged institutional inmates, the Commonwealth finally agreed, in the early 1920s, to allow inmates who qualified for an age pension after entering the "asylum", and age pensioner hospital patients, to receive this institutional

1 Under Act 17 of 1908 an age pensioner who became an inmate of a benevolent asylum could receive no more than four weekly pension installments up to 28 days prior to his scheduled discharge.

2 Act 32 of 1916.
Some years later, in 1942, the Curtin Labor Government decided, once more under pressure from the States, to allow age pensioners to retain their age pensions after entering hospital. From that time institutional pensions were granted only to eligible benevolent asylum inmates. In 1947 these pensions were paid only to inmates of "benevolent homes" which were not considered a "hospital" under the Commonwealth's newly established hospital benefits scheme. Aged inmates of psychiatric hospitals were never eligible to receive an institutional pension. Between 1916 and 1972 the institutional pension was increased on thirty-two occasions, and reduced twice (see table 9.1). In 1963 married pensioners were granted a larger pension than single pensioners. Two years later, supplementary assistance was given to single institutional pensioners who were entirely dependent on their age pensions.

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3 Act 15 of 1923. Pensioner patients had to be hospitalised for at least 28 days before they qualified for this benefit.
4 Act 3 of 1942.
5 Act 26 of 1947. Public and private nursing homes were excluded.
6 From 1966, however, if a pensioner patient of a psychiatric hospital is absent from that hospital for a continuous period of six days then his pension entitlement is restored with respect to any whole day involved in that absence. Moreover, if the pensioner patient is absent from the hospital for a continuous period of four weeks then he is entitled to receive back payment of his pension for each day that his pension was suspended, up to a limit of 84 days (act 41 of 1966). For a discussion of the consequences of this measure see Claire Bundy, "Eligibility of Mental Hospital Patients for Social Service Benefits", Australian Journal of Social Issues, 1964, Vol. 2, No. 2, pp.13 - 14.
7 Act 46 of 1963.
8 Act 57 of 1965.
### TABLE 9.1

#### THE INSTITUTIONAL WEEKLY PENSION RATE:
**1916 - 1972**

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<thead>
<tr>
<th>DATE EFFECTIVE</th>
<th>RATE ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.10.1916</td>
<td>0.20</td>
</tr>
<tr>
<td>13.9.1923</td>
<td>0.30</td>
</tr>
<tr>
<td>8.10.1925</td>
<td>0.40</td>
</tr>
<tr>
<td>4.10.1928</td>
<td>0.55</td>
</tr>
<tr>
<td>23.7.1931</td>
<td>0.50</td>
</tr>
<tr>
<td>13.8.1932</td>
<td>0.38</td>
</tr>
<tr>
<td>26.10.1933</td>
<td>0.50</td>
</tr>
<tr>
<td>24.9.1936</td>
<td>0.55</td>
</tr>
<tr>
<td>9.9.1937</td>
<td>0.60</td>
</tr>
<tr>
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</tr>
<tr>
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</tr>
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</tr>
<tr>
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</tr>
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</tr>
<tr>
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</tr>
<tr>
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</tr>
<tr>
<td>29.10.1953</td>
<td>2.45</td>
</tr>
<tr>
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<td>2.80</td>
</tr>
<tr>
<td>24.10.1957</td>
<td>3.05</td>
</tr>
<tr>
<td>8.10.1959</td>
<td>3.30</td>
</tr>
<tr>
<td>6.10.1960</td>
<td>3.50</td>
</tr>
<tr>
<td>5.10.1961</td>
<td>3.70</td>
</tr>
<tr>
<td>7.11.1963</td>
<td>3.70</td>
</tr>
<tr>
<td>1.10.1964</td>
<td>3.90</td>
</tr>
<tr>
<td>1.10.1965</td>
<td>3.90</td>
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<td>13.10.1966</td>
<td>4.20</td>
</tr>
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<td>10.10.1968</td>
<td>4.50</td>
</tr>
<tr>
<td>9.10.1969</td>
<td>4.80</td>
</tr>
<tr>
<td>8.10.1970</td>
<td>5.00</td>
</tr>
<tr>
<td>7.10.1971</td>
<td>5.00</td>
</tr>
<tr>
<td>4.5.1972</td>
<td>5.00</td>
</tr>
<tr>
<td>27.9.1972</td>
<td>5.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DATE EFFECTIVE</th>
<th>MARRIED</th>
<th>SINGLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.11.1963</td>
<td>3.70</td>
<td>4.00</td>
</tr>
<tr>
<td>1.10.1964</td>
<td>3.90</td>
<td>4.20</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DATE EFFECTIVE</th>
<th>RECEIVING SUPPLEMENTARY ASSISTANCE</th>
<th>NOT RECEIVING SUPPLEMENTARY ASSISTANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.10.1965</td>
<td>3.90 5.20</td>
<td>4.20</td>
</tr>
<tr>
<td>13.10.1966</td>
<td>4.20 5.50</td>
<td>4.50</td>
</tr>
<tr>
<td>10.10.1968</td>
<td>4.50 5.80</td>
<td>4.80</td>
</tr>
<tr>
<td>9.10.1969</td>
<td>4.80 6.10</td>
<td>5.10</td>
</tr>
<tr>
<td>8.10.1970</td>
<td>5.00 6.30</td>
<td>5.30</td>
</tr>
<tr>
<td>7.10.1971</td>
<td>5.00 7.00</td>
<td>6.00</td>
</tr>
<tr>
<td>4.5.1972</td>
<td>5.00 7.25</td>
<td>6.25</td>
</tr>
<tr>
<td>27.9.1972</td>
<td>5.00 8.00</td>
<td>7.00</td>
</tr>
</tbody>
</table>

**SOURCE:** Invalid and Old-Age Pension Act, (1908 - 1946); and, Social Service Act, (1947 - 1972).
Institutional pensions were granted to only a small number of aged people. In 1956, the last year for which figures are available, a mere 6244 pensions were paid (see table 9.2).

COMPASSIONATE ALLOWANCES FOR AGED ALIENS

Since naturalization was a necessary condition for the receipt of an age pension until 1966, aliens who could otherwise satisfy the eligibility tests were not entitled to a pension.\(^9\) For many years this small section of the aged community had received no Commonwealth assistance. The Curtin Labor Government, however, decided that from March 1943 all aliens who had lived in Australia since January 1901 and who could satisfy the remaining eligibility tests should receive an allowance.\(^10\) Until September 1944 each applicant had to be approved by Treasury, after which, however, a general granting authority was given to the Minister for Social Services. In May 1951, perhaps to celebrate the fiftieth anniversary of Federation, he was authorized to provide allowances to aliens who had arrived in Australia during 1901.\(^11\) In total, less than 500 "compassionate allowances" a year were granted up to 1966.\(^12\)

ALLOWANCES FOR PENSIONERS WITH CHILDREN

Until the early 1940s age pensioners with children received no extra assistance from the Commonwealth. When,


\(^10\) Ibid., p.6.

\(^11\) Ibid.

\(^12\) As at June 30 1967 there were only 17 recipients.
## INSTITUTIONAL PENSIONS: 1917 - 1956

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
<th>Percentage of Age Pensioners</th>
</tr>
</thead>
<tbody>
<tr>
<td>1917</td>
<td>1,493</td>
<td>1.6</td>
</tr>
<tr>
<td>1920</td>
<td>2,320</td>
<td>2.3</td>
</tr>
<tr>
<td>1930</td>
<td>5,236</td>
<td>3.4</td>
</tr>
<tr>
<td>1940</td>
<td>5,215</td>
<td>1.9</td>
</tr>
<tr>
<td>1950</td>
<td>5,375</td>
<td>1.6</td>
</tr>
<tr>
<td>1956¹</td>
<td>6,244</td>
<td>1.4</td>
</tr>
</tbody>
</table>

### NOTE: ¹ Figures no longer published separately.

### SOURCE: Department of Social Security, (DSS), Annual Reports.
in 1941, the Menzies non Labor Government introduced its universal child endowment scheme, age pensioners with children were amongst the recipients. But because child endowment was not declared a form of exempt income until 1947, only pensioners with an income below the maximum pension income limit could initially benefit. Under this scheme a weekly allowance of 50c was paid in respect of each child other than the first in a family. This weekly allowance was increased to 75c in 1945, and to $1.00 three years later. The scheme's coverage was widened, in 1950, to include the first, or only, child, in respect of whom a weekly allowance of 50c was payable. Fourteen years lapsed before the next change. In 1964 the child endowment paid in respect of each child after the second rose 50c to $1.15 a week. Further increases, which were graduated according to the number of children in the family, were granted in October 1971.

From the mid 1940s additional assistance was given to handicapped age pensioners who cared for children. In 1947 the Chifley Labor Government provided age pensioners who were either blind or permanently incapacitated and who

13 See T.H. Kewley, Social Security in Australia, (1973), Ch. 10 for details.
15 Child endowment increases were as follows:

- third child : $0.50
- fourth child : $1.00
- fifth child : $1.50
- sixth child : $2.00
- seventh child or more : $2.50, plus 50c for each child after the seventh.

had responsibility for one or more children with a family allowance of 50c a week.\textsuperscript{16} This had been increased to $1.50 a week by 1961.\textsuperscript{17} Further assistance was granted to these pensioners in 1956 when an additional allowance of $1.00 per child other than the first was paid.\textsuperscript{18} A property test was attached to this grant in 1960.\textsuperscript{19} Two years later the additional benefit was lifted to $1.50 a week for each eligible child.

It was not until 1965 that family allowances and child subsidies became available to all age pensioners caring for one or more children.\textsuperscript{20} Three years later, however, the payment of family allowances, which had become, in fact, a subsidy for the first or only child, was abandoned, being replaced by a specific allowance of $2.50 a week for the first or only child. This was increased by $1.00 in 1969 and again by $1.00 in 1971.

Single age pensioners who were responsible for one or more children were granted a guardian's allowance of $4.00 a week from 1965.\textsuperscript{21} Four years later an additional

\begin{itemize}
  \item \textsuperscript{16} This was an extension of a practice introduced by the Chifley Government in 1943 which involved only invalid pensioners (Acts 14 of 1943 and 26 of 1947).
  \item \textsuperscript{17} These allowances were increased on three occasions - in 1949 (to 90c a week), 1951 (to $1.15 a week) and 1961 (to $1.50 a week). However, in 1963 they became payable with respect to children who were between the ages of 16 and 18 and who were both receiving a full-time education and dependant upon the pensioner (Act 46 of 1963). The upper age limit was increased to 21 in 1965 (Act 57 of 1965).
  \item \textsuperscript{18} Act 67 of 1956; see, DSS, Annual Report, (1956 - 7), p. 4.
  \item \textsuperscript{19} The exclusion property limit was set at ten times the annual pension rate plus $364. It was, however, liberalized in 1965 (Act 57 of 1965), 1967 (Act 10 of 1967) and 1969 (Act 94 of 1969).
  \item \textsuperscript{20} Act 57 of 1965.
  \item \textsuperscript{21} Ibid.
\end{itemize}
$2.00 a week was provided if one or more of the dependant children was either under the age of six or an invalid.

At the end of the 1971-72 financial year there were some 23,000 age and invalid pensioners receiving allowances for children (see table 9.3). Although the proportion of age pensioners who benefited from these various child subsidies is not available, it was most probably very small, certainly less than 2 per cent in the late 1960s.

ALLOWANCES FOR PENSIONERS WITH A NON-PENSIONER WIFE

Until 1947 age pensioners with a non-pensioner wife were given no extra assistance by the Commonwealth. The Chifley Labor Government then decided to grant a married age pensioner who was either permanently incapacitated or blind, and who had a non-pensioner wife who could satisfy a means test, with a weekly allowance of $2.00. The first of many changes to this means test was made in the following year. From 1965 a wife's allowance became

22 This means test required that the annual allowance be reduced, first, by one hundred per cent of the amount by which the non-pensioner wife's non-exempt income exceeded $104 a year; secondly, by ten per cent of the value of her non-exempt property valued at between $100 and $800; and thirdly, by twenty per cent of the value of her remaining non-exempt property (Act 26 of 1947).

