3

Demographic Change in Australia and Its Social Consequences

Peter McDonald

Introduction: Is demographic change exogenous or endogenous?

The title of this chapter is based on an assumption that demographic change is exogenous to social, economic and environmental change. The chapter may well have been titled: 'Social change in Australia and its demographic consequences'. It is very common especially for economic modelers to assume that demographic change is exogenous. In their models, demography is the 'front end'. It is determined and then fed into the model. There are no feedbacks. This is not consistent with reality.

There are three essential demographic elements: births, deaths and migration. Migration is influenced very heavily by economic and social causes. In Australia, there has always been a very close relationship between the demand for labour and international migration. Migration surges in boom times (with a lag) and falls in recessions. Because of the nature of the business cycle, a gradually increasing boom followed by precipitous collapse, the lag is important. The largest number of migrants in a business cycle usually comes into the country at the depth of the recession because of the lag in the migration stream. For example, most migrants coming into Australia in 2008 submitted their applications in 2007 and many received their entry visas in 2007. They are arriving primarily in response to massive labour demand in Australia during the boom. The effect is that, in this year of recession, Australia will have the highest level of net migration in its history. In the current recession, the Rudd Government has followed the course of all previous governments in times of recession. The skilled migration intake was reduced twice, once prior to the May 2009 budget and again in the budget itself. I shall return to international migration below; here I am simply making the point that migration is endogenous to the state of the Australian economy.[1]

In other countries, there are strong social determinants of migration. This is especially the case in countries that see large-scale migration as a cultural threat. These countries have laws and regulations in place that are designed to restrict migration. However, after 20–30 years of very low birth rates, many of these countries had been facing considerable labour shortages prior to the 2008 recession and it has been difficult for them to resist the temptation to turn a blind eye to schemes to get around the law or to not prosecute breaches of the law. In recent years, for example, there has been substantial migration to Japan from China, Brazil and Bangladesh, often to provide low-wage factory labour. Likewise, Spain and Italy have become two of the largest migrant-receiving countries in the world. Australia has had its incidents of cultural paranoia about immigrants but, in relative terms, it is relatively free of these currents.

From the nineteenth century until today, fertility rates in almost all countries have fallen sharply, although there was a period in advanced economies when birth rates rose, the baby-boom period. Many countries today have extremely low birth rates—under 1.5 births per woman.[2] Birth rates at these very low levels have devastating impacts on age structure in a relatively short time frame. Japan, for example, is facing a fall in its labour supply over the next thirty years of some twenty million workers.[3] These movements in fertility very obviously do not simply happen. They have social and economic causes. However, the causes are much more complex than the causes of migration. Interpretation of fertility trends is also plagued by what demographers call 'tempo effects'.[4] Social and economic factors not only affect the number of children that women have, they also affect

when they have them. The postwar baby-boom was caused more by women having their children at younger and younger ages than by rises in the numbers of children that they had. In today's situation of very low fertility, the first interpretation of demographers was that very low fertility rates were just a temporary phenomenon caused by increased delay of the first birth. It was presumed that, with time, the fertility rates would rise again as the delayed births took place. However, by today, it is evident that fertility rates in many countries have not risen again over a twenty year period and that completed cohort fertility rates are now moving to very low levels.[5] Thus, attention has returned to seeking the social and economic causes of very low fertility rates.

Finally, there has long been a strong positive relationship between living standards and expectation of life, although not a perfect correlation.[6] Some relatively poor countries have moderately high expectations of life because they choose to invest their financial and human capital in health systems (the needs-based approach to poverty). Thus, mortality also has economic and social determinants. In Australia, as living standards rise over the next decades, expectation of life can also be expected to rise.

However, there is one demographic feature that does have strong features of exogeneity. This is the age structure of the population. For many years to come, the future age structure is encapsulated in the current age structure. The ageing of the Australian population that is just about to come upon us is the result of two trends: one long past and the other more recent. Ageing is caused by the baby-boom cohort born in the 1950s and 1960s replacing the much smaller cohorts born in the 1930s and 1940s, a history of births spanning eighty years. However, although this trend was already obvious in the 1970s, the 1975 National Population Inquiry did not feature ageing of the population as an important future trend because it assumed in its projections much higher birth rates and death rates than have in fact occurred over the past thirty years. About a million Australians are alive today that would have been dead if the death rates assumed in the 1975 projections had been sustained. And there would have been some three million more people under the age of thirty if the birth rates assumed in 1975 had continued until today.[7] Many fewer people

at younger ages plus many more people at older ages equals rapid ageing.

