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ON SICKNESS DAYS AND SOCIAL POLICY

Francis G. Castles

Discussion Paper No.25, June 1991

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### **Abstract**

In the comparative social policy literature, the Australian welfare state has, with only a few exceptions, been characterised as lagging far behind most other advanced nations. After providing a survey of the main themes of that literature, the paper uses the example of paid compensation for periods of absence from employment due to sickness to illustrate the complexities of characterising Australian social policy development in comparative perspective. Whilst Australia is shown to have been a late-comer in providing social insurance for sickness and as remaining an exceptionally low spender on social insurance sickness benefits, it is also shown to have developed a very different, and, until quite recently, not necessarily inferior, social policy strategy for catering to the sickness needs of its population.

## Critics and Defenders of the Australian Welfare State

Australia's welfare state has not generally had a good press in the literature of comparative social policy. The usual critique has stemmed quite naturally from the predominant focus of the comparative public policy literature on welfare outputs measured in terms of expenditures. On this criteria, the bigger the expenditure, the better the welfare state and, by this bench-mark, Australia fails egregiously. Using standard OECD data (OECD, 1990), Australia, *circa* the mid-1980s, had the lowest level of social security transfers as a percentage of GDP of any other advanced nation other than Iceland and only performs marginally better with respect to the more encompassing category of total outlays of government as a percentage of GDP, being ranked as the eighteenth lowest spender of 22 nations. Moreover, in terms of transfers, at least, Australia's performance relative to the rest of the world has been declining rather than improving. In 1960, whilst far from being a welfare leader, Australia did, at least, spend more than Finland, Greece, Japan, Portugal, Spain and the USA. In 1985, she spent less than any of them.

In the very recent comparative literature on welfare state development, there has been a shift from an emphasis on expenditure outputs to a focus on the social policy instruments conferring welfare rights. This new approach builds on T.H.Marshall's well-known conception of a progression from civil to political to social rights of citizenship (Marshall, 1975). In work largely emanating from the Swedish Institute of Social Research and most closely associated with the writings of Gøsta Esping-Andersen and Walter Korpi, develops the

notion of social policy rights as a means to the 'de-commodification' of capitalist market relationships. De-commodification may be seen as "the extent to which individuals and families can uphold a normal and acceptable standard of living regardless of their performance in the labour market" (Esping-Andersen and Korpi, 1984, 183). Different social policy instruments - i.e. the structuring of benefits in terms of the extent to which they replace income and the conditions under which they are conferred - determine the extent to which workers are free to opt out of the labour market nexus and, hence, their rights *vis-à-vis* the market.

Unfortunately, the shift from expenditure to social rights has done nothing to rescue the reputation of the Australian welfare state. On the contrary, Australia appears to be the *bête noire* of this school. In the most elaborate exposition to date of this school's views, Esping-Andersen locates Australia as having the lowest degree of de-commodification of any advanced country across the whole spectrum of social insurance benefits, coming bottom of the distribution in respect of pensions, second bottom in respect of unemployment benefits and equal second bottom with regard to sickness benefits (Esping-Andersen, 1990, 50-52). Low replacement rates, obviously empirically linked to low total expenditures, are one reason for this result, but, from the perspective of this almost exclusively Scandinavian critique, the main culprit is the prevalence of means-testing in Australian social policy provision, which is seen as severely restricting the coverage of most Australian social security benefits and subjecting all beneficiaries to the demeaning status of objects of state charity in a way which is the very opposite social citizenship. Together, low expenditure and the weakness of social rights, have been generally regarded by social policy

critics, both domestic and foreign, as justifying the label of 'residual' for an Australian welfare state in which benefits are only "provided by the State when the normal structure of supply - the family and the market - fail to cope" (Graycar, 1979, 10).

There have been a few attempts to defend the character of Australian social policy from within the Australian social policy community, either in terms of its 'modernist' focus on the needy (see Jones, 1983, 311-12) or its radical origins and a supposedly reattained egalitarian emphasis brought about by the Hawke government's targetting strategy (see Cass and Whiteford, 1989, 273-303). However, the only partial defence to originate in the mainstream comparative literature is to be found in my own work and, more recently, in that of Mitchell and in findings we have produced jointly. Whilst I have been a trenchant critic of both low levels of expenditure (see Castles, 1987) and of means-testing (Castles, 1987a), I have also offered an interpretation of the Australian welfare state, which locates Australia's distinctiveness in these respects as an artifact resulting from social policy development along rather different lines from the majority of Western nations.