23 Under 38 of 1948, if the aggregate of the husband's age pension plus his war pension exceeded $12.20 a week, then the wife's allowance was reduced by half that excess. This maximum aggregate was increased as follows:

<table>
<thead>
<tr>
<th>Legislation</th>
<th>$ P.W</th>
</tr>
</thead>
<tbody>
<tr>
<td>26 of 1950</td>
<td>13.00</td>
</tr>
<tr>
<td>22 of 1951</td>
<td>13.50</td>
</tr>
<tr>
<td>41 of 1952</td>
<td>14.75</td>
</tr>
<tr>
<td>51 of 1953</td>
<td>16.75</td>
</tr>
<tr>
<td>30 of 1954</td>
<td>18.25</td>
</tr>
<tr>
<td>38 of 1955</td>
<td>Abolished</td>
</tr>
</tbody>
</table>

The non-pensioner wife's income limit was increased from $104 to $156 a year (Act 38 of 1948). This was subsequently increased to $260 (Act 51 of 1953) and then to $364 a year (Act 30 of 1954). Further, her permissible property limit was increased, first, from $100 to $200 (Act 38 of 1948),
### Table 9.3

**Allowances for Children: 1948-1972**

**Number of Pensioners Receiving:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Children's Allowance</th>
<th>Guardian's Allowance</th>
<th>Family Allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1948</td>
<td>6,785</td>
<td>6,785</td>
<td>6,785</td>
</tr>
<tr>
<td>1949</td>
<td>6,851</td>
<td>6,851</td>
<td>6,851</td>
</tr>
<tr>
<td>1950</td>
<td>7,046</td>
<td>7,046</td>
<td>7,046</td>
</tr>
<tr>
<td>1951</td>
<td>6,792</td>
<td>6,792</td>
<td>6,792</td>
</tr>
<tr>
<td>1952</td>
<td>6,566</td>
<td>6,566</td>
<td>6,566</td>
</tr>
<tr>
<td>1953</td>
<td>6,759</td>
<td>6,759</td>
<td>6,759</td>
</tr>
<tr>
<td>1954</td>
<td>7,204</td>
<td>7,204</td>
<td>7,204</td>
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<tr>
<td>1955</td>
<td>7,382</td>
<td>7,382</td>
<td>7,382</td>
</tr>
<tr>
<td>1956</td>
<td>7,932</td>
<td>7,932</td>
<td>7,932</td>
</tr>
<tr>
<td>1957</td>
<td>8,546</td>
<td>8,546</td>
<td>8,546</td>
</tr>
<tr>
<td>1958</td>
<td>8,243</td>
<td>8,243</td>
<td>8,243</td>
</tr>
<tr>
<td>1959</td>
<td>9,843</td>
<td>9,843</td>
<td>9,843</td>
</tr>
<tr>
<td>1960</td>
<td>9,350</td>
<td>9,350</td>
<td>9,350</td>
</tr>
<tr>
<td>1961</td>
<td>9,475</td>
<td>9,475</td>
<td>9,475</td>
</tr>
<tr>
<td>1962</td>
<td>10,190</td>
<td>10,190</td>
<td>10,190</td>
</tr>
<tr>
<td>1963</td>
<td>10,591</td>
<td>10,591</td>
<td>10,591</td>
</tr>
<tr>
<td>1964</td>
<td>11,018</td>
<td>11,018</td>
<td>11,018</td>
</tr>
<tr>
<td>1965</td>
<td>11,307</td>
<td>11,307</td>
<td>11,307</td>
</tr>
<tr>
<td>1966</td>
<td>12,583</td>
<td>12,583</td>
<td>12,583</td>
</tr>
<tr>
<td>1967</td>
<td>13,950</td>
<td>13,950</td>
<td>13,950</td>
</tr>
<tr>
<td>1968</td>
<td>13,956</td>
<td>13,956</td>
<td>13,956</td>
</tr>
<tr>
<td>1969</td>
<td>15,174</td>
<td>1,012</td>
<td>15,174</td>
</tr>
<tr>
<td>1970</td>
<td>17,591</td>
<td>1,162</td>
<td>17,591</td>
</tr>
<tr>
<td>1971</td>
<td>19,019</td>
<td>1,298</td>
<td>19,019</td>
</tr>
<tr>
<td>1972</td>
<td>20,722</td>
<td>1,380</td>
<td>20,722</td>
</tr>
</tbody>
</table>

**Notes:**

1. Includes invalid pensions.
2. Not available.

**Source:** DSS, *Annual Reports*.
available to all age pensioners whose wives were able to satisfy the means test. The effect that this had on the number of pensioner couples receiving a wife's allowance seems, however, to have been quite small (see table 9.4). By 1972 this allowance had risen to $8.00 a week. 24 It was, however, superseded in that year by the payment of a $17.25 a week special pension to wives of age pensioners who were not, themselves, pensioners and who could satisfy a tapered means test. 25 These special pensions were then to $300 (Act 22 of 1951) and yet again to $460 (Act 30 of 1954). A minor change was made to the maximum allowance reduction scale in 1953 and 1954. From 1960 she had to satisfy a merged means test. The maximum allowable means-as-assessed limit was initially set at $364 (Act 45 of 1960), but it was increased to $442 in 1967 (Act 10 of 1967). The maximum allowance reduction scale was tapered in 1969, which meant that the maximum allowance was reduced by only half the amount by which the non-pensioner wife's means-as-assessed exceeded $442. See DSS, Annual Report, (1965 - 6), p.11; DSS, Annual Report, (1967 - 8), p.6; and, DSS, Annual Report, (1971 - 2), p.79.

24 The Maximum Non-Pensioner Wife's Allowance: 1947 - 1971

<table>
<thead>
<tr>
<th>Year</th>
<th>Maximum Non-Pensioner Wife's Allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1947</td>
<td>$2.00</td>
</tr>
<tr>
<td>1949</td>
<td>$2.40</td>
</tr>
<tr>
<td>1952</td>
<td>$3.00</td>
</tr>
<tr>
<td>1953</td>
<td>$3.50</td>
</tr>
<tr>
<td>1962</td>
<td>$4.75</td>
</tr>
<tr>
<td>1964</td>
<td>$6.00</td>
</tr>
<tr>
<td>1969</td>
<td>$7.00</td>
</tr>
<tr>
<td>1971</td>
<td>$8.00</td>
</tr>
</tbody>
</table>

TABLE 9.4

ALLOWANCES FOR NON-PENSIONER WIVES: 1948 - 1972

<table>
<thead>
<tr>
<th>AS AT 30 JUNE</th>
<th>NUMBER$^1$</th>
</tr>
</thead>
<tbody>
<tr>
<td>1948</td>
<td>11,750</td>
</tr>
<tr>
<td>1949</td>
<td>12,477</td>
</tr>
<tr>
<td>1950</td>
<td>12,720</td>
</tr>
<tr>
<td>1951</td>
<td>12,100</td>
</tr>
<tr>
<td>1952</td>
<td>11,466</td>
</tr>
<tr>
<td>1953</td>
<td>11,593</td>
</tr>
<tr>
<td>1954</td>
<td>12,362</td>
</tr>
<tr>
<td>1955</td>
<td>12,555</td>
</tr>
<tr>
<td>1956</td>
<td>12,566</td>
</tr>
<tr>
<td>1957</td>
<td>12,837</td>
</tr>
<tr>
<td>1958</td>
<td>12,044</td>
</tr>
<tr>
<td>1959</td>
<td>12,469</td>
</tr>
<tr>
<td>1960</td>
<td>12,952</td>
</tr>
<tr>
<td>1961</td>
<td>13,559</td>
</tr>
<tr>
<td>1962</td>
<td>14,372</td>
</tr>
<tr>
<td>1963</td>
<td>15,390</td>
</tr>
<tr>
<td>1964</td>
<td>16,101</td>
</tr>
<tr>
<td>1965</td>
<td>16,305</td>
</tr>
<tr>
<td>1966</td>
<td>17,318</td>
</tr>
<tr>
<td>1967</td>
<td>18,670</td>
</tr>
<tr>
<td>1968</td>
<td>18,818</td>
</tr>
<tr>
<td>1969</td>
<td>20,180</td>
</tr>
<tr>
<td>1970</td>
<td>22,873</td>
</tr>
<tr>
<td>1971</td>
<td>22,998</td>
</tr>
<tr>
<td>1972</td>
<td>23,690</td>
</tr>
</tbody>
</table>

NOTE: 1 Includes Invalid Pensioners.

SOURCE: DSS, Annual Reports.
designed to ensure that the Commonwealth no longer discriminated between married pensioners with pensioner wives and those without. Both now received the same amount of assistance. In total, more than 23,000 age and invalid pensioners received allowance for their non-pensioner wives as at June 30 1972 (see table 9.4). Although the proportion of age pensioners who received an allowance is not known it was most probably quite small, certainly less than 3 per cent in the late 1960s.

SUPPLEMENTARY ASSISTANCE TO PENSIONERS IN RENTED ACCOMMODATION

Towards the end of the 1950s the Menzies non-Labor Government, acknowledging that there were, indeed, age pensioners who were entirely dependent on their pension, decided to provide cash supplementary assistance to pensioners who were considered to be most in need.26 As a result single pensioners who paid rent and who were entirely dependent on their pension were granted a means tested weekly rent allowance of $1.00.27 A number of changes have subsequently been made to this scheme.

The first change occurred in 1965 when the rent allowance became available to married pensioners who received a wife's allowance. This immediately increased the number of beneficiaries by 30 per cent (see table 9.5). At the same time, the rent allowance was doubled to $2.00

27 DSS, Annual Report, (1958 - 9), p.5. Initially the exclusion income limit was $1.00 a week and the exclusion property limit was $400.
a week and the means test was liberalized. Further alterations were made in the early 1970s. In 1970 an age pensioner's spouse who was living alone because of the pensioner's illness or infirmity, and who was receiving a pension at the standard rate, became eligible to receive this allowance. Two years later married age pensioner couples who paid rent were made eligible. At the same time, the means test was further liberalized, which immediately increased the number of recipients by 37 per cent (see table 9.5), and the rent allowance was doubled to $4.00 a week.

There is little doubt that this rent allowance provided some relief to a small section of the age pensioner population. While both the number and proportion of age pensioners receiving this assistance has increased markedly since 1965, only 14 per cent of pensioners (a total of 107,385 people) were beneficiaries as at June 30 1972 (see table 9.5). Moreover, because of the size of the rent subsidy it is doubtful whether it did very much to help

28 Act 57 of 1965. The exclusion means-as-assessed limit was fixed at $156, but the maximum annual allowance was reduced by the amount by which means-as-assessed exceeded $52 (DSS, Annual Report, (1965 - 5), p.7). In fact, ninety-five per cent of recipients received the maximum allowance as at June 30 1966 (DSS, Annual Report, (1965 - 6), p.10).

29 Act 2 of 1970.

30 Act 79 of 1972. Supplementary assistance was extended to married pensioners, on the basis of half to each partner, subject to the eligibility condition applying to single pensioners. The exclusion means-as-assessed limit was, however, raised to $260. As at June 30 1973, 81.1 per cent of recipients received the maximum allowance (DSS, Annual Report, (1972 - 3), p.13). It was estimated that 108,000 pensioners would benefit from these changes (CPD, (1972), H.R. 80, p.1763), but, in fact, only 39,804 gained an allowance for the first time in 1972 - 3, (DSS, Annual Report, (1972 - 3), p.13).
those it was designed to assist. A survey carried out in Victoria in December 1970 indicated that the maximum supplementary assistance allowance covered the rent for only 22.9 per cent of beneficiaries; for another 20.5 per cent it covered less than 40 per cent of their rent (see table 9.6).

ALLOWANCES FOR SURVIVING PENSIONERS

Since October 1968 a supplementary benefit to a surviving pensioner spouse of a deceased age pensioner has been available.\(^3\) This involved the payment of up to six fortnightly pension instalments, equivalent in value to the two pensions previously paid. As at June 30 1972, 18,556 pensioners were receiving this benefit.\(^3\)

CASH FUNERAL ALLOWANCES

A grant of up to $20 was provided by the Commonwealth from July 1943 to cover the funeral costs of a deceased age pensioner.\(^3\) This was paid to any person, including an age pensioner, who incurred the funeral costs. The scope of this scheme was widened in 1965 to cover the funeral costs of an age pensioner's deceased spouse or dependant children.\(^3\) At the same time, the allowance paid to an age pensioner was increased to a maximum of $40, while for others it remained at $20. Almost 50,000 people, including some 23,600 age and invalid pensioners, received almost $1.6m in funeral benefits in 1971-72 (see table 9.7).

\(^3\) Act 14 of 1943. Grants were not payable to administrators of contributory funeral benefit funds (see also Act 51 of 1953).
\(^3\) Act 57 of 1965; see also, Act 22 of 1951.
# TABLE 9.6

**RENT PAID BY VICTORIAN SUPPLEMENTARY ASSISTANCE BENEFICIARIES IN DECEMBER 1970**

<table>
<thead>
<tr>
<th>RENT PAID PER WEEK</th>
<th>PERCENTAGE OF RENT PAID COVERED BY MAXIMUM ALLOWANCE</th>
<th>PERCENTAGE OF BENEFICIARIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under $3</td>
<td>100</td>
<td>13.5</td>
</tr>
<tr>
<td>$3 to Under $4</td>
<td>100</td>
<td>9.4</td>
</tr>
<tr>
<td>$4 to Under $5</td>
<td>80-100</td>
<td>10.7</td>
</tr>
<tr>
<td>$5 to Under $10</td>
<td>40-80</td>
<td>45.9</td>
</tr>
<tr>
<td>Over $10</td>
<td>Under 40</td>
<td>20.5</td>
</tr>
</tbody>
</table>

TABLE 9.7

FUNERAL BENEFITS: 1944 - 1972

<table>
<thead>
<tr>
<th>AS AT 30 JUNE</th>
<th>NUMBER OF GRANTS TO NON-PENSIONERS</th>
<th>NUMBER OF GRANTS TO AGE AND INVALID PENSIONERS</th>
<th>TOTAL AMOUNT PAID ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1944</td>
<td>11,129</td>
<td>..</td>
<td>210,672</td>
</tr>
<tr>
<td>1945</td>
<td>17,011</td>
<td>..</td>
<td>327,986</td>
</tr>
<tr>
<td>1946</td>
<td>19,311</td>
<td>..</td>
<td>368,956</td>
</tr>
<tr>
<td>1947</td>
<td>21,600</td>
<td>..</td>
<td>418,698</td>
</tr>
<tr>
<td>1948</td>
<td>21,853</td>
<td>..</td>
<td>419,176</td>
</tr>
<tr>
<td>1949</td>
<td>25,831</td>
<td>..</td>
<td>505,958</td>
</tr>
<tr>
<td>1950</td>
<td>25,605</td>
<td>..</td>
<td>491,644</td>
</tr>
<tr>
<td>1951</td>
<td>25,599</td>
<td>..</td>
<td>508,116</td>
</tr>
<tr>
<td>1952</td>
<td>28,194</td>
<td>..</td>
<td>551,700</td>
</tr>
<tr>
<td>1953</td>
<td>27,830</td>
<td>..</td>
<td>540,896</td>
</tr>
<tr>
<td>1954</td>
<td>28,973</td>
<td>..</td>
<td>575,596</td>
</tr>
<tr>
<td>1955</td>
<td>31,306</td>
<td>..</td>
<td>607,568</td>
</tr>
<tr>
<td>1956</td>
<td>31,911</td>
<td>..</td>
<td>637,882</td>
</tr>
<tr>
<td>1957</td>
<td>34,281</td>
<td>..</td>
<td>682,514</td>
</tr>
<tr>
<td>1958</td>
<td>32,399</td>
<td>..</td>
<td>650,136</td>
</tr>
<tr>
<td>1959</td>
<td>34,866</td>
<td>..</td>
<td>691,206</td>
</tr>
<tr>
<td>1960</td>
<td>35,418</td>
<td>..</td>
<td>706,272</td>
</tr>
<tr>
<td>1961</td>
<td>36,697</td>
<td>..</td>
<td>734,610</td>
</tr>
<tr>
<td>1962</td>
<td>37,832</td>
<td>..</td>
<td>752,432</td>
</tr>
<tr>
<td>1963</td>
<td>40,576</td>
<td>..</td>
<td>802,068</td>
</tr>
<tr>
<td>1964</td>
<td>41,083</td>
<td>..</td>
<td>811,598</td>
</tr>
<tr>
<td>1965</td>
<td>43,659</td>
<td>..</td>
<td>866,164</td>
</tr>
<tr>
<td>1966</td>
<td>32,777</td>
<td>9,623</td>
<td>1,049,945</td>
</tr>
<tr>
<td>1967</td>
<td>26,266</td>
<td>19,424</td>
<td>1,334,103</td>
</tr>
<tr>
<td>1968</td>
<td>23,951</td>
<td>19,674</td>
<td>1,338,495</td>
</tr>
<tr>
<td>1969</td>
<td>27,932</td>
<td>22,295</td>
<td>1,570,915</td>
</tr>
<tr>
<td>1970</td>
<td>25,892</td>
<td>21,820</td>
<td>1,511,878</td>
</tr>
<tr>
<td>1971</td>
<td>28,403</td>
<td>24,407</td>
<td>1,653,231</td>
</tr>
<tr>
<td>1972</td>
<td>26,345</td>
<td>23,602</td>
<td>1,582,781</td>
</tr>
</tbody>
</table>

SOURCE: DSS, Annual Reports.
SUBSIDIZED MEDICAL TREATMENT

Two unsuccessful attempts were made in the 1930s and 1940s to introduce a Commonwealth subsidized medical scheme catering for, among others, age pensioners. The first involved the short-lived National Health and Pension Insurance Act of 1938. The second ill-fated attempt was made by the Chifley Labor Government in the late 1940s. Both of these failed because agreement could not be reached with the medical profession and other affected interest groups.