Ageing is influenced primarily by the history of past birth rates that determine the initial numbers that enter each birth year cohort. Mortality rates have almost no impact on age structure at younger ages but future variations in mortality can have a substantial impact on the numbers of persons aged eighty years and over. The impact of immigration upon the age structure of the population is contingent upon the level of the birth rate. If the birth rate is well below the level that leads to replacement of the population, immigration can have a sizeable impact upon the age structure of the population. If, on the other hand, the birth rate is around the replacement level, immigration has a very minor effect upon age structure. In Australia in the future, we can expect the birth rate to be relatively invariable, between about 1.9 and 1.7 births per woman, or 8 to 17 per cent below the replacement level. The Australian birth rate has been in this range for the past thirty years and there is little indication that it will move out of this range in the next thirty years. It can also be expected that immigration will at least make up the shortfall in births relative to the replacement level of births. Because Australian fertility is below the replacement level, immigration or, more precisely, net overseas migration (NOM), can have a small effect upon future age structure.[8]

Ageing of the Australian population

For the reasons just described, substantial ageing of the Australian population is absolutely inevitable over the next thirty years. However, the degree of ageing is not inevitable. If the fertility rate and the level of net migration were to remain constant at present levels until 2054, the proportion of the population aged sixty-five years and over in 2054 would be 23.3 per cent compared to 13.2 per cent in June 2007. However, if the projection had been made using constant fertility and migration as in 2001, the proportion aged sixty-five years and over in 2054 would be 26.7 per cent assuming a relatively conservative increase in expectation of life for females to 88.3 years in 2054. Thus, the change in the demographic parameters in the recent past makes a 25 percentage point difference to the extent of future ageing (77 per

cent increase in the proportion aged sixty-five years and over compared to a 102 per cent increase). The lower outcome is desirable from the viewpoint that GDP per capita would be higher than under the lower outcome scenario; however, the total population size would be higher under the lower ageing scenario.[9] A higher population obviously reduces the potential for reduction of carbon emissions but, with the right policy settings, a healthier economy has the opposite effect. Where the balance lies depends upon the policy settings. The point to be made here is that demographic approaches to mitigate ageing can have wider consequences. That being said, under either scenario for ageing, the population ages considerably. I now turn to some potential impacts of an ageing population.

The costs of ageing

The Commonwealth Government's 2002 Intergenerational Report (IGR) was presented in terms approaching crisis in relation to the future costs of ageing. The crisis mentality was generated to support immediate cost cutting measures in the health system particularly the cost of pharmaceuticals. By the second IGR in 2007, the sense of crisis had dissipated and this was largely because of the changed demography as just described. In addition, there was less concern associated with rising health expenditure.[10] In relation to ageing, Australia is in a relatively favourable position compared to most other advanced economies because it will not be as old as most European countries and because its pension system is more affordable than European countries that have social insurance systems with high replacement rates. Most of these European systems were already heading for insolvency before the 2008 economic crisis. The economic crisis brings their insolvency closer.

Over the past fifty years, the income expectations of aged people in Australia have been modest. Full home ownership and the age pension have been regarded by most aged people as providing an adequate standard of living. The indexing of the age pension to 25 per cent of average weekly earnings set in place by the Howard Government early in its lifetime plus increased rates of home ownership have made today's aged pensioners better off than any previous aged generation in Australian history. Aged persons today are also considerably better off than younger people in the private rental

market that are on unemployment benefit income. Yet, at present, we are witnessing the strongest and most organised push by aged pensioners to increase their incomes from government that Australia has ever seen. The demand is to index the aged pension to 35 per cent of average weekly earnings. There is no justification for this claim in relation to increased costs relative to income. Over the past decade, the real value of the aged pension has increased considerably. The only possible explanation of the new demands is that expectations of income adequacy have increased with the new generation of aged persons. Aged pensioners demanding a 40 per cent increase obviously want to do much better than simply keeping up with the increase in wages of the working population.

In the past, the aged have been considered to not be a strong political lobby group because they were divided in their political loyalties. Now, we seem to be witnessing the emergence of an aged lobby that transcends the conventional left-right political division. A large increase in the aged pension would reduce incentives for self-provision and would be a new incentive to early retirement. Those on relatively low self-funded retirement incomes would also be disadvantaged most especially because they did not spend their nest egg at a younger age. A large increase would also undermine any attempt to increase the Superannuation Guarantee. Why would employers increase the guarantee by six percentage points if the government is increasing the aged pension by forty percentage points? As the troublesome Disability Support Pension is tied at present to the level of the aged pension, unless this nexus was broken, there would be a huge incentive for people on DSP to remain on it and for new movements onto the DSP. All this would add further to the costs of ageing. We may then see a return to the crisis approach in the 2012 IGR. This will be an interesting test of the Labor Government's resolve.