In this view, early economic modernisation, leading to an extraordinarily high degree of labour movement mobilisation in the early years of the century, resulted in the emergence of what I have called the "wage-earner's welfare state" (Castles, 1985), that is a system of social protection focussing on those in employment and providing benefits not through the social insurance mechanisms typical of the European welfare states, but rather through the wages system. The 'wage-earner's welfare state' no less than its European counterparts is a product of state intervention, but the intervention is

through the agency of the arbitration system's guarantee of a 'living wage' sufficient to cater for "the normal needs of average employee regarded as a human being living in a civilized community" (2 C.A.R., 3). By offering a guarantee based on explicit social policy considerations and intended to provide for the needs of the average wage-earner with a wife and up to three children, Mr Justice Higgin's "Harvester" Judgement of 1907 may be regarded as obviating the requirement for a welfare state on the European model, where the rationale was to remedy the short-comings of the wages system. In principle, if not always in practice, the Australian social policy model implied that insofar as all members of the society were attached by ties of dependence to a wage-earner, they would have access to adequate social protection. Only where potential wage-earners could not find work or where such ties of dependence had broken down would the wage-earner's welfare state become less adequate. In my view, it was not the low expenditures or means-testing of the Australian social policy system as such, but the emergence of unemployment in the mid-1970s and the rapid increase in single-parent households in recent decades, both undermining a direct nexus with the labour market, which made criticism of the contemporary Australian welfare state appropriate (Castles, 1985, 102-9).

*The wage-earner's welfare state argument departs from critiques based on expenditure performance and welfare rights by emphasising the significance of actual outcomes.* In my book The Working Class and Welfare (1985), those outcomes were largely imputed from the supposed impact on the level of social protection afforded by wages set at a social policy minimum. Recent advances in comparative research have made possible a more empirical analysis of comparative outcomes.



Using microdata from the Luxembourg Incomes Study, Mitchell (1990) shows that the cross-national incidence of poverty and inequality do not correspond readily with the assumptions that might be derived from comparative studies of expenditure and social rights. Although in this new perspective Australia does not suddenly become a social policy exemplar, Mitchell does demonstrate that the joint operation of the tax and transfer systems leads to outcomes superior certainly to countries such as the USA and Switzerland and on certain measures better than some of the big-spending European welfare states. In further collaborative work (Castles & Mitchell, 1992), Mitchell and I have noted the phenomenon of a grouping of 'Radical' welfare states, comprising Australia, Finland, New Zealand, and the United Kingdom, plus also Canada and Ireland, dependent on the criteria of inclusion used, in which outcomes are similarly out of kilter with social policy outputs, whether measured in terms of expenditures or rights. We have attributed that result to these nations' reliance on egalitarian instruments (in particular, progressive taxation and flat-rate and means-tested benefits) born of a political configuration in which a labour movement strongly mobilised within society is not commensurately represented at the level of parliamentary decision-making.

All of these characterisations of the Australian welfare state - expenditure laggard, weakness of social rights, wage-earner's welfare state and Radical welfare state - are broad gauge delineations of the general features of the Australia's policy stance. In what follows I seek to assess their competing claims by examining them through the prism of a single social policy, compensation for days of employment lost through sickness. Although sickness provision has not, until quite recently, become a major focus for comparative research, it has

important claims to be a key component of social policy and one, in several ways, particularly pertinent to an assessment of the character of the social protection afforded by Australia's social policy system.

Three points, in particular, should be emphasised. First, that compensated sickness leave was amongst the very earliest schemes of the welfare state. According to one source (Flora and Alber, 1981, 53), all the independent nations of Western Europe had initiated some voluntary or comprehensive insurance legislation by 1913, leaving just Finland (only acquiring independence with the Russian Revolution) and the non-European states to adopt schemes thereafter. Second, this early initiative and its near universality can plausibly be attributed to the way in which the structural imperatives of industrialisation made workers wholly dependent on the rewards accruing from wage-labour (see Wilensky and Lebeaux, 1965). Third, this very fact made some form of compensated sickness leave a matter of intense concern both to newly mobilised labour organisations and to those who feared that their advent in politics was the precursor of social revolution. In Europe, the earliest innovators in the field were, in fact, the autocracies of Germany and Austria, countries in which conservative elites were avowedly motivated by the wish to defuse socialist political mobilisation. Given these considerations, defenders of Australia's social policy heritage would need to show that Australia made early provision to cater for income-loss arising from sickness, that the resulting levels of compensation and quality of social rights in sickness were not inferior to those of other advanced countries and that the impetus to provision was motivated by working class pressure or concern for its effects.