The Menzies non-Labor Government, however, under the guidance of Earle Page, was able to gain the co-operation of the medical profession and in February 1951 the Pensioner Medical Service (PMS) came into operation. It provided free medical treatment by participating general practitioners to pensioners and their dependents either in the patient's home or the practitioner's surgery. However, the scheme did not cover general anaesthetic or treatment of fractures, but these were available to pensioners and their dependents at a reduced rate from the Outpatients Section of Public Hospitals. Doctors who chose to participate in the PMS were paid on a


36 The service was authorized by the following regulations under the National Health Service Act, 1948 - 49:

(1) Medical Services for Pensioners Regulations;
(2) Pensioners' Medical Services Committee of Inquiry Regulation;
(3) Medicines for Pensioners Regulations; and,
(4) Medicines for Pensioners' Committee of Inquiry Regulations.

The National Health Act, 1953, consolidated these regulations. See Earl Page, Truant Surgeon, (1963), Ch. XLII.
fee-for-service basis with the level of remuneration being determined by consultation and negotiation. Initially the surgery and domiciliary consulting fees were 60c and 75c respectively. (Table 9.8 indicates how both these fees have increased since 1951.) As well as this, it must be mentioned here that the Menzies Government also provided PMS patients with a wide range of free medicines from July 1951.\(^{37}\)

The first major change to the PMS occurred in November 1955 when free medical treatment was provided only to pensioners, and their dependents, who could satisfy an income test. Under this test participants could have a non-exempt weekly income of not more than either $4.00, if they were single; $8.00, if they were married with a pensioner spouse; or, $10.00, if they were married with a non-pensioner spouse.\(^{38}\) This was to ensure that only pensioners who could not afford to contribute to voluntary medical insurance fund would receive free medical treatment.\(^{39}\) Table 9.9 indicates that, while only a small proportion of pensioners were excluded from the PMS, the proportion excluded actually increased up to the mid 1960s. On June 30 1965, for example,

\(^{37}\) The Commonwealth had introduced a similar scheme in the mid 1940s, but it was never fully operative (expenditures in 1948 - 49 totalled a mere $298,074), see Thelma Hunter, op. cit., for details. With respect to the PPBS see National Health Service, Information Bulletin No. 5, "Free Medical Services and Medicines for Pensioners" (1/9/1955). The list of available medicines closely corresponded to those listed in the British Pharmacopoeia (see Department of Health (DH), Health, (September 1954), Vol. 4, No. 3, p.82). The range of drugs available was extended in 1953 (DH, Annual Report, (1953 - 4), pp.120 - 1), and again in 1959 (Act 72 of 1959 ).

\(^{38}\) Act 68 of 1955.

TABLE 9.8

PRESCRIBED FEES PAID TO DOCTORS PARTICIPATING IN THE PMS: 1951 - 1972

<table>
<thead>
<tr>
<th>DATE EFFECTIVE</th>
<th>SURGERY CONSULTATION FEE ($)</th>
<th>DOMICILIARY CONSULTATION FEE ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>21. 2.1951</td>
<td>0.60</td>
<td>0.75</td>
</tr>
<tr>
<td>1. 7.1951</td>
<td>0.80</td>
<td>1.00</td>
</tr>
<tr>
<td>1. 1.1952</td>
<td>0.90</td>
<td>1.10</td>
</tr>
<tr>
<td>1. 11.1954</td>
<td>1.00</td>
<td>1.20</td>
</tr>
<tr>
<td>1. 7.1958</td>
<td>1.10</td>
<td>1.30</td>
</tr>
<tr>
<td>1. 12.1962</td>
<td>1.20</td>
<td>1.40</td>
</tr>
<tr>
<td>1. 5.1965</td>
<td>1.60</td>
<td>2.00</td>
</tr>
<tr>
<td>1. 5.1967</td>
<td>1.70</td>
<td>2.15</td>
</tr>
<tr>
<td>1. 5.1969</td>
<td>1.85</td>
<td>2.35</td>
</tr>
<tr>
<td>1. 7.1971</td>
<td>2.50</td>
<td>3.60</td>
</tr>
</tbody>
</table>

SOURCE: Department of Health (DH), Annual Reports.
<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Pensioners and Their Dependents ('000)</th>
<th>Percentage of All Pensioners</th>
</tr>
</thead>
<tbody>
<tr>
<td>1952</td>
<td>501</td>
<td>92.1%</td>
</tr>
<tr>
<td>1953</td>
<td>558</td>
<td>91.5%</td>
</tr>
<tr>
<td>1954</td>
<td>597</td>
<td>90.4%</td>
</tr>
<tr>
<td>1955</td>
<td>640</td>
<td>89.0%</td>
</tr>
<tr>
<td>1956</td>
<td>668</td>
<td>88.0%</td>
</tr>
<tr>
<td>1957</td>
<td>684</td>
<td>87.0%</td>
</tr>
<tr>
<td>1958</td>
<td>697</td>
<td>86.1%</td>
</tr>
<tr>
<td>1959</td>
<td>720</td>
<td>85.6%</td>
</tr>
<tr>
<td>1960</td>
<td>740</td>
<td>84.0%</td>
</tr>
<tr>
<td>1961</td>
<td>766</td>
<td>82.6%</td>
</tr>
<tr>
<td>1962</td>
<td>810</td>
<td>81.2%</td>
</tr>
<tr>
<td>1963</td>
<td>831</td>
<td>80.1%</td>
</tr>
<tr>
<td>1964</td>
<td>844</td>
<td>78.9%</td>
</tr>
<tr>
<td>1965</td>
<td>849</td>
<td>77.2%</td>
</tr>
<tr>
<td>1966</td>
<td>1,006</td>
<td>75.6%</td>
</tr>
<tr>
<td>1967</td>
<td>1,043</td>
<td>74.0%</td>
</tr>
<tr>
<td>1968</td>
<td>1,115</td>
<td>72.3%</td>
</tr>
<tr>
<td>1969</td>
<td>1,160</td>
<td>70.8%</td>
</tr>
<tr>
<td>1970</td>
<td>1,187</td>
<td>69.3%</td>
</tr>
<tr>
<td>1971</td>
<td>1,217</td>
<td>67.8%</td>
</tr>
<tr>
<td>1972</td>
<td>1,255</td>
<td>66.2%</td>
</tr>
</tbody>
</table>

**Note:** 1 Includes all pensioners.

**Source:** DH, Annual Reports.
13.9 per cent of pensioners were ineligible to participate in the PMS.

The PMS means test was considerably liberalized in the mid 1960s. All pensioners as at January 1 1966 were allowed to participate in the PMS, but only new pensioners who had means-as-assessed of no more than $884 could subsequently gain free medical treatment. A further change occurred in September 1966 when pensioners who gained a reduced pension because of the recent increase in the maximum pension (which, of course, had the effect of increasing the exclusion means-as-assessed limit) became eligible. Another liberalization occurred in April 1967 when the PMS exclusion means-as-assessed limit was raised to $1196 for married pensioners, and to $1053 for all other pensioners. No further changes were made to the PMS means test up to 1972, which meant that pensioners who gained a reduced pension because of the tapering of the means test in 1969 and the capitalization of superannuation payments in 1972 were not able to obtain free medical treatment.

Commonwealth expenditure on both the PMS and the Pensioner Pharmaceutical Benefits Scheme has increased over the years, particularly during the 1960s, from under $3m in 1951-52 to almost $80m in 1971-72 (see table 9.10).

Since January 1959 Commonwealth assistance has also been provided for medical insurance fund contributors who are sixty-five years of age or over. Within the framework

41 Act 44 of 1966.
## COMMONWEALTH EXPENDITURE ON PENSIONER MEDICAL CARE: 1952 - 1972

<table>
<thead>
<tr>
<th>YEAR ENDED 30 JUNE</th>
<th>PENSIONER PHARMACEUTICAL BENEFITS SCHEME ($'000)</th>
<th>PENSIONER MEDICAL SERVICE ($'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1952</td>
<td>715</td>
<td>2,070</td>
</tr>
<tr>
<td>1953</td>
<td>1,457</td>
<td>3,480</td>
</tr>
<tr>
<td>1954</td>
<td>2,022</td>
<td>4,231</td>
</tr>
<tr>
<td>1955</td>
<td>2,590</td>
<td>5,032</td>
</tr>
<tr>
<td>1956</td>
<td>3,016</td>
<td>5,749</td>
</tr>
<tr>
<td>1957</td>
<td>3,586</td>
<td>5,998</td>
</tr>
<tr>
<td>1958</td>
<td>4,246</td>
<td>6,398</td>
</tr>
<tr>
<td>1959</td>
<td>4,315</td>
<td>7,613</td>
</tr>
<tr>
<td>1960</td>
<td>7,148</td>
<td>8,225</td>
</tr>
<tr>
<td>1961</td>
<td>14,677</td>
<td>8,401</td>
</tr>
<tr>
<td>1962</td>
<td>18,195</td>
<td>8,796</td>
</tr>
<tr>
<td>1963</td>
<td>19,831</td>
<td>9,146</td>
</tr>
<tr>
<td>1964</td>
<td>20,602</td>
<td>9,531</td>
</tr>
<tr>
<td>1965</td>
<td>21,564</td>
<td>9,320</td>
</tr>
<tr>
<td>1966</td>
<td>24,071</td>
<td>13,365</td>
</tr>
<tr>
<td>1967</td>
<td>29,280</td>
<td>14,351</td>
</tr>
<tr>
<td>1968</td>
<td>32,115</td>
<td>16,115</td>
</tr>
<tr>
<td>1969</td>
<td>36,609</td>
<td>16,912</td>
</tr>
<tr>
<td>1970</td>
<td>41,069</td>
<td>19,230</td>
</tr>
<tr>
<td>1971</td>
<td>45,181</td>
<td>19,898</td>
</tr>
<tr>
<td>1972</td>
<td>52,005</td>
<td>27,804</td>
</tr>
</tbody>
</table>

**SOURCE:** DH, *Annual Reports.*
of its subsidized medical insurance scheme the Menzies Government agreed to subsidize any contributor who had a medical claim which would be disallowed either because it related to "pre-existing ailments" or a "chronic illness", or because its value exceeded the "maximum benefit limit" specified by the medical insurance funds. The procedure adopted involved each fund creating a "Special Account" into which contribution from, among others, people sixty-five years of age or over were credited, and payments made to such contributors were debited. The Commonwealth agreed to offset any deficit that might occur on this account. It was intended that this procedure provide subsidized medical treatment to those members of the aged community who were in some need of assistance and who could not participate in the PMS. The medical insurance funds, however, used it to increase their reserves rather than to increase their payments to the contributors that it was designed to assist. The only change that was made to this system occurred in January 1960 when the


Menzies Government decided that it was no longer necessary to force the medical insurance funds to transfer all their aged contributors to the "Special Account".\(^{46}\)

Since its inception the "Special Account" procedure has operated only on a small scale. Initially, in 1959-60, the Commonwealth subsidy was $200,000 (or 1 per cent of all the Commonwealth's medical benefits expenditure), twelve years later it was a mere $3.8m (or 3 per cent of the total medical benefits expenditure).\(^{47}\)

**SUBSIDIZED HOSPITAL TREATMENT**

As early as September 1909 the Commonwealth subsidized age pensioners who became hospital patients, but only on a limited scale. Immediately after the First World War, however, under pressures from the States, the Commonwealth agreed to provide a maintenance subsidy of $1.05 a week for each age pensioner who had been in hospital for at least 28 days.\(^ {48}\) This was increased to $1.45 a week in 1928. The Commonwealth's expenditure on these subsidies fluctuated, but it reached more than $400,000 in 1941, after which it was discontinued (see table 9.11). When the Curtin Government decided in 1942 to allow age pensioners in hospitals to retain their full pension entitlements it also decided to stop paying hospital maintenance subsidies, which meant that the payment of

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\(^{46}\) Act 72 of 1959; see DH, Health, (December 1959), Vol. 9, No. 4, pp.99 - 102.