In the absence of massive increases in pension incomes from government, the main costs of ageing are the increased health costs. This is in turn the result of new technologies including new drugs and gene therapies that at great expense will be able to make a considerable difference to the lives of older persons. Given the approach of the new generation of aged persons to their income level, we can hardly expect them to be less demanding in respect of new health technologies, and nor should they be. If it's there, they will

want it and they will want it highly subsidised. Once more then, the costs of ageing may be much greater than has been estimated in the IGR which effectively assumes constant tastes.

Intergenerational implications of ageing

There are intergenerational implications of ageing at both the macro and the micro levels. At the macro level as just argued, we can expect considerable increase in the transfers from younger generations to the older generation through the tax-transfer system. There is a question about the extent to which this will be tolerated by the younger generations. As with the aged, there are likely to be political demands from a younger generation that transcend traditional political divisions. The aged composition of marginal seats may not be of much significance compared to the broader social argument about appropriate levels of taxes and transfers.

Most of the next generation of aged persons will have children and grandchildren. If they are better off in income terms than past generations of older persons as seems almost certain, the level of private transfers to the next two generations is likely to be much higher than the already relatively high levels today. This implies an extension of private dependency between generations. Thus, we have the potential that a younger generation will be required to make public transfers to the older generation and then, in a dependent sense hope to receive some of these transfers back through private transfers. Those with wealthier parents will do better in this regard and so this 'system' could increase income inequality among the working generation. Also, adults like to be economically independent and may react to their extended dependency upon the older generation. The size and direction of flows would become much clearer through the development of National Transfer Accounts.

Labour force participation of older persons

In the next two decades, the baby boom generation will pass into the early years of old age. They will be large in number, relatively healthy and relatively well-off compared to past generations of older people. Some may work beyond age sixty-five and labour force participation rates beyond age sixty-five have been increasing sharply over the last decade. Male labour force participation for those aged sixty-five and over has increased from 10.2 per cent in 2000 to 14.7 per cent in 2008. This trend can be expected to continue because participation in the age group 60–64 has increased even more (from 46.5 per cent in 2000 to 57.7 per cent in 2008). The changes for women are even more remarkable. For women aged sixty-five and over, labour force participation has increased from 2.9 per cent in 2000 to 5.6 per cent in 2008. At ages 60–64, participation for women has increased massively from 21.7 per cent in 2000 to 37.6 per cent in 2008.[11]

While government has been attempting to increase labour force participation at older ages, the increases in participation observed in the past eight years do not have much to do with government policy. Instead, they reflect a range of circumstantial and attitudinal changes. Jobs today are less physically demanding. The next generation of 55-year-olds started work later than their older peers, so, if they work the same years, they will also end later. More people are self-employed or have a higher degree of autonomy in their work. The current generation is healthier and more aware of the long years that remain in their lives. The coming 55–64 year age group had their children at later ages and their children will stay financially dependent for more years. Simultaneously, they may have financial responsibilities for their own parents and maybe for their grandchildren as well. Being the baby-boom generation, they have expectations of higher living standards in retirement than their parents had. The Aged Pension alone is not enough. And the years on retirement income will be longer. If they work longer, they will be able to have higher incomes when they retire. Because of cohort changes in women's participation, the wives of 55-64 year-old men will be more likely to be working in the future: wives will be less likely to be dragging their husbands out of the labour force. The next generations of 55–64 year olds have lives that are more 'work-defined' and they like their jobs more than previous generations did.[12]

More specifically, in the 1990s, labour force participation at ages 55–64 were low because many of those who had been spewed out of manufacturing industry in the 1980s had never been able to return to work. This generation is passing into the retirement ages. The downturn in the stock market in 2008 and its impact on retirement investments will induce many people to keep working at least until they can see their investments rising in value again.

Consumption expenditure of the aged

As argued already, the next generation of aged persons will expect higher living standards in retirement than their predecessors. They will also be healthier and wealthier than their predecessors. The inevitable consequence is a reshaping of consumption expenditure in Australia. The consumption of the young aged will also stimulate labour demand in retail, recreational and leisure industries. While these are the industries worst hit by the economic downturn, the longer term outlook for these industries is not as negatively impacted by ageing of the population as is generally assumed.