## Sickness Insurance in Australia

Discussing only social insurance for sickness in the sense that this term is used in European social policy analysis (i.e. as legislatively enacted schemes financed either by contributions or from the general revenue), it is difficult to make more than the most modest claims on most of these counts. In terms of statutory sickness compensation, at least, Australia was a late-comer, although a case could be made that, in introducing the world's first disability pension in 1909, she had made provision for the most egregious manifestation of long-term disadvantage stemming from illness. Sickness benefits were introduced in 1944 as part of a wartime package including also unemployment benefits and a widow's pension. Only Canada, the USA (which still has no national legislation) and Finland were later in initiating legislation in the field of sickness provision. The only half-hearted defence that might be mounted is that Australia was not quite such a laggard in making its cover compulsory for all workers, many of the European schemes having initially been voluntary and covering only certain classes of workers, with the shift to greater coverage and compulsion occurring in the immediate post-war decades.

Australia's 1944 welfare reforms, however late in comparative perspective, can be presented as a labour movement victory insofar as they were legislated into existence by only the second Labor administration to hold office since 1917. Since the first was beset by the economic circumstances of the Great Depression, a somewhat plausible case can be made that the first Labor government in a position to legislate sickness leave did so.

Some caveats are, however, in order. The idea of a sickness leave scheme was not new and, indeed, the previous United Australia Party government had passed, but not promulgated, an Act modelled on the British National Insurance scheme in 1938. Labor had strongly opposed that scheme because its financing on contributory insurance lines departed from traditional Labor principles, Prime Minister Curtin arguing that "to impose special levies either on workers or employers is unjust....Such services should be free to all members of the community" (Cited by Watts, 1987, 18). The Labor reforms of 1944 were funded from general revenue, but it is at least arguable that their introduction involved a clever positive-sum game by which the government took credit for measures symbolising the solidarity of the community at war, whilst at the same time providing a justification for increases in income tax to be used, in the first instance at least, to finance the war rather than social policy (see Watts, 1987).

In expenditure terms, the Australian sickness benefit scheme was not a large consumer of national resources; certainly not in its very early years, nor in the later period for which we have comparative data. Table 1 provides information on OECD sickness benefit expenditure as a percentage of GDP in both 1960 and 1984. At the earlier date, Australia, spending only .08 per cent of GDP, comes third last in the distribution, with only Canada and Denmark recording lower expenditure levels. In 1984, despite somewhat more than a doubling of expenditure in percentage GDP terms, Australia retains the same position in the rank order, continuing to spend a greater percentage of GDP than Canada and now also Japan. Moreover, the differences between nations in both distributions are far from trivial.

Table 1: Sickness Benefit Expenditure and Insured Sickness Absence in 18 OECD Countries

<u>Country</u>	<u>Expenditure 1960</u>	<u>Expenditure 1984</u>	<u>Absence 1985</u>
Australia	.08	.18	3
Austria	.56	.37	13
Belgium	na	na	21
Canada	.02	.06	1
Denmark	.05	.82	10
Finland	.34*	1.13	4
France	.99	1.05	10
Germany	1.33	.76	19
Ireland	.72	.67	26
Italy	.47	.77	12
Japan	.12*	.17	4
Netherlands	.86	1.51	7
New Zealand	.12	.18	2
Norway	.56	1.67	12
Sweden	.96	2.83	21
Switzerland	.69	.67	7
United Kingdom	.60	.31	16
United States	.10	.15	(5)

Note: \* 1965. Sources: Expenditure calculated from Varley, 1986, tables 2 and 7; insured absence days per annum from Kangas, 1991, Appendix, 130.

This means that Australian performance cannot be defended in terms of a merely marginal difference in real expenditure. Indeed, the cross-national differences displayed here are seemingly quite difficult to reconcile with theories premised on the similar welfare imperatives stemming from industrialisation. The more than one per cent of GDP gap which separates leaders and laggards in 1960 and the more than 2.5 per cent gap which separates them in 1984 represent very substantial differences in welfare effort as between nations, manifesting a degree of variance as high or higher than in any other of the main categories of welfare expenditure.

Table 1 also contains data on the number of insured absence days per employee per annum. Here, too, Australia finds itself in a select group of countries - Canada, Finland, Japan and New Zealand - where the existence of legislative provision for sickness transfers is not translated into a substantial number of sickness days financed from that source. In the pioneering comparative study of social rights in sickness by Kangas (1991), from which this data comes, a multivariate analysis shows that, with the exception of a modest positive relationship with unemployment, there are no other significant linkages between structural factors, such as the health status of the population, the age structure and female labour force participation, and insured sickness absence. In the absence of such factors, Kangas goes on to make a strong case that social policy instruments conferring social rights and with a diverse potential for allowing workers to opt out of the labour market in times of ill-health (i.e. varying degrees of de-commodification) offer the most potent explanation of cross-national variance in insured absence days.