### COMMONWEALTH EXPENDITURE ON HOSPITAL MAINTENANCE SUBSIDIES

**FOR AGED AND INVALID PENSIONERS: 1920 - 1941**

<table>
<thead>
<tr>
<th>YEAR ENDED 30 JUNE</th>
<th>EXPENDITURE ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1920</td>
<td>145,350</td>
</tr>
<tr>
<td>1925</td>
<td>193,008</td>
</tr>
<tr>
<td>1930</td>
<td>314,692</td>
</tr>
<tr>
<td>1935</td>
<td>274,522</td>
</tr>
<tr>
<td>1941</td>
<td>437,712</td>
</tr>
</tbody>
</table>

hospital fees was negotiated directly with pensioner patients; a practice which continued for three years.\textsuperscript{49}

In 1945 Chifley Government set up a hospital benefits scheme under which a subsidy of $4.20 a week was paid to hospitals for each of their aged patients.\textsuperscript{50} This subsidy was raised to $5.60 a week three years later.\textsuperscript{51}

The Menzies Government established its Pensioner Hospital Benefits Scheme for PMS participants in the early 1950s.\textsuperscript{52} Under this Scheme the Commonwealth agreed to provide the States with a subsidy of $8.50 a week for each "qualified patient".\textsuperscript{53} This subsidy was increased, first, to $25.20 a week in January 1963, and then, four years later, to $35 a week.\textsuperscript{54} Commonwealth expenditure on this scheme increased from $1.3m, in 1952-53 to $24m in 1971-72 (see table 9.12).

Assistance was also given to hospital insurance fund contributors who were sixty-five years of age or over. When

\textsuperscript{49} Act 3 of 1942.


\textsuperscript{51} Act 82 of 1948; also see CPD, (1948), Vol. 200, p.3830. Commonwealth expenditure on hospital benefits increased from $2.2m to $12.6m between 1945 - 6 and 1949 - 50 (see The Budget, (1946 - 7), p.103; and, The Budget, (1950 - 1), p.106).

\textsuperscript{52} Under the Hospital Benefits Act, 1951, and its regulations; see, DH, \textit{Annual Report}, (1953 - 4), pp.120 - 1.

\textsuperscript{53} A "qualified patient" was a participant in the PMS who was not an inmate of a State benevolent home or a contributor to a registered hospital benefits fund.

### TABLE 9.12

**COMMONWEALTH EXPENDITURE ON HOSPITAL BENEFITS: 1953 - 1972**

<table>
<thead>
<tr>
<th>YEAR ENDED 30 JUNE</th>
<th>PAYMENTS ON BEHALF OF PATIENTS WHO ARE PENSIONERS OR THEIR DEPENDANTS (S’000)</th>
<th>PAYMENT ON HOSPITAL SPECIAL ACCOUNTS DEFICITS ($'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1953</td>
<td>1,308</td>
<td>..</td>
</tr>
<tr>
<td>1954</td>
<td>2,273</td>
<td>..</td>
</tr>
<tr>
<td>1955</td>
<td>2,506</td>
<td>..</td>
</tr>
<tr>
<td>1956</td>
<td>2,755</td>
<td>..</td>
</tr>
<tr>
<td>1957</td>
<td>3,094</td>
<td>..</td>
</tr>
<tr>
<td>1958</td>
<td>3,241</td>
<td>..</td>
</tr>
<tr>
<td>1959</td>
<td>3,308</td>
<td>18</td>
</tr>
<tr>
<td>1960</td>
<td>2,727</td>
<td>2,508</td>
</tr>
<tr>
<td>1961</td>
<td>2,280</td>
<td>4,269</td>
</tr>
<tr>
<td>1962</td>
<td>1,817</td>
<td>5,331</td>
</tr>
<tr>
<td>1963</td>
<td>6,000</td>
<td>4,246</td>
</tr>
<tr>
<td>1964</td>
<td>13,354</td>
<td>3,749</td>
</tr>
<tr>
<td>1965</td>
<td>13,585</td>
<td>3,576</td>
</tr>
<tr>
<td>1966</td>
<td>14,665</td>
<td>2,873</td>
</tr>
<tr>
<td>1967</td>
<td>18,731</td>
<td>3,784</td>
</tr>
<tr>
<td>1968</td>
<td>23,665</td>
<td>4,493</td>
</tr>
<tr>
<td>1969</td>
<td>24,520</td>
<td>7,113</td>
</tr>
<tr>
<td>1970</td>
<td>24,157</td>
<td>16,063</td>
</tr>
<tr>
<td>1971</td>
<td>23,555</td>
<td>19,605</td>
</tr>
<tr>
<td>1972</td>
<td>24,065</td>
<td>30,986</td>
</tr>
</tbody>
</table>

**SOURCE:** DH, *Annual Reports.*
the system of "Special Accounts" was introduced to aid aged medical insurance fund contributors it also became a mandatory procedure for hospital insurance funds. The purpose of this procedure was to ensure that, as far as possible, a "Special Account" contributor would be treated exactly the same as an ordinary contributor.\textsuperscript{55} Aged hospital patients thus received the standard-rate benefit, which, in 1959, consisted of a minimum fund benefit of $11.20 a week, and a Commonwealth subsidy of $14.00 a week. Two important changes to this scheme occurred up to 1972. The first made the transferring of aged people to the "Special Account" system optional as from January 1964.\textsuperscript{56} The second, which came into effect in January 1969, allowed "Special Account" contributors to receive full-rate benefits (then $130.30 a week) rather than the smaller standard-rate benefit ($35.00 a week).\textsuperscript{57} Not surprisingly, this markedly increased Commonwealth expenditure on hospital insurance fund "Special Account" deficits, which reached almost $31m in 1971-72 (see table 9.12).

MAINTENANCE SUBSIDIES FOR INMATES OF HOMES FOR THE AGED

Soon after the age pension scheme came into effect the Commonwealth agreed to subsidize benevolent asylums. They were granted a maintenance subsidy for each pension applicant who was admitted at the recommendation of a Magistrate and

\textsuperscript{55} Act 68 of 1958; see DH, Health, (December 1958), Vol. 8, No. 4, p.102.

\textsuperscript{56} DH, Health, (September 1965), Vol. 15, No. 3, p.15; see also, Commonwealth Health Insurance Council, "Report of Committee of Commonwealth Health Insurance Council established to investigate Hospital Funds Special Accounts Plan", (28.5.1963).

\textsuperscript{57} Act 100 of 1968; see DH, Annual Report, (1968 - 9), pp.12 - 14.
who was the subject of a representation from either the asylum itself, or a State government.\textsuperscript{58} This subsidy, being granted as an act of grace, was not initially paid at uniform rate, but it was soon fixed at 75c a week.

With the passage of time the scope of this maintenance subsidy scheme was gradually widened. During the First World War the allowance was paid with respect to all age pensioners or qualified pension applicants who entered a benevolent asylum.\textsuperscript{59} However, inmates who became eligible for an age pension after entering the asylum remained ineligible until 1943.\textsuperscript{60} In 1947 institutions, other than benevolent asylums, which provided food and accommodation to the aged became eligible for maintenance subsidies.\textsuperscript{61} However, in 1953 nursing homes were explicitly made ineligible for this type of assistance.\textsuperscript{62} Commonwealth expenditure on maintenance subsidies increased from $69,000 in 1917-18 to $1,037,000 in 1965-66, the last year for which figures are available (see table 9.13).

Until the mid 1940s the maintenance subsidy rate had been increased on only three occasions. In 1916 it rose from 75c to $1.05 a week. Twelve years later it was increased to $1.45 a week. A further twenty-five years

\textsuperscript{58} Under Act 17 of 1908, Part V, S.31(2) if a magistrate believed that a pension claimant was "unfit to be intrusted [sic] with a pension" he may recommend that he be sent to a benevolent asylum. In such cases the Commonwealth was paid a maintenance subsidy. In 1910 expenditure totalled $310. (DSS, Annual Report, (1945 - 6), p.9):

\textsuperscript{59} Act 32 of 1916.

\textsuperscript{60} Act 14 of 1943.

\textsuperscript{61} Act 26 of 1947.

\textsuperscript{62} Act 51 of 1953.
### Table 9.13

**Commonwealth Expenditure on Benevolent Home Maintenance Subsidies: 1917 - 1966**

<table>
<thead>
<tr>
<th>Year Ended 30 June</th>
<th>Expenditure ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1917</td>
<td>69,306</td>
</tr>
<tr>
<td>1920</td>
<td>145,350</td>
</tr>
<tr>
<td>1930</td>
<td>314,692</td>
</tr>
<tr>
<td>1940</td>
<td>414,838</td>
</tr>
<tr>
<td>1950</td>
<td>405,816</td>
</tr>
<tr>
<td>1956</td>
<td>765,584</td>
</tr>
<tr>
<td>1960</td>
<td>904,120</td>
</tr>
<tr>
<td>1966&lt;sup&gt;1&lt;/sup&gt;</td>
<td>1,037,145</td>
</tr>
</tbody>
</table>

**Note:** 1 Figures no longer published separately.

**Source:** DSS, Annual Reports.
elapsed before an additional 30c a week was provided. From 1947, however, this subsidy has been equal to the difference between the institutional pension rate and the appropriate maximum pension rate.

Since the early 1950s, nursing homes that cared for the aged have also been subsidized. By classifying these institutions as "unrecognized hospitals" the Menzies Government was able, under its voluntary health insurance scheme, to provide a subsidy of $8.40 a week to patients who were hospital insurance fund contributors and who were not subject to those funds' benefit exclusion rules (which relate to "pre-existing ailments", "chronic illnesses" and "maximum benefits"). This subsidy was increased to $14.00 a week in January 1958. The majority of nursing home patients, however, found this form of assistance useless, for most of them were long-term patients, which meant that their claims on the hospital benefit funds were disallowed under the various benefits exclusion rules. Such patients received no Commonwealth assistance. In an attempt to correct this it was decided that from January 1960 "Special Account" facilities would be available to nursing homes. This enabled hospital insurance funds to treat aged nursing home patients the same as they

63 See Regulations under Hospital Benefits Act, 1951, and, subsequently, National Health Act, 1953. A "nursing home" is an institution into which patients are placed for the purpose of nursing home care, but it does not include any State owned or financed premises catering for the mentally ill or any premises financed under the Tuberculosis Act, 1948.
64 Act 68 of 1958.
65 Act 72 of 1959; see DH, Health, (December 1959), Vol. 9, No. 4, pp.99 - 102.
treated aged hospital patients. But still, uninsured aged nursing home patients could not gain a Commonwealth subsidy.

From January 1963, however, all nursing home patients, regardless of whether they contributed to an hospital insurance fund or not, were provided with a Commonwealth subsidy of $14.00 a week. This had two important effects. Firstly, it assisted long-term patients who were not contributors to any Hospital Insurance Fund. Secondly, it provided considerable incentive for the expansion of nursing home facilities (see table 9.14). Patients requiring "intensive nursing care" were given an extra subsidy of $21.00 a week from January 1969, which brought their total Commonwealth subsidy to $35.00 a week. Needless to say, this resulted in a sharp increase in Commonwealth expenditure on nursing home benefits (see table 9.15). Nevertheless, a Senate Select Committee concluded in 1970 that financial difficulties were still being felt by some aged nursing home patients. The McMahon non-Labor


67 For a discussion of the chronically ill aged and their problems see: Beryl Thomas, "Care of the Chronically Ill Aged" (A paper presented at the AGM of the National Old People's Welfare Council of Australia, Canberra, November 1967); and, Old People's Welfare Council of N.S.W., The Care of the Sick Aged.


### TABLE 9.14

**NURSING HOMES: 1963 - 1972**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Public</th>
<th>Number of Private</th>
<th>Total</th>
<th>Total Number of Nursing Beds</th>
<th>Number of Nursing Home Beds Provided as Percentage of Total Age Pensioners</th>
</tr>
</thead>
<tbody>
<tr>
<td>1963</td>
<td>91</td>
<td>811</td>
<td>902</td>
<td>25,535</td>
<td>4.2</td>
</tr>
<tr>
<td>1964</td>
<td>98</td>
<td>850</td>
<td>948</td>
<td>28,685</td>
<td>4.7</td>
</tr>
<tr>
<td>1965</td>
<td>103</td>
<td>919</td>
<td>1,022</td>
<td>31,290</td>
<td>5.0</td>
</tr>
<tr>
<td>1966</td>
<td>104</td>
<td>955</td>
<td>1,059</td>
<td>33,075</td>
<td>5.2</td>
</tr>
<tr>
<td>1967</td>
<td>111</td>
<td>987</td>
<td>1,098</td>
<td>35,537</td>
<td>5.5</td>
</tr>
<tr>
<td>1968</td>
<td>114</td>
<td>1,008</td>
<td>1,122</td>
<td>37,883</td>
<td>5.6</td>
</tr>
<tr>
<td>1969</td>
<td>119</td>
<td>1,016</td>
<td>1,135</td>
<td>40,167</td>
<td>5.7</td>
</tr>
<tr>
<td>1970</td>
<td>119</td>
<td>1,038</td>
<td>1,157</td>
<td>42,903</td>
<td>5.5</td>
</tr>
<tr>
<td>1971</td>
<td>123</td>
<td>1,071</td>
<td>1,194</td>
<td>46,750</td>
<td>5.8</td>
</tr>
<tr>
<td>1972</td>
<td>128</td>
<td>1,102</td>
<td>1,230</td>
<td>51,286</td>
<td>6.2</td>
</tr>
</tbody>
</table>

**Source:** DH, Annual Reports.
# COMMONWEALTH EXPENDITURE ON NURSING HOME BENEFITS: 1963 - 1972

<table>
<thead>
<tr>
<th>YEAR ENDED 30 JUNE</th>
<th>ORDINARY CARE PATIENTS ($'000)</th>
<th>INTENSIVE CARE PATIENTS ($'000)</th>
<th>TOTAL EXPENDITURE ($'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1963(^1)</td>
<td>6,646</td>
<td>..</td>
<td>6,646</td>
</tr>
<tr>
<td>1964</td>
<td>17,880</td>
<td>..</td>
<td>17,880</td>
</tr>
<tr>
<td>1965</td>
<td>19,796</td>
<td>..</td>
<td>19,796</td>
</tr>
<tr>
<td>1966</td>
<td>21,223</td>
<td>..</td>
<td>21,223</td>
</tr>
<tr>
<td>1967</td>
<td>22,767</td>
<td>..</td>
<td>22,767</td>
</tr>
<tr>
<td>1968</td>
<td>24,486</td>
<td>..</td>
<td>24,486</td>
</tr>
<tr>
<td>1969</td>
<td>26,039</td>
<td>5,605(^2)</td>
<td>31,643</td>
</tr>
<tr>
<td>1970</td>
<td>28,453</td>
<td>18,507</td>
<td>46,960</td>
</tr>
<tr>
<td>1971</td>
<td>29,750</td>
<td>19,727</td>
<td>49,477</td>
</tr>
<tr>
<td>1972</td>
<td>47,639</td>
<td>22,954</td>
<td>70,593</td>
</tr>
</tbody>
</table>

**NOTES:**
1. For period 1.1.1963 to 30.6.1963
2. For period 1.1.1969 to 30.6.1969

**SOURCE:** DH, *Annual Reports.*
Government's response was to further increase nursing home subsidies by $10.50 a week as from October 1971, which again substantially increased Commonwealth expenditure. Yet another increase was granted in the following year.