Housing and locational aspects of ageing

For the next twenty years, the aged will not be dying off in large numbers. This will keep housing demand high in these years but demand will start to come off after twenty years as aged persons start to die in much larger numbers. In the coming two decades, most older people will remain in their existing houses but, depending upon income level, they may engage in house renovation. If the baby-boom generation in retirement moves to coastal areas to the same extent as the previous generation of older people, coastal areas will grow very rapidly indeed and, over the next two decades could become impossibly old, that is, there would be insufficient workers to adequately service the older population in coastal areas. While the increased cost of coastal housing may slow down this trend, there is likely to be an issue of labour shortages in coastal regions in the future.

Growth of the old-old

Much lower rates of mortality will mean that the age group eighty-five years and over will be the fastest growing age group. The key question here is what will be their level of dependency? Will they continue to remain relatively healthy until the last couple of years of their lives or will they have longer periods of disability and illness? The balance of research suggests that the period of dependency will increase and this is an important issue for families and governments.

Increased levels of immigration

Besides ageing of the population, the other highly predictable demographic trend for Australia is increased levels of immigration. In

2006–07, Net Overseas Migration rose to an unprecedented level of 233 000. In 2007–08, it could be as high as 280 000. Until quite recently, net migration in the order of 90 000–110 000 was regarded as normal. In its most recent set of population projections, the Australian Bureau of Statistics increased its 'medium' level projection of net migration to 180 000 from the 110 000 that had been used in the projections made two years earlier.

Immigration, as argued above, is driven very largely by labour demand. In recent times, a secondary driver has been the large increase in overseas students in Australia, although this also has some of its roots in labour demand as most overseas students are employed. Many overseas students (or their families) take out loans to finance their education but they expect that they will pay off these loans through paid employment during their studies in Australia. Most also are looking for conversion to permanent residence in Australia. A more cynical view of overseas students in Australia is that they are actually part of a very large scale guest worker program that has elements of training attached to it and potential for permanent residence.

The current economic downturn will lead to reductions in some of the categories of immigration. The Government has already announced a small cut to the skilled migration component of its program In addition, there are indications that the number of applications for Temporary Long-term Business Visas (subclass 457) are dropping sharply. On the other hand, student arrivals continue to rise as do the numbers of working holiday makers. It can be predicted that the fall-off in migration during this recession will be smaller than has been the case in earlier recessions.

Once the downturn has passed, a heavy labour demand for Australia can be predicted on the basis of the following requirements. New infrastructure for water, transport, energy supply, ports, housing and office space, and state-of-the-art communications will be demanding of engineers and construction workers. The carbon emission reduction scheme will tend to increase employment more than it reduces employment as we switch to new forms of energy production and other means of combating climate change. Mining expansion driven by development in China and India in particular will require managers and mining engineers through to truck drivers, port and

railway workers. Most of the new required workers will be supplied from domestic sources but they will need to have leading-edge training, hence, more teachers and educators will be required. The demand for health workers is strong and will continue to be so. The growth of the aged population will generate increased demand in all types of consumption-based service industries and in the health sector. In general, rising living standards will create new demand for labour, especially in consumption and service industries. A definition of living standard is that you can pay someone to do something for you. And new ways of living our lives will create jobs that do not exist today. As argued below, the only way in which this increase in labour demand will be able to be met will be through immigration and this will lead to sustained population growth. Population growth in turn has a multiplier effect upon the demand for labour. The additional population must be fed, clothed, housed and generally entertained. All in all, once the recession passes by, we can expect a return to a very strong demand for labour in Australia.[13]

The expected supply of labour from domestic sources alone can be expected to be low compared to demand. Without immigration, Australia's labour force growth would be negative today. While it is sometimes argued that increases in labour force participation rates can accommodate future labour demand, this is not the case. This is indicated in the labour supply projections shown in Table 1. The table shows the size of the Australian labour force in 2047 under three assumptions of future levels of net overseas migration (NOM) and the following three assumptions about future labour force participation:

Current:
Age and sex specific labour force participation rates applying in April 2008 are assumed to remain constant.

Maximum:
Age specific rates for males aged 25–54 return to 1980 levels and rates for those aged 55 and over increase towards current world maximums. Rates for females are set at those for Sweden in 1995. The transition to the maximum levels takes place between 2007 and 2030. Beyond 2030, rates remain constant at the maximum level.

Average:
Arithmetic average of the current and maximum assumptions.