In terms of social policy instruments conferring rights, Australia is extreme in just about every way. It has the second lowest replacement rate as a percentage of net wages after the UK; it is amongst a group of only four countries - Australia, Canada, Finland and New Zealand - in stipulating a requirement of seven or more waiting days before benefit is payable; it is amongst a larger group of nations requiring a medical certificate from the first day of insured illness and, along with New Zealand, it is one of only two countries to means-test benefits. All these are, in effect, deterrents to take-up of insured benefits and, clearly, help to explain Australia's low number of insured sickness days, although it should also be mentioned that Australia is also extreme on one factor conducive to take-up, namely the extremely long duration for which benefit is payable.

This brief account of how Australian sickness insurance compares with other advanced nations does not, then, offer much evidence on which to build a defence of the Australian welfare state. Admittedly, the scheme was introduced by Labor and has certain distinctive features deriving from Labor principles and defensible in terms of egalitarian and humane social policy, particularly funding from consolidated revenue and long duration of benefit. However, in all other respects - levels of expenditure, the quality of social rights and the sickness leave actually taken - the Australian sickness insurance scheme compares poorly with other nations in terms of the degree of social protection afforded. In microcosm, the story is that rehearsed by the numerous critics of Australian social policy who base their comparative findings on expenditure effort and social rights of citizenship.

## **Sickness Protection and the Wage-earner's Welfare State**

Possibly the single greatest source of error in comparative analysis arises from the fact that similar policy objectives may be achieved by quite diverse strategies in different nations. To take an example used by Kaim-Caudle (1973), loss of income from unemployment may be countered in a host of ways. These include grants to individuals and firms to provide employment; redundancy payments; unemployment benefits; the organisation of public works; tax relief to provide work in areas of high unemployment; statutory controls on the length of the notice period given by employers; and an economic policy stance that avoids unemployment in the first place. Only a few of these items will show up in a comparative analysis based on transfer payments alone and a more sophisticated treatment would require detailed knowledge of income replacement strategies in each of the separate countries constituting the comparison.

Precisely the same point applies to income loss from sickness. Hence, the easiest defence of Australia's social protection record in this area would be to show the existence of an alternative mechanism or strategy by which sickness compensation is provided. At this juncture, the thrust of the response to the critics of Australia's sickness leave provision will be evident to most Australian readers: whilst Australia may not possess a very adequate scheme of sickness insurance, it does have in place a well-developed scheme of sickness leave funded by employers. Workers under most wage awards have the right to be absent from work with full pay for a stipulated number of days per year, varying from a low of around five days to a high of ten or more days in many public sector occupations. When these leave days are



taken into account, the whole nature of the cross-national comparison is transformed and a strong case can be advanced that Australia, barring the distinctiveness of the way its provision is organised, has a level of sickness compensation at or around the OECD mean.

Consideration of employer-funded sickness leave immediately modifies the impression of Australia being a late-comer in this field of social protection. The provision of sick days under awards can be directly traced back to the concept of the 'living wage' which serves as the bed-rock of the whole conception of the Australian wage-earner's welfare state. The crucial departure was the institution of a weekly hiring system for labour made by Mr Justice Higgins under a number of awards in 1920, his last year on the Arbitration Court Bench. Higgins' argument was based on the fact that in setting the 'living wage' in the 1907 Harvester Judgement, he had included as a component a modest sum to cover normal absences for sickness. For a weekly wage to provide the same social policy minimum as hourly rates including that component, it must also allow some provision for sickness. Higgins ruled, therefore, in the Engineers' Case, that "if a weekly employee absents himself from duty without reasonable cause a sum proportionate to his time of absence may be deducted from his pay" (15 C.A.R., 332). Sickness was a reasonable cause for which pay should not be deducted!

As stated in Higgins' judgements, the right to sickness compensation was open-ended and employers rapidly began to complain that employees were abusing their trust in dissembling sickness to obtain paid leave. They have complained vociferously ever since, and Scandinavian critics of the weak development of the right to opt out of

the labour market in Australia (i.e. de-commodification) might note that the issue of absenteeism is no less an issue of contention between Australian employers and employees than it is in the high insured sick leave countries of Western Europe and is, almost certainly, of much longer provenance. In response to these early complaints, Higgins' successors, in 1921, explicitly stated the right to sickness compensation and stipulated its limits. From that date, "the usual weekly hiring provision in awards of the (Federal Arbitration) Court" include the provision that any weekly employee not attending for duty will lose his payment for the actual time lost unless he produces or forwards within twenty-four hours of the commencement of such absence evidence satisfactory to the employer...that his non-attendance was due to personal ill-health necessitating such absence, but he shall not be entitled to payment for non-attendance on the ground of ill-health for more than six days in each year" (Anderson, 1929, 485).