In August 1972 the McMahon Government announced that from January 1973 it would limit the amount that most nursing home patients would have to contribute towards their maintenance to 75 per cent of the combined value of the maximum standard pension and the supplementary assistance allowance. This was to be achieved by the payment of an additional, selective subsidy to nursing homes. To qualify for this new benefit an aged person seeking admittance into an "approved nursing home" (that is, a nursing home which agreed to charge the fees prescribed by the Commonwealth) must, first, be approved by the Director General of the Department of Social Services, and then be either eligible for the Pensioner Medical Service or a contributor to a hospital insurance fund. Once qualified a patient would pay only $18.00 a week towards his maintenance, a Commonwealth subsidy covers the balance. This supplementary subsidy varied from state, because of variations in nursing home fees, ranging from $10.50 a week in New South Wales, Queensland and Tasmania, to $22.40 in Victoria. Commonwealth expenditure on

72 N.S.W. : $10.50 per week W.A. : $11.20 per week
Q'LD : $10.50 per week S.A. : $14.00 per week
TAS. : $10.50 per week VIC. : $22.40 per week
this subsidy amounted to $8,462,000 for the six months to June 30 1973.\textsuperscript{73}

Hostels for the aged operated by non-profits organizations also received Commonwealth assistance from 1969.\textsuperscript{74} A personal care subsidy of $5.00 a week was granted in respect of each resident eighty years of age or over. This subsidy was doubled in 1972.\textsuperscript{75} As at June 30 1972 it was received by 360 organizations, on behalf of 6,665 aged residents (see table 9.16).

**SUBSIDIES FOR THE CONSTRUCTION OF ACCOMMODATION FOR THE AGED**

That there was a need for accommodation designed specifically for the aged was recognized in the early 1940s, but it was not until the mid 1950s that the Commonwealth took any constructive action.\textsuperscript{76} Its first effort was the Aged Persons Homes Act of 1954, the purpose of which was

"...to encourage and assist the provision of suitable homes for aged persons, and in particular homes at which aged persons may reside in conditions approaching as nearly as possible normal domestic type, and, in the case of married people, with

\textsuperscript{73} DSS, Annual Report, (1972 - 3), p.139.


\textsuperscript{75} Act 84 of 1972; see CPD, (1972), H.R. 80, pp.1402 - 3; and, Brotherhood of St. Lawrence, "The Urgent Need for Personal Care Accommodation for Elderly People in Inner Suburbs of Melbourne", (February, 1971, roneoed).

\textsuperscript{76} See Joint Parliamentary Committee on Social Security, Report, (September 1941), p.9; and, "Old People", C.A.B., Vol. 5, No. 8, p.120.
TABLE 9.16

PERSONAL CARE SUBSIDY SCHEME: 1970 - 1972

<table>
<thead>
<tr>
<th>Date</th>
<th>Number of Approved Premises</th>
<th>Number of Qualified Residents</th>
<th>Subsidies Paid ($'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 June 1970</td>
<td>317</td>
<td>n.a.¹</td>
<td>1,133</td>
</tr>
<tr>
<td>1971</td>
<td>343</td>
<td>6,142</td>
<td>1,592</td>
</tr>
<tr>
<td>1972</td>
<td>360</td>
<td>6,665</td>
<td>1,830</td>
</tr>
</tbody>
</table>

Note: ¹ Not available.

Source: DSS, Annual Reports.
proper regard to the companionship of husband and wife.  

Matching capital grants were made available to non-profit organizations (except those controlled, or financed, by any level of government) to cover the construction costs of approved homes. From 1957 the Commonwealth matching grant covered up to two thirds of the construction costs, including the cost of purchasing land. 

An important development occurred in the mid 1960s. To encourage the construction of more nursing accommodation by aged persons homes, so as to reduce the growing demand for nursing home care, a capital grant for the provision of nursing accommodation on the basis of one nursing bed for every two residential beds provided by a particular aged persons homes in a particular city or town. Moreover, nursing beds could now be permanently occupied by chronically ill or infirm residents, previously they were required to transfer from subsidized homes. 

As a result of this development, nearly 400 nursing beds were included in projects for which subsidies were approved in 1966-67. 

A further incentive was given a few years later when, from January 1969, these nursing bed subsidies became available to aged persons homes on the basis of one nursing bed for...
every two residential beds conducted by that home in any particular State. Furthermore, different organizations conducting aged persons homes in the same city, town or district were now permitted to pool their nursing bed subsidy entitlements.  

Until the mid 1960s local governments were ineligible for any of these construction subsidies. But in 1967 capital grants were made available to local governments, the only constraint being that any funds provided by the States, or indeed, the Commonwealth itself, could not attract a subsidy. It seems, however, that local governments were slow to take advantage of this offer, for only five had applied for this type of assistance by June 30 1969.  

While expenditure under the Aged Persons Homes Act steadily increased in the 1950s and 1960s there was still

---


a shortage of accommodation suitable for the aged, particularly for those on low incomes. A survey carried out in Victoria in 1963, for example, suggested that a pensioner who was entirely dependent on his pension had little hope of obtaining accommodation constructed with the aid of a Commonwealth subsidy. One reason for this was that a number of homes for the aged required applicants to make "donations" before admission. A survey of age pensioners in New South Wales and Victoria, carried out by the Department of Social Services in March 1969 suggested that there may be as many as 190,000 pensioners who do not own their own home and who had means-as-assessed

of less than $156, and that as many as 45,000 pensioners who were living in "unsatisfactory accommodation". In an effort to increase the supply of suitable accommodation for the aged the States were provided with construction subsidies.

To promote the construction of public nursing homes the States were offered matching grants totalling $5m over a five year period from July 1969. They seemed, however, reluctant to accept this offer, for no grants were made in 1969-70. By June 30 1972 less that $800,000 (or 16 per cent of the proposed five year allocation) had been disbursed (see table 9.17).

The States were also offered matching grants for the construction of low-rental, self-contained accommodation which was suitable for single age pensioners. Under a five year plan, effective from September 1969, the Gorton non-Labor Government proposed to spend $25m on accommodation, to be allocated in accordance with the proportion of supplementary assistance beneficiaries in each State. This offer was received more enthusiastically


87 States Grants (Nursing Homes) Act (51 of 1969). The Maximum allocation to each States was as follows ($'000):

<table>
<thead>
<tr>
<th>State</th>
<th>Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>N.S.W.</td>
<td>1813</td>
</tr>
<tr>
<td>VIC.</td>
<td>1374</td>
</tr>
<tr>
<td>Q'LD</td>
<td>717</td>
</tr>
<tr>
<td>S.A.</td>
<td>465</td>
</tr>
<tr>
<td>W.A.</td>
<td>381</td>
</tr>
<tr>
<td>TAS.</td>
<td>250</td>
</tr>
</tbody>
</table>


by the States, for $13.5m (or 54 per cent of the proposed allocation) had been distributed by June 30 1972 (see table 9.17).

The major form of institutional accommodation available to the aged in the early 1970s was private nursing homes. This was the cause of some concern for it had been estimated that up to one quarter of nursing home patients were not in need of nursing home treatment. In an effort to remedy this the McMahon Government embarked upon a three year plan in 1972 to encourage non-profit organizations to build hostel accommodation suitable for the aged. Under this plan organizations which had not received assistance under the Aged Persons Homes Act, but which were qualified to do so, received a capital grant on the basis of two additional hospital beds for every one aged person that they already accommodated. Whereas organizations that had been granted a Commonwealth construction subsidy between 1954 and 1957 received an additional capital grant on the basis of only one additional hostel-type bed for every two aged persons accommodated. Each eligible hostel-type bed attracted a capital grant of up to $7,800, plus a special furnishings allowance of


## Table 9.17

Commonwealth Expenditure on Construction Subsidies: 1955 - 1972

<table>
<thead>
<tr>
<th>YEAR ENDED 30 JUNE</th>
<th>AGED PERSONS HOMES ACT ($'000)</th>
<th>STATES GRANTS (NURSING HOMES) ACT ($'000)</th>
<th>STATES GRANTS (DWELLINGS FOR AGE PENSIONERS) ACT ($'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955</td>
<td>872</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>1956</td>
<td>796</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>1957</td>
<td>531</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>1958</td>
<td>1,676</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>1959</td>
<td>3,535</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>1960</td>
<td>3,743</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>1961</td>
<td>4,307</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>1962</td>
<td>6,945</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>1963</td>
<td>7,134</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>1964</td>
<td>7,408</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>1965</td>
<td>7,999</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>1966</td>
<td>8,666</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>1967</td>
<td>10,307</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>1968</td>
<td>9,111</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>1969</td>
<td>10,280</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>1970</td>
<td>12,700</td>
<td>0</td>
<td>925</td>
</tr>
<tr>
<td>1971</td>
<td>16,750</td>
<td>337</td>
<td>4,981</td>
</tr>
<tr>
<td>1972</td>
<td>19,000</td>
<td>460</td>
<td>7,622</td>
</tr>
</tbody>
</table>

**Source:** DSS, Annual Reports, and, Budget 1972 - 1973, Commonwealth Payments to or for the States, 1972 - 1973, p.141.
$250. Subsidized hostel accommodation had to be allocated on the basis of need, with priority given to frail people seventy-five years of age or over whose family could no longer accommodate them.\textsuperscript{91} Commonwealth expenditure on these subsidies in 1971-72 was estimated at $2m but, in fact, a mere 10 per cent of that amount was spent.\textsuperscript{92}

**SUBSIDIZED COMMUNITY-BASED SERVICES FOR THE AGED**

Organizations providing housekeeper services to the aged were given Commonwealth assistance under the Federal Housekeeper Grant scheme established in 1951. Under this scheme, the Commonwealth gave the States special grants which they then allocated to organizations which provided emergency housekeeping services to, among others, the aged.\textsuperscript{93} For the first few years however, mainly young families benefited from this assistance, but by the mid 1950s these organizations were gradually extending their services to aged people.\textsuperscript{94} The scheme continued on a small scale, with Commonwealth expenditure never exceeding $28,000 in any year, until it was absorbed by a more comprehensive program of community-based service which was established in the late 1960s.

In early 1969 the Gorton Government decided to stimulate the provision of services and facilities which would

\textsuperscript{91} CPD, (1972), H.R. 16, pp.1406 - 8.

\textsuperscript{92} Ibid., p.1408; see DSS, Annual Report, (1972 - 3).


enable aged people to live longer in their own homes so as to widen the range of accommodation alternative available to the aged in an effort to reduce the demand for nursing home care.\textsuperscript{95} To achieve this the States were offered matching grants to promote the provision of domiciliary services for the aged (including housekeeping and other domestic assistance).\textsuperscript{96} At the same time, half the salaries of welfare officers who were engaged in the co-ordination of home care services and who were associated with senior citizens centres were paid.\textsuperscript{97} In addition, the States were offered matching grants not only to construct Senior Citizens' Centres but also to subsidize their operating costs.\textsuperscript{98} The States, however, were initially reluctant to take up these matching grants, although their reluctance appears to have diminished with the passage of time (see table 9.18).

From April 1970, Meals-on-Wheels subsidies were paid directly to organizations which regularly provided meals to the aged in their own homes.\textsuperscript{99} It was initially paid

\textsuperscript{95} CPD, (1969), H.R. 62, pp.159 - 61; see also, A.J. Forbes, 'Domiciliary Services Programmes', Social Services, July - August 1969, Vol. 21, No. 1, p.288. The need for such a programme was recognized as early as 1962, (see N.S.W. Health Advisory Council, Report on the Care of the Aged by the Health Advisory Council), (May 1962).


\textsuperscript{97} Ibid.


TABLE 9.18

COMMONWEALTH MATCHING GRANTS TO THE STATES FOR
COMMUNITY-BASED SERVICES FOR THE AGED: 1970 - 1972

<table>
<thead>
<tr>
<th>Service</th>
<th>1970</th>
<th>1971</th>
<th>1972</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home Care Services ($'000)</td>
<td>31</td>
<td>318</td>
<td>491</td>
</tr>
<tr>
<td>Welfare Officers ($'000)</td>
<td>0.4</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>Delivered Meals ($'000)</td>
<td>196</td>
<td>341</td>
<td>338</td>
</tr>
<tr>
<td>Senior Citizens'Centre ($'000)</td>
<td>16</td>
<td>87</td>
<td>281</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>243.4</td>
<td>749</td>
<td>1,129</td>
</tr>
</tbody>
</table>

NOTE:  
1 Includes $59,000 late claims for meals served in 1969 and 1970.