Table 1: Size of the labour force in 2047 under varying assumptions of migration and labour force participation.

Net Migration ('000s per annum)	Size of the Labour Force (millions) in 2047[a]		
	Current Participation	Maximum Participation	Average Participation
0	10.2	11.1	10.7
190	15.5	16.9	16.2
260	17.5	19.1	18.3

[a] NOTE: current labour force size is 11.0 million.
Source: McDonald, P. and Temple, J. 2009, Demographic and Labour Supply Futures for Australia, www.immi.gov.au/media/publications/research/pdf/demo-labour-supply.pdf

The table shows that participation changes, even maximum possible changes, have only a marginal impact on future labour supply compared with variations in NOM. With maximum participation and zero migration, the labour force in 2047 would be the same size as it is today. However, if participation were to rise to around the average level (the most likely scenario) and migration was sustained at its present level of around 190 000, the labour force would grow by almost 50 per cent by 2047. Furthermore, GDP per capita would be ten percentage points higher in 2047 if NOM is constant at 180 000 over the next forty years than if NOM were to be zero in this period.[14] All in all, NOM is very likely to be sustained at least around current levels for many decades to come. This, in combination with sustenance of the recently higher fertility levels and lower mortality will mean that Australia's population by mid century will be a lot higher than official projections have indicated in the past. The most recent official projections of the ABS for the first time acknowledge the likelihood of this much higher population.

What are the social implications of sustained high levels of immigration? We can ask: where will the additional population be located and from which countries will the immigrants come? In answer to the first question, there is a strong likelihood that future population growth will be higher in the two growth states

(Queensland and Western Australia) than in the other states and territories. In recent years, there has already been a shift in migration from overseas to these two states and away from New South Wales. There has also been considerable internal migration from New South Wales to Queensland (but not to Western Australia). Interestingly, a very large proportion of Statistical Local Areas (SLAs) in Queensland and Western Australia outside of Brisbane and Perth have a higher proportion of their residents born overseas than Australia as a whole. The face of Australian immigration being Sydney and Melbourne is in a process of transition.

With this broader spread of international migrants across the country, a sharp divide is also emerging in the countries from which they come. The new migration to Western Australia and Queensland, at least until recently, has been dominated by movement from the United Kingdom, New Zealand and South Africa. In contrast, immigration to New South Wales and Victoria is heavily Asian in origin. This is evidenced by the stock of population from each country of birth in each region of Australia in 2006 (Table 2). Those from China and India are heavily concentrated in Sydney and Melbourne while, in relative terms, there are much greater representations of those born in the United Kingdom, New Zealand and South Africa in Western Australia and Queensland. A number of SLAs in Perth have very high proportions of their populations born in the United Kingdom. The SLA of Joondalup North in the north of Perth has 24 per cent of its population born in the United Kingdom. This is the highest percentage that any one birthplace group represents of the total population of any SLA in Australia.

If immigration were to continue at a high level and if the source countries from which the immigrants come continued to be divided in the way that they have been over recent times, in the long term, the character of the Australian cities and their regions would vary considerably from each other. The same statement could have been made about southern and eastern European migration in the 1950s and 1960s but migration from these countries largely ceased as larger numbers started to arrive from Asia. But then again, the five countries shown in Table 2 are likely to remain the major sources of immigrants to Australia for many years.

Table 2. Distribution of selected birthplace groups across regions of Australia 2006.

Region	Percentage of Australians with this birthplace living in each region				
	United Kingdom	New Zealand	South Africa	China	India
Sydney	16.8	20.7	27.1	52.8	36.0
NSW Balance	8.8	6.6	4.5	2.3	2.8
Melbourne	14.9	13.4	16.5	26.5	34.4
Victoria Balance	4.6	2.9	2.0	0.9	1.4
Adelaide	9.2	2.2	3.5	3.7	4.2
South Australia Balance	2.3	0.7	0.8	0.2	0.5
Brisbane	9.2	18.7	12.3	5.5	5.1
Queensland Balance	10.0	19.6	9.7	1.8	2.4
Perth	16.2	8.7	17.9	3.7	9.5
Western Australia Balance	3.4	3.5	3.2	0.2	0.8
Other	4.6	3.0	2.5	2.4	2.9
TOTAL	100.0	100.0	100.0	100.0	100.0

Source: Derived from 2006 Census of Population and Housing.