SOURCE:  
at the rate of $1.00 per ten meals served, but this was raised to $1.50 in 1972, with an additional 50c being given if certain types of fruit and fruit juices were served.

**SUBSIDIZED DOMICILIARY PARAMEDICAL CARE**

In January 1957 the Commonwealth introduced its home nursing subsidy scheme, the object of which was to promote the provision of home nursing facilities.\(^{101}\) Voluntary, non-profit home nursing organizations which were established before November 1956 received a subsidy of up to $1,600 for each additional nurse employed after September 1, 1956, while the remainder received a maximum subsidy of $800 per nurse employed.\(^{102}\) A subsidy was not, however, provided for domiciliary nurses.\(^{103}\) Moreover, no Commonwealth home nursing subsidies could total, for any particular organization, more than the amount of assistance it received from State or local governments.

Since 1957 there has been a marked increase in Commonwealth expenditure on the home nursing subsidy scheme from $4,000 to $1.8m in 1971-72 (see table 9.19). This can be attributed first, to an increase in the number of nurses subsidized, which

---

100 Act 113 of 1972.


102 State conducted or controlled organizations were excluded (DH, Health, (March 1957), Vol. 7, No. 1, p.28).

103 Domiciliary nursing assistance was provided under the PMS.
<table>
<thead>
<tr>
<th>Year</th>
<th>Expenditure ($'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1957</td>
<td>4</td>
</tr>
<tr>
<td>1958</td>
<td>36</td>
</tr>
<tr>
<td>1959</td>
<td>69</td>
</tr>
<tr>
<td>1960</td>
<td>107</td>
</tr>
<tr>
<td>1961</td>
<td>156</td>
</tr>
<tr>
<td>1962</td>
<td>215</td>
</tr>
<tr>
<td>1963</td>
<td>289</td>
</tr>
<tr>
<td>1964</td>
<td>372</td>
</tr>
<tr>
<td>1965</td>
<td>465</td>
</tr>
<tr>
<td>1966</td>
<td>546</td>
</tr>
<tr>
<td>1967</td>
<td>664</td>
</tr>
<tr>
<td>1968</td>
<td>765</td>
</tr>
<tr>
<td>1969</td>
<td>933</td>
</tr>
<tr>
<td>1970</td>
<td>1,094</td>
</tr>
<tr>
<td>1971</td>
<td>1,450</td>
</tr>
<tr>
<td>1972</td>
<td>1,835</td>
</tr>
</tbody>
</table>

NOTE: 1 From 1.1.1957 - 30.6.1957.

SOURCE: DH, Annual Reports.
increased from 210 in 1957 to 1,000 in 1972; and secondly, to an increase in the rates of subsidy paid, which more than doubled over the period (see table 9.20).

To further reduce the need for the frail aged to enter nursing homes a domiciliary nursing care benefit of $14.00 a week was decided upon in August 1972, to be payable from March 1973. This was to be paid to any person who agrees to provide in his own home and on a continuing basis the professional nursing care and the other support services that are required by an aged relative. Up to June 30 1973 this benefit assisted over 7,000 chronically ill aged people at a cost of $1.0m.

A wide range of paramedical services for the aged (including chiropody and occupational therapy) also received a Commonwealth subsidies in the late 1960s. Matching grants totalling $250,000 were offered to the States, but they seemed reluctant to accept them. Up to June 30 1971 no State had taken up these grants and in 1971-72 only five successful applications were made, involving a total expenditure of less than $7,000.

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104 See Division 5B of Part V of the National Health Act (1953-72); see also, DH, Health, (October 1972), Vol. 22, No. 3, p.19.
<table>
<thead>
<tr>
<th>DATE EFFECTIVE</th>
<th>'ESTABLISHED' HOME NURSING ORGANIZATION ($)</th>
<th>'NEW HOME' NURSING ORGANIZATION ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. 1.1957</td>
<td>1,600</td>
<td>800</td>
</tr>
<tr>
<td>1. 4.1960</td>
<td>1,800</td>
<td>900</td>
</tr>
<tr>
<td>1. 7.1962</td>
<td>2,000</td>
<td>1,000</td>
</tr>
<tr>
<td>1. 7.1966</td>
<td>2,200</td>
<td>1,100</td>
</tr>
<tr>
<td>1. 9.1968</td>
<td>2,600</td>
<td>1,300</td>
</tr>
<tr>
<td>1. 9.1970</td>
<td>3,200</td>
<td>1,600</td>
</tr>
<tr>
<td>1. 9.1972</td>
<td>4,300</td>
<td>2,150</td>
</tr>
</tbody>
</table>

INCOME TAX RELIEF FOR THE AGED

From 1951 the aged were granted relief from Commonwealth Income tax, which was designed to remove a long-existing anomaly in the income taxation legislation. Whereas aged people who received the maximum pension and the maximum allowable income paid no tax, those who received the same combined income but only a part pension or no pension at all did pay tax.\textsuperscript{108} The 1951 tax reform gave complete tax relief to people of a pensionable age who were Australian residents during the year in which the taxable income was received and who have a taxable income below a specified amount (see table 9.21 and 9.22), while partial tax relief was given to those with a taxable income marginally above that limit (see table 9.21 and 9.22). Since then, not only have these minimum taxable income limits been increased considerably, but also the range of taxable incomes eligible for partial tax relief has been noticeably extended.

SUBSIDIZED HEARING AIDS FOR PENSIONERS

From April 1968 the Commonwealth provided Pensioner Medical Service participants, and their dependants, with hearing aids, which were supplied and fitted by the Commonwealth Acoustic Laboratories for a hiring fee of $10.00.\textsuperscript{109} On June 30 1972 there were 33,417 hearing aids on loan to pensioners.\textsuperscript{110}


### TABLE 9.21

**INCOME TAX RELIEF FOR THE SINGLE AGED: 1952 - 1972**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>MINIMUM TAXABLE INCOME</th>
<th>MAXIMUM TAXABLE INCOME FOR MARGINAL TAX RELIEF</th>
<th>INCOME RANGE FOR MARGINAL TAX RELIEF</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($</td>
<td>($)</td>
<td>($)</td>
</tr>
<tr>
<td>1952</td>
<td>468</td>
<td>496</td>
<td>28</td>
</tr>
<tr>
<td>1953</td>
<td>508</td>
<td>544</td>
<td>36</td>
</tr>
<tr>
<td>1954</td>
<td>750</td>
<td>830</td>
<td>80</td>
</tr>
<tr>
<td>1955</td>
<td>750</td>
<td>830</td>
<td>80</td>
</tr>
<tr>
<td>1956</td>
<td>780</td>
<td>868</td>
<td>88</td>
</tr>
<tr>
<td>1957</td>
<td>780</td>
<td>868</td>
<td>88</td>
</tr>
<tr>
<td>1958</td>
<td>820</td>
<td>920</td>
<td>100</td>
</tr>
<tr>
<td>1959</td>
<td>820</td>
<td>920</td>
<td>100</td>
</tr>
<tr>
<td>1960</td>
<td>858</td>
<td>968</td>
<td>110</td>
</tr>
<tr>
<td>1961</td>
<td>884</td>
<td>1,004</td>
<td>120</td>
</tr>
<tr>
<td>1962</td>
<td>910</td>
<td>1,058</td>
<td>148</td>
</tr>
<tr>
<td>1963</td>
<td>910</td>
<td>1,058</td>
<td>148</td>
</tr>
<tr>
<td>1964</td>
<td>962</td>
<td>1,112</td>
<td>150</td>
</tr>
<tr>
<td>1965</td>
<td>988</td>
<td>1,148</td>
<td>160</td>
</tr>
<tr>
<td>1966</td>
<td>988</td>
<td>1,148</td>
<td>160</td>
</tr>
<tr>
<td>1967</td>
<td>1,041</td>
<td>1,221</td>
<td>181</td>
</tr>
<tr>
<td>1968</td>
<td>1,070</td>
<td>1,264</td>
<td>194</td>
</tr>
<tr>
<td>1969</td>
<td>1,248</td>
<td>1,532</td>
<td>284</td>
</tr>
<tr>
<td>1970</td>
<td>1,300</td>
<td>2,275</td>
<td>975</td>
</tr>
<tr>
<td>1971</td>
<td>1,336</td>
<td>2,374</td>
<td>947</td>
</tr>
<tr>
<td>1972</td>
<td>1,326</td>
<td>2,286</td>
<td>960</td>
</tr>
</tbody>
</table>

**NOTE:**
1. Tax payable up to 1955 was equal to 50 per cent of income above the maximum non-taxable level. Between 1955 and 1970, tax payable was equal to 45 per cent of income above that level. After 1970, tax became payable on a sliding scale:

<table>
<thead>
<tr>
<th>PERCENTAGE OF INCOME PAYABLE AS TAX:</th>
</tr>
</thead>
<tbody>
<tr>
<td>INCOME RANGE:</td>
</tr>
<tr>
<td>16 2/3 18 45 66 2/3</td>
</tr>
<tr>
<td>1326 - 1532 1533 - 2080 2081 - 2132 2133 - 2314</td>
</tr>
</tbody>
</table>

2. Income does not include income derived from a partnership in which the taxpayer does not have real and effective control and disposal of his share of the partnership income.

**SOURCE:**
TABLE 9.22

INCOME TAX RELIEF FOR THE MARRIED AGED: 1952 - 1972

<table>
<thead>
<tr>
<th>YEAR</th>
<th>MINIMUM TAXABLE INCOME 1 ($)</th>
<th>MAXIMUM TAXABLE INCOME FOR MARGINAL TAX RELIEF 2 ($)</th>
<th>INCOME RANGE FOR MARGINAL TAX RELIEF ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1952</td>
<td>936</td>
<td>1,116</td>
<td>180</td>
</tr>
<tr>
<td>1953</td>
<td>1,014</td>
<td>1,232</td>
<td>218</td>
</tr>
<tr>
<td>1954</td>
<td>1,500</td>
<td>1,946</td>
<td>446</td>
</tr>
<tr>
<td>1955</td>
<td>1,500</td>
<td>1,946</td>
<td>446</td>
</tr>
<tr>
<td>1956</td>
<td>1,560</td>
<td>2,060</td>
<td>500</td>
</tr>
<tr>
<td>1957</td>
<td>1,560</td>
<td>2,060</td>
<td>500</td>
</tr>
<tr>
<td>1958</td>
<td>1,638</td>
<td>2,212</td>
<td>574</td>
</tr>
<tr>
<td>1959</td>
<td>1,638</td>
<td>2,212</td>
<td>574</td>
</tr>
<tr>
<td>1960</td>
<td>1,716</td>
<td>2,362</td>
<td>646</td>
</tr>
<tr>
<td>1961</td>
<td>1,778</td>
<td>2,472</td>
<td>694</td>
</tr>
<tr>
<td>1962</td>
<td>1,820</td>
<td>2,586</td>
<td>766</td>
</tr>
<tr>
<td>1963</td>
<td>1,820</td>
<td>2,586</td>
<td>766</td>
</tr>
<tr>
<td>1964</td>
<td>1,820</td>
<td>2,586</td>
<td>766</td>
</tr>
<tr>
<td>1965</td>
<td>1,872</td>
<td>2,700</td>
<td>828</td>
</tr>
<tr>
<td>1966</td>
<td>1,872</td>
<td>2,700</td>
<td>828</td>
</tr>
<tr>
<td>1967</td>
<td>1,950</td>
<td>2,882</td>
<td>932</td>
</tr>
<tr>
<td>1968</td>
<td>1,980</td>
<td>2,958</td>
<td>978</td>
</tr>
<tr>
<td>1969</td>
<td>2,184</td>
<td>3,514</td>
<td>1,330</td>
</tr>
<tr>
<td>1970</td>
<td>2,262</td>
<td>4,121</td>
<td>1,859</td>
</tr>
<tr>
<td>1971</td>
<td>2,314</td>
<td>4,102</td>
<td>1,788</td>
</tr>
<tr>
<td>1972</td>
<td>2,314</td>
<td>4,155</td>
<td>1,841</td>
</tr>
</tbody>
</table>

NOTES:

1 Relates to combined income of aged person (males 65 years and over, and females 60 years and over) and spouse.

2 Marginal Tax Relief is available only to married couples who are both aged, where tax payer supports spouse. Up to 1955, tax payable was equal to 50 per cent of income above maximum non-taxable level. Between 1955 and 1969, tax payable equal to 45 per cent of income above that level, from 1969:

PERCENTAGE OF INCOME PAYABLE AS TAX:

<table>
<thead>
<tr>
<th>INCOME RANGES</th>
<th>16 2/3</th>
<th>31 1/3</th>
<th>45</th>
<th>66 2/3</th>
</tr>
</thead>
<tbody>
<tr>
<td>FOR: 1970</td>
<td>2262-2500</td>
<td>2501-3000</td>
<td>3001-3640</td>
<td>3641-4121</td>
</tr>
<tr>
<td></td>
<td>31</td>
<td>40</td>
<td>3745-4102</td>
<td></td>
</tr>
<tr>
<td>1971</td>
<td>2314-2500</td>
<td>2501-3000</td>
<td>3001-3640</td>
<td>3641-3744</td>
</tr>
<tr>
<td></td>
<td>3745-4155</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

TELEPHONE RENTAL CONCESSIONS FOR AGED PENSIONERS

From October 1964 telephones have been provided at two-thirds the standard rental to pensioners who were qualified to participate in the Pensioners Medical Service and who either live alone or with a person who is either a pensioner, a person entitled to the rental rebate, or a person who can satisfy a special income test.\textsuperscript{111}

Approximately 220,000 age and invalid pensioners were receiving these concessions as at June 30 1972, which cost the Commonwealth $3.8m (see table 9.23).

RADIO AND TELEVISION LICENCE FEE CONCESSIONS TO AGED PENSIONERS

Radio licence fee concessions have been available since 1942. Aged pensioners who lived alone or with other aged or invalid pensioners were able to acquire a radio listeners licence from July 1942 at half the standard fee.\textsuperscript{112} From 1946, however, blind age pensioners were able to obtain a licence free of charge. At the same time, pensioners who lived with a non-pensioner and who could satisfy an income test became eligible for the concessional rate, which was reduced to one-quarter of the standard fee in January 1952.\textsuperscript{113} Since October 1956 most age pensioners have paid a fee of $1.00.\textsuperscript{114} With

\begin{itemize}
\item \textsuperscript{111} Statutory Rule No. 14 of 1965 under Post and Telegraph Act, 1901 - 61 .
\item \textsuperscript{112} Act 33 of 1942.
\item \textsuperscript{113} Act 39 of 1946 (Income test modified by Acts 80 of 1950, 41 of 1951, 36 of 1960 and 57 of 1966).
\item \textsuperscript{114} Act 65 of 1956. Those living within 250 miles of a radio station pay $1 and the remainder 70c as from October 1956.
\end{itemize}
**TABLE 9.23**

**EXPENDITURE ON TELEPHONE RENTAL CONCESSIONS: 1965 - 1972**

<table>
<thead>
<tr>
<th>Year</th>
<th>Expenditure ($'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1965</td>
<td>552</td>
</tr>
<tr>
<td>1966</td>
<td>1,579</td>
</tr>
<tr>
<td>1967</td>
<td>1,455</td>
</tr>
<tr>
<td>1968</td>
<td>1,579</td>
</tr>
<tr>
<td>1969</td>
<td>1,896</td>
</tr>
<tr>
<td>1970</td>
<td>2,248</td>
</tr>
<tr>
<td>1971</td>
<td>2,955</td>
</tr>
<tr>
<td>1972</td>
<td>3,806</td>
</tr>
</tbody>
</table>

**NOTE:** 1 For period 1.10.1964 - 30.6.1965.

**SOURCE:** DSS, *Annual Reports.*
the introduction of television in that year, pensioners who qualified for a radio licence fee concession could also obtain a television licence for one-quarter of the standard fee.\textsuperscript{115} From October 1964, however, eligible pensioners paid an annual television licence fee of $3.00.\textsuperscript{116} A combined radio and television licence could be obtained for $4.00 a year after October 1965, which, in 1972, was equivalent to 16 per cent of the standard fee.\textsuperscript{117}

**REDUCED FARES FOR AGED PENSIONERS**

The Minister for Shipping and Transport announced in November 1972 that all aged pensioners could travel on passenger ships of the Australian National Line at half the appropriate fare.\textsuperscript{118}

**CONCLUSION**

The Commonwealth was, at first, reluctant to grant any special or extra benefits to the aged. It was, no doubt, inhibited, firstly, by a desire to limit its welfare expenditure to a "fair and reasonable" amount for the community to provide, and secondly, by an eagerness not to take any steps which might discourage thrift or weaken individual self-reliance.

Grudgingly and reluctantly the Commonwealth was forced, to some extent by pressures from the States, to

\textsuperscript{115} Act 33 of 1956. Television licences are available to blind people free of charge.

\textsuperscript{116} Act 67 of 1964.

\textsuperscript{117} Act 67 of 1964.

\textsuperscript{118} CPD, (1973), H.R., Weekly Hansard, No. 18, p.2129.
provide special benefits such as maintenance subsidies (1910) and institutional pensions (1916). Until the early 1940s, however, the Commonwealth's welfare priorities were dominated by a desire to establish a social insurance scheme, which meant that little attention was given to the provision of non-pension benefits to the aged. There was, however, a perceptible shift in Commonwealth welfare priorities during the 1940s, when both the Curtin and the Chifley Labor Governments took steps, which would have been inconceivable a decade earlier, to introduce a limited range of non pension benefits. These included funeral benefits (1943); subsidized hospital care (1944-48); and allowances for handicapped aged pensioners with non-pensioner wives and children (1947). With the growth in Commonwealth revenue during the 1950s the Menzies non-Labor Government could afford to be a little more adventurous, prompted, no doubt, by the desire to gain the electoral support of the aged community. To this end it provided, among other things, free health care (1951-52); subsidies for the construction of homes for the aged (1954) and, supplementary assistance allowances (1958).

Commonwealth aged welfare priorities underwent an important change in the late 1950s. Attention was turned to assisting those members of the aged community who were considered "most in need" particularly the frail and the homeless. To this end the Menzies Government and it's successors, placed considerable emphasis on providing nursing home accommodation for the aged. This was achieved, first, by the payment of maintenance subsidies (1963), and later by the payment of construction subsidies (1966 and 1969). By
the end of the decade, nursing homes provided the main form of institutional accommodation for the aged. This, however, became a source of concern when it was discovered, in the early 1970s, that a number of nursing home patients were inappropriately accommodated. To promote the provision of alternative forms of accommodation, subsidies were granted for the construction of hostels for the aged (1972). In addition, subsidies were given to organizations providing services and facilities for the aged which would allow them to remain longer in their own homes (1970-72). Despite these measures there was still a need for low-cost accommodation for the aged, particularly for those who are entirely dependant on their pensions. In August 1972, the National Survey of Income carried out by the Australian Bureau of Statistics for the Commission of Inquiry into Poverty, indicates that 5 per cent of the aged community is both below the "poverty line" and either living in rented accommodation or boarding.\footnote{Data obtained from computer tabulations provided by the Australian Bureau of Statistics.}

Other sections of the aged community have benefited by the Commonwealth's move towards the provision of more non-pension benefits in the 1960s. In particular, pensioners with children (1965); those with a non-pensioner spouse (1965 and 1972); and those who were married and who paid a small rent (1965 and 1972) were beneficiaries.

But the welfare net was not without holes. Aged migrants who could not satisfy the residency test were, perhaps, the group most in need of special Commonwealth assistance in the early 1970s.
PART IV

CONCLUDING OBSERVATIONS
INTRODUCTION

Within the context of increasing aged poverty, an overburdened voluntary charitable relief system, and the blossoming of a more sympathetic public attitude towards the aged destitute, Australia's two largest states introduced non-contributory and selective age pension schemes in 1900. The compulsory-contributory principle, which was then in its infancy, had been rejected as an impractical ideal. However, as the concept of social insurance matured its appeal widened. But still it failed to take root.

Australia stood steadfast in the face of repeated attempts to introduce a comprehensive compulsory-contributory system of social security. Pressure groups, economic and political crises, and wars, all connived to defeat the social insurance cause, which was finally brought to its knees in the mid 1950s.

Few changes were made to the Australian age pension scheme up to the 1940s, after which important changes were numerous.

THE NEED FOR A NEW APPROACH TO AGED POVERTY

Aged poverty was not a serious social problem before the 1890s. Certainly there were pockets of destitution, but, by an large, those in need of assistance could be cared for by indoor-relief institution and voluntary charitable relief organizations. The prevailing social philosophy seems to have been that the individual could be expected to foresee and provide for all the contingencies of his old age. With the 1890s, however, came a new set of circumstances.

The demand for charitable relief by the aged increased
markedly in the first half of the 1890s. This was the product of two factors. First, there was a noticeable aging of the Australian population, caused largely by the influx of migrants in the 1850s. Secondly, the incidence of aged destitution increased as a result of the depression that began early in the 1890s. Increased unemployment amongst the aged, reduced family assistance for aged relatives, and the loss of savings due to the 1893 financial crisis, all lead to the inevitable result that more old people sought refuge in the government-operated benevolent asylums and requested out-door relief from voluntary relief agencies.

As the 1890s progressed expressions of discontent with the existing charitable relief systems became more frequent and more vehement. Of particular concern was the problem of overcrowding and the imprisonment of the aged destitute. At the same time, a more sympathetic attitude towards the aged poor was emerging. No longer were they considered "immoral", "indolent" or merely "lacking in incentive". The long-dominant work ethic was being challenged, particularly by those in the developing political wing of the labour movement, who persuasively argued that poverty was the product of social, economic and political forces.

There seems little doubt that public hostility to greater government intervention in welfare matters was weakened as a result of the 1890s depression. It was recognized, perhaps for the first time, that unemployment may not be merely a temporary aberration after all, and that poverty could exist despite an eagerness to work and save. Within this context, politicians began to re-examine the
appropriate role of the state in welfare matters.

A POLICY FORMULATED: 1895 - 1908

When the Victorian and New South Wales Governments began their search in the mid 1890s for an appropriate welfare policy for the aged, they had three objectives in mind. First, to supplement the relief provided to the "deserving" aged poor by relatives and voluntary charitable agencies. Secondly, to provide this assistance in a way which would not discourage thrift and self-reliance. Finally, to limit the expenditure on such relief to a "fair" and "reasonable" amount for the community to provide.

A wide variety of policies were suggested. Of these the more important were: in-kind transfers (such as improved indoor and outdoor relief facilities), means tested or universal non-contributory age pensions; and finally, cash transfers financed by actuarially-related compulsory contributions.

The in-kind transfer approach was rejected because it was believed that it would not attack the basic cause of poverty, although it was recognized that it might remove some of the more obvious signs.

The actuarially-related cash transfers approach was, with great reluctance, rejected as an impractical ideal. This approach, although it promised to encourage thrift and promote a sense of independence and self-reliance within the community, was found wanting because of administrative and financial difficulties. It was believed, for example, that it would be too costly to administer. Furthermore, it was agreed that it would not solve the immediate
aged poverty problem nor would it cater for the unemployed, the sick, the widowed and the married woman, none of whom could be regular contributors. Finally, it was argued that to require the payment of contributions would be politically unacceptable.

The non-contributory age pension approach thus became, by default, the only feasible alternative. It supporters argued that pensions should be considered a reward for past endeavours. The proposition that such a scheme should be universal rather than selective was rejected because it was believed that a universal scheme would be too expensive.

The first age pension scheme was introduced in New South Wales by a non-Labor Government in 1900. It provided for the payment of non-contributory, selective cash pensions to the "deserving" aged. Victoria established a similar scheme soon after, followed by Queensland in 1908. All of these continued to operate until they were superseded by the Commonwealth's scheme, which came into effect in July 1909.

By the end of the 1890s, the public provision of age pensions had become a settled political issue. Moreover, the 1898 Federal Convention had decided that the supply of such pensions should be a Federal function. However, it was not until seven years after Federation that the Commonwealth was able to find a way of financing age pensions. During those years the Commonwealth was intent on overcoming the financial constraints imposed upon it by the Constitution.

Under the Braddon Clause, the States were entitled to receive, for at least ten years, no less than three-quarters
of the net proceeds from customs and excise duties imposed by the Commonwealth. In addition, should the Commonwealth have any unspent revenue, this, too, must be returned to the States.

Many solutions to the Commonwealth's financial dilemma were offered in the years immediately after Federation. It was suggested, for example, that the Commonwealth should negotiate with the States to have the operation of the Braddon Clause modified so as to allow the Commonwealth to finance age pensions from special customs and excise duties. But the States were in no mood for co-operation. The proposition that the Commonwealth should try and have the Braddon Clause changed by a Constitutional amendment was put forward, but that was rejected. Frequent calls were made for the Commonwealth to impose alternative form of taxation, particularly a land tax. But these, too, were rejected. It was even suggested that the tobacco industry should be nationalized. Eventually, however, a solution was found.

In May 1908 the Deakin non-Labor Government introduced its Surplus Revenue Bill into Federal Parliament. This bill, among other things, defined "expenditure" to include "appropriations for future expenditure", which, if agreed to by the High Court, meant the elimination of any "surplus revenue" distributable to the States. Subsequently, the High Court did, in fact, uphold this Constitutional re-interpretation, which meant that there remained no obstacles to the establishment of the Commonwealth non-contributory and selective age pension scheme.
Under the Australian age pension legislation, the "deserving" aged poor were granted a cash allowance that provided them with a minimum subsistence income. A set of restrictive entry requirements were attached to the scheme, partly to placate those who believed that the payment of such pensions would weaken individual initiative, and partly to ensure that expenditure could be kept at a "reasonable" level.

THE SOCIAL INSURANCE ISSUE: 1909 - 1954

Despite the firm rejection of the compulsory-contributory approach to the financing of age pensions around the turn of the century, the idea of contributory cash transfers was not entirely abandoned until the mid 1950s. In fact, for most of the inter-war years, social insurance was in the forefront of the Commonwealth's social welfare policy deliberations.

The two major political grouping in Australia held, until mid 1950s, opposing views on the most appropriate method of financing social services, including age pensions. On the one hand, the Australian Labor Party believed that social services should be financed by taxes levied on the capacity to pay principle. The social insurance approach was rejected on the grounds that it would neither promote a more equitable distribution of income nor remove absolute poverty amongst those who were unable to contribute. On the other hand, the non-Labor parties favoured the introduction of social insurance, under which potential beneficiaries would contribute towards the benefits that they may receive. This approach would, it was argued, reduce the stigma that was attached to the receipt of a pension
and would promote thrift and self-reliance in the community.

Three attempts have been made to introduce a social insurance scheme. The first occurred immediately before the First World War. The second happened in the 1920s. The third, being by far the most controversial, took place in the 1930s. All of these failed, but the fatal blow to social insurance was still to come. Throughout the 1940s and 1950s the financing debate continued, albeit with much less gusto, until economic and political circumstances resolved it in favour of the non-contributory approach.

Australia's first dalliance with social insurance began soon after the Australian pensions scheme came into effect in July 1909, and ended five years later with the double dissolution of Federal Parliament.

The second, more serious attempt to introduce a comprehensive social insurance scheme began in the early 1920s. First a Royal Commission was appointed in 1923 to advise the Bruce-Page non-Labor Coalition Government on social insurance. Five years later a bill incorporating most of the recommendations of that Royal Commission was introduced into Federal Parliament. This proposal was, however, critically received. Friendly societies saw it as a undesirable competitor. The States were hostile because it extended Commonwealth powers too far. Employers were concerned because they believed that it would increase their costs. Before the Bruce-Page Coalition could reach a compromise with its opponents, Federal Parliament was dissolved, and the October 1929 General Election resulted in a land-slide victory for the Labor Party, which had
long been antagonistic to the social insurance cause. The 1930s depression supplied the background and impetus for the third attempt to introduce a comprehensive social insurance scheme. Almost from the time Lyons became Prime Minister in 1931, he seemed determined to move Australia in this direction. In September 1936 two expert advisors were brought from Britain. One was Godfrey Ince, whose brief was to make recommendations on unemployment insurance. The other was Sir Walter Kinnear, who was to give advice on health and pension insurance.