Fertility and societal arrangements of work and care

The nation's fertility rate does not just happen according to some statistical trend as is often assumed by those that project it. Indeed, explanations of fertility trends are exceptionally complex. Changes in the timing of births can influence cross-sectional fertility without there being much change in the number of children that women are having across their lifetimes. Sweden is the classic example of cohort lifetime fertility that has been almost flat for fifty years (at 2.0 births per woman) but cross-sectional fertility that displays the features of a roller coaster. The roller coaster pattern has been caused by long swings in the timing of births, sometimes policy driven. However, it is cross-sectional fertility that determines the number of births in a year, the number required for planning processes.

Beyond timing, a great deal of effort around the world is being directed towards explanations for the persistence of very low fertility rates in many countries. The most common explanation is the incompatibility of work and care arrangements. This explanation now has a lot of traction and governments are moving to change existing arrangements because of the serious effects that sustained very low fertility has upon populations, age structures and labour forces. Already, some forty countries have pronatalist policies in train.[15] This could be seen as an example of a demographic condition influencing the social and political, however, it is the nature of society that leads to the demographic condition (very low fertility) in the first place, hence the endogeneity of fertility.

The likely outcomes of very low fertility are that we shall see better arrangements for workers attempting to balance their work and family commitments. This means accessible, affordable, quality early childhood education and care and family-friendly working conditions such as paid parental leave at the birth of a child, paid carer's leave and flexible working arrangements including more control by workers over their hours of work. We can also expect more support for families with children through the tax-transfer system and more child-related services.

Economic restructuring, risk aversion and fertility

The fertility outlook has also been affected by economic restructuring that has occurred over the past three decades. Globalisation and sharply rising education levels have created high economic aspirations among young people. At the same time, the competitive nature of labour market deregulation has led to a wider variation in their earnings and career stability and progression. Engagement in the deregulated labour market is now seen as involving greatly increased risk. Under these conditions, young people tend to become risk-averse, that is, they follow pathways that have lower risk. Any recent economic shock, such as the bubble economy in Japan in the 1990s, the 1997 Asian financial crisis and the current global economic crisis, adds both to the sense of risk among young workers and to the determination of employers to protect their enterprises through reduced employment security of workers. While, at an individual level, early labour market success can promote earlier family formation, the societal balance is toward later achievement of economic security, in a context where security is defined within an environment of greatly enhanced economic aspirations.[16]

Investment in one's human capital (education and labour market experience) is seen as the essential hedge against these risks, the optimal path of risk aversion. This investment involves considerable commitment to self and to one's employer, especially through long work hours, in opposition to a commitment to more altruistic endeavours such as service to family members and family formation. As a consequence, family formation is put on hold while human capital is accumulated. While family formation remains the goal of most people, within the context of the opportunities and risks of the economic restructuring it can be delayed to an extent that achieved fertility falls short of individual preferences.

There is good reason to believe that the very low fertility rates that prevail in advanced East Asian economies are at least partly driven by the increased sense of risk.[17] As yet, this has not been evident in Australia but, if the present financial downturn were to continue over a number of years, there would be a similar shift to lower fertility in Australia.

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Notes

1 McDonald and Withers, *Population and Australia's Future Labour Force Policy.*
2 McDonald 2006, 'Low fertility and the state'.
3 McDonald and Kippen, 'Labor supply prospects in 16 developed countries, 2000–2050'.
4 Bongaarts and Feeney, 'On the quantum and tempo of fertility'.
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15 United Nations, *World Population Policies 2007.*
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4

Risk and US Social Policy: The Road from the New Deal to the Bad Deal

Howard Karger

This chapter examines how the appetite for increased risk among Americans was engineered through a concerted effort by conservative politicians and influential think tanks. The chapter focuses on a few specific areas where increased levels of risk have been influential in shaping that domain. Specifically, the chapter looks at five areas where risk has dominated US public policy: (1) ideology, using conservative think tanks to create a risk-friendly social paradigm; (2) arresting the growth of the US welfare state; (3) solidifying the private sector approach to health care; (4) dismantling public assistance; and (5) attempts to privatise Social Security.

A long-held view in some quarters characterises the US welfare state as 'exceptional' by virtue of its meagre benefits.[1] Academics and policy makers who claim the US lacks a comprehensive welfare state typically point to the absence of national health care and family allowances. While government health care and family support programs are poorly developed in the US, the role of indirect support for families through tax relief and tax deductions for medical expenses is often ignored, as is the significance of Medicare, Medicaid, and other state and local health care programs. Jacob Hacker[2] evaluated the extent to which private sector health and welfare benefits effectively