The end result of these investigations was the introduction into Federal Parliament of the 1938 National Health and Pension Insurance Bill, which became law in September 1938, although it was bitterly criticized both inside and outside Federal Parliament.

Opposition came from many quarters. The medical profession was certainly most vocal in its criticism, especially regarding the proposed doctors' remuneration. Employers, once more, feared that higher costs of production would, inevitably, result if the scheme was introduced. The States rejected it because they believed that they were not sufficiently involved in its planning. The Labor Party opposed the proposal because of its contributory nature. However, it was the hostility of the Country Party, the junior coalition partner in the ruling non-Labor Government, that finally put the 1938 proposal to rest, although the impending war cannot be entirely ignored as a contributing factor. Once more, then, social insurance had failed to take root in Australia, but its supporters were far from defeated.
In the early 1940s R. G. Menzies, a long-standing advocate of social insurance, was leading a minority, non-Labor Government which took steps to advance, once more, the social insurance cause. But he was relegated to the Opposition benches before he could proceed very far.

During the Second World War many welfare reforms were made. A wide range of new benefits were introduced, all of which were financed from the "National Welfare Fund", set up by the Curtin Labor Government in 1943, and most were financed by the "social services contribution" imposed by the Chifley Labor Government in 1946.

On returning to power in 1949, the Menzies non-Labor Government promised to move Australia, once more, towards the introduction of a comprehensive social insurance scheme. As a preliminary measure, the previously separate income tax and social services contribution were merged in 1951. Then appropriations to the National Welfare Fund were made dependent on payroll tax receipts, in an effort to give the financing of social services a contributory facade. But by early 1952, however, the Menzies Government had decided that it could no longer afford to maintain this contributions facade in the face of an annual inflation rate of over twenty percent.

It seems that by early 1953 the Menzies Government's social insurance aspirations had been somewhat reduced. Rather than introduce a comprehensive social insurance scheme, the Menzies Government was now content to establish merely a contributory age pension scheme as soon as economic circumstances permitted. But even that was abandoned in
the following year. During the 1954 General Election campaign Menzies publicly stated that Australia could not afford a contributory pension scheme, for it would involve, effectively, an increase in income tax, which would be highly undesirable on both political and economic grounds.

So, after some sixty years, the social insurance cause was put to rest. The debate over the method of financing social services, including age pensions, was resolved, not on the basis of moral principles, but as a result of economic and political realities.

THE AUSTRALIAN AGE PENSION SCHEME: 1908 - 1972

Until the 1950s comparatively few changes were made to the Australian age pension scheme, although there was a flurry of legislative activity during and immediately after the Second World War. Of the changes that did occur, perhaps the more important were: the liberalizations of the means test in the 1940s; the austerity measures of the 1930s; and the omission, in 1912, of a pension applicant's home from the means test. The reluctance of successive Commonwealth Governments to modify the existing legislation was, largely, the result of an intense preoccupation with the introduction of a broad social insurance scheme incorporating age pensions. Since 1950, however, substantial legislative changes have been made.

Without doubt the most important changes were those made to the means test. Throughout the 1950s there was only one year (1957) in which the means test was not changed. Overall, some thirty amendments were made, essentially, to reduce a penalty on thrift that the means test was believed to impose. The impact that these changes had on the growth
in the number of age pensions seems to have been quite substantial. The merging of the means test in 1961 substantially increased the exclusion of maximum pension property limit, which was a further attempt to encourage thrift. However, for the vast majority of pensioners the 1960 amendment was of little or no importance. Three further changes were made to the means test. In 1966 a differential test was created for married and unmarried persons. Three years later a tapered means test was introduced, which greatly increased the exclusion and maximum pension means-as-assessed limits. In 1972 these limits were, again, substantially increased.

Important changes were also made to two other selectivity criteria in the 1960s. In 1961 the residency requirement was halved to ten years, and in 1966 aliens became eligible, for the first time, to participate in the Australian age pension scheme.

The age pension has also been substantially increased since the Second World War. Until then, however, the Commonwealth was content merely to provide its pensioner's with supplementary cash assistance. But, gradually, it accepted more financial responsibility for them. Those who were entirely dependent on their pensions benefited by the frequent increases that were made to the maximum pension rate, particularly from the 1940s. In fact, the maximum pension has, generally, increased faster than the cost of living, at least from the end of the First World War, but since the early 1950s it has remained a relatively stable proportion of average weekly earnings. Reduced pension recipients also benefited as a result of
government actions in the 1960s. The introduction of the merged means test in 1961 and the tapered means test eight years later, both allowed pensioners receiving reduced pensions to gain a larger pension.

There has also been a marked extension in the range of non-pension benefits available to the aged, particularly since the Second World War. Amongst the more important of these were: the introduction of the Pensioner Medical Service (1951); the payment of subsidies for the construction of accommodation for the aged (1954); the provision of rent subsidies (1958); and the payment of nursing home benefits (1963).

CONCLUSION

Australia's policy towards the aged has gradually changed since the 1890s. Financial responsibility for this section of the community has slowly, and somewhat reluctantly, shifted from the family to the Commonwealth Government. This transformation has been a source of apprehension for many people. That it would lead to excessive dependance on the government and that this would discourage work effort has been a long-standing concern. The problem of reconciling the twin objectives of assisting the aged, particularly aged poor, and encouraging self-reliance has been a continuous theme in the evolution of Australia's policy towards the aged.
APPENDICES
APPENDIX A

THE DEFINITION OF NON-EXEMPT INCOME

<table>
<thead>
<tr>
<th>LEGISLATION</th>
<th>EXEMPTIONS AND DEDUCTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>17 of 1908</td>
<td>Board deduction: $26 per annum (P.A.). Cash Benefits from Friendly Societies, Trade Unions and Provident Societies.</td>
</tr>
<tr>
<td>21 of 1909</td>
<td>Allowances under the N.S.W. Miner’s Accident Relief Act.</td>
</tr>
<tr>
<td>13 of 1911</td>
<td>Compensation paid under the first schedule of the Seamen’s Compensation Act, 1911.</td>
</tr>
<tr>
<td>27 of 1912</td>
<td>Gifts and allowances from relatives.</td>
</tr>
<tr>
<td>32 of 1916</td>
<td>Board Deduction: $39 P.A.</td>
</tr>
<tr>
<td>22 of 1919</td>
<td>Board deduction: $52 P.A.</td>
</tr>
<tr>
<td>2 of 1920</td>
<td>War gratuity of interest paid under the War Gratuity Act, 1920, S.18.</td>
</tr>
<tr>
<td>15 of 1923</td>
<td>Board deduction: $65 P.A.</td>
</tr>
<tr>
<td>31 of 1928</td>
<td>Benefits received under the Australian Soldiers’ Repatriation Act, 1920 - 1922.</td>
</tr>
<tr>
<td>35 of 1932</td>
<td>Gifts and allowances only from direct relatives now exempt.</td>
</tr>
<tr>
<td>17 of 1933</td>
<td>Assistance, by way of sustenance or food relief, or work performed under any emergency scheme, or intermittent relief work provided under any law of a State or Territory. Miners’ phthisis allowance.</td>
</tr>
<tr>
<td>67 of 1936</td>
<td>Allowances received under the Australian Soldiers’ Repatriation Act, 1920 - 1936.</td>
</tr>
<tr>
<td>26 of 1947</td>
<td>Benefits under the following Legislation:</td>
</tr>
<tr>
<td></td>
<td>* Hospital Benefits Act, 1945 - 1947;</td>
</tr>
<tr>
<td></td>
<td>* Pharmaceutical Benefits Act, 1947;</td>
</tr>
<tr>
<td></td>
<td>* Social Services Consolidation Act, 1947, sections relating to Child Endowment and Maternity Allowances;</td>
</tr>
<tr>
<td></td>
<td>* Tuberculosis Act, 1945 - 1946, S.8; and,</td>
</tr>
<tr>
<td></td>
<td>* War Gratuity Act, 1945.</td>
</tr>
<tr>
<td></td>
<td>Allowances under the N.S.W. Miner’s Accident Relief Act no longer exempt.</td>
</tr>
</tbody>
</table>
A deduction of $52 P.A. for every dependant child under sixteen years of age, under the care, custody and control of an age pensioner, less any payment received by pensioners for, and in respect of the child.

69 of 1948
Benefits under the Tuberculosis Act, 1948, S.9.

26 of 1950
Benefits under the Tuberculosis Act, 1948, S.9 no longer exempt.

22 of 1951
A deduction of $26 P.A. For every dependant child under the age of sixteen years, under the control, care and custody of an age pensioners, less any payment received by that age pensioner for, and in respect of that child, except child endowment and child allowance.

41 of 1952
Benefits under the Hospital Benefits Act, 1951.
A deduction of $52 P.A. for every dependant child under the age of sixteen years, under the control, care and custody of an age pensioner, less any payment received by that age pensioner for, and in respect of that child, except child endowment and child allowance.

51 of 1953
Benefits from any organization registered under any Commonwealth Act relating to pharmaceutical, sickness hospital, medical and dental service exempt to the extent that any such benefits received are used to offset any such costs incurred.

30 of 1954
Income derived from property owned by an age pensioner except income which consists of an annuity, or is derived from a life interest in property not being the permanent home of an age pensioner or his spouse.

38 of 1955

67 of 1956
Benefits under the Repatriation Act, 1920 - 1956, payable by the Repatriation Commission to members of the armed forces as:

* Allowance for an Attendant;
* Allowance for recreation, and maintenance and running expenses of a car provided by the Commission to members of the armed forces because of a serious incapacity; and,
* Allowance for war decoration.

44 of 1958
Allowances and gifts from brothers and sisters of age pensioners.
All benefits payable by organizations registered under any Commonwealth Act relating to pharmaceutical, sickness, hospital, medical and dental services.

57 of 1959
Benefits, in the form of annuity payments from Friendly Societies and Trade Unions no longer exempt. Clothing allowances payable by the Repatriation Commission.
Amount payable by the Repatriation Commission by way of a sustenance allowance.

A deduction of $156 P.A. for every dependant child under the age of sixteen years, under the control, care and custody of an age pensioner, less any payment received by that age pensioner for, and in respect of that child, except child endowment and child allowance.

Discretionary powers given to the Director-General as to the definition of 'annuity'.

A deduction of $208 P.A. for every dependant child under the age of sixteen years, under the care, custody and control of an age pensioner, less any payment received by that age pensioner for, and in respect of that child, except child endowment and child allowance.

Superannuation pensions, unless the rate of age pensions payable is greater if superannuation pension included as part of 'property'.
### APPENDIX B

**THE DEFINITION OF NON-EXEMPT PROPERTY**

<table>
<thead>
<tr>
<th>LEGISLATION</th>
<th>EXEMPTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>17 of 1908</td>
<td>None.</td>
</tr>
<tr>
<td>27 of 1912</td>
<td>Value of home owned by age pensioner.</td>
</tr>
<tr>
<td>46 of 1931</td>
<td>Deposits in the Savings Bank Department of the Government Savings Bank of N.S.W. assigned to the Minister.</td>
</tr>
<tr>
<td>48 of 1941</td>
<td>Any property possessed by an aged person or his spouse, which, at the discretion of the Commissioner, cannot be realized except at a considerable loss because it is subject to an encumbrance.</td>
</tr>
<tr>
<td>3 of 1942</td>
<td>Deposits in the Savings Bank Department of the Government Saving Bank of N.S.W. assigned to Minister no longer exempt.</td>
</tr>
<tr>
<td>26 of 1946</td>
<td>The following items:</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>* Value of furniture and personal affects;</td>
</tr>
<tr>
<td></td>
<td>* Surrender value of any life insurance up to $400;</td>
</tr>
<tr>
<td></td>
<td>* Capital value of any life interest or annuity;</td>
</tr>
<tr>
<td></td>
<td>* Value of any contingent interest;</td>
</tr>
<tr>
<td></td>
<td>* Present value of any reversionary interest up to $1,000;</td>
</tr>
<tr>
<td></td>
<td>* Value of any property, not being a contingent or reversionary interest, to which a person, or spouse is entitled from the estate of a deceased person which has not, as yet, been received; and,</td>
</tr>
<tr>
<td></td>
<td>* Any charge or encumbrance lawfully existing on property which has not already been exempted.</td>
</tr>
<tr>
<td>26 of 1947</td>
<td>The following items:</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>* Value of any war gratuity;</td>
</tr>
<tr>
<td></td>
<td>* Return from the sale, by a pensioner, of his house used to offset the payments made by him on another house;</td>
</tr>
<tr>
<td></td>
<td>* Insurance moneys received, by an age pensioner or his spouse, in respect of damage of his permanent home, and being used to re-build that home; and,</td>
</tr>
<tr>
<td></td>
<td>* Value of land upon which house is re-built.</td>
</tr>
</tbody>
</table>
Part of encumbrance on exempt property; where a charge or encumbrance exists on exempt property and the same charge exists on other non-exempt property, then the amount to be exempted will be such that the proportion of the exempt property charge to the total property charge must equal the proportion of exempt property to total property.

Surrender value of any life insurance up to $1,000.

Surrender value of any life insurance up to $1,500. Present value of any revisionary interest up to $1,500. Director-General given discretionary powers to disregard any item of property not already exempt.

The capitalized value of a superannuation pension included in non-exempt property, unless the rate of age pension payable is greater if superannuation pension included as part of "income".

Surrender value of any life insurance up to $1,000.

Surrender value of any life insurance up to $1,500. Present value of any revisionary interest up to $1,500. Director-General given discretionary powers to disregard any item of property not already exempt.
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