This provision was compulsory for all employers under such awards and, *circa* 1921, that gives Australia some real claim to being a welfare pioneer. At that date, only Austria, Germany and the United Kingdom (at that time including Ireland) had compulsory sickness insurance for workers. Moreover, this extension of social protection was one closely associated with Australia's labour movement, at the time arguably the strongest in the world (see Castles, 1985 and 1988). Admittedly, the mechanism permitting sickness leave was one articulated by a Justice of the Commonwealth Arbitration Court, but the arbitration system itself was widely regarded as the high achievement of Labor in the first decades of the century (Anderson, 1929) and the concept of the 'living wage' and Mr Justice Higgins' justification of it was nicely located at the meeting point of a 'social liberalism' designed

to pacify the rise of the new working class by social concessions and of an indigenous Australian 'laborism' (see Macintyre, 1985) which actively sought such concessions. As Higgins, articulating the first of these strands of thought, put it in the Engineers' Case, "under weekly wages, the employee tends to identify himself with the particular undertaking, to feel interest in the concern, and it takes more to induce him to throw up a job if it is constant. It is in the interest of the employers, as well as in the interests of the employees, that the employment should not be casual, that a man should not feel himself to be a piece of flotsam or jetsam in the industry - that he should have a sense of homeship in the concern" (15, C.A.R., 319).

Moreover, the labour movement was strongly involved in the extension of the right to sickness leave under awards, as unions pressed both the Federal and State Arbitration Courts to include such provisions in awards dealing with their industries. Over the following years, all weekly awards have come to contain such conditions, although the number of days and the conditions stipulated for taking them differ somewhat across industries. Under some awards, sickness days may be accumulated from year to year and taken as a substantial block of leave prior to retirement. Under many awards, usually one day, but sometimes more, may be taken without a medical certificate. Even in the minority of occupations where awards do not exist, sick days paid by the employer have become a normally accepted condition of labour and, where work is casual, the practice begun before 1920 of awarding an additional loading to cover sickness and holidays is standard.

It is difficult to factor in employer-paid sickness leave into the equation of what sickness protection costs the welfare state in

Australia. Despite the compulsion to provide such cover, there is no requirement on employers that they keep records of compensated sickness days. The only way to obtain even approximate estimates is from survey data, either of the population in general (see Wooden, 1989) or establishment-based survey samples (see Sumsion, 1974), the latter tending to give markedly higher estimates than the former. A recent estimate of the former kind, based on the ABS health survey of 1983, suggests an average of around six days per employee, *per annum* missed for sickness (Wooden, 1990, 562). Far more recent data of the latter kind comes from a Department of Industrial Relations survey on absenteeism in industry conducted in late 1989 and early 1990. According to this source, 6.1 per cent of employees are absent from their employment in any given week, giving a broad range of estimates of average days lost per employee per annum from three to sixteen, depending on how many days of a week are on average missed (Callus et al, 1991). Assuming as reasonable an average of three days per absence, this would derive an average absence of 10 days *per annum* on this basis, a figure not significantly different to the mean for the OECD nations reported in Table 1. Somewhere between the six days of the lower estimate and the ten days of the upper one gives much the sort of range one might expect for Australian sickness absenteeism, given the three days insured sickness absence reported in the table plus an entitlement to employer-paid leave generally varying between five and ten days.

Using the same very rough approximating technique, and taking into account that an average of 3 days *per annum* are financed by social insurance (see Table 1), this range of 6-10 estimated days per employee translates into a cost to industry of employer-paid sickness days in a

range from 0.8 per cent to 2 per cent of GDP. Adding in the cost of the sickness insurance scheme, gives a final range for sickness expenditure in total of 1 per cent to 2.2 per cent of GDP, figures which scarcely makes Australia a laggard in the sickness expenditure league-table. One further point to note, whilst in these realms of reasonable conjecture, is that employer-paid leave entitlements almost certainly also made Australia a welfare state leader in respect of sickness expenditure in the inter-war period, when only in a very few countries did the replacement rate of European schemes exceed 50 per cent of earnings and in most it was substantially less (Kangas, 1991, 74-5).

As to social rights in sickness, some criticisms of the Australian welfare state are modified, whilst others continue to hold considerable force. As a scheme for social protection for very short-term sickness, the Australian provision offers a level of de-commodification comparable to those European systems providing 100 per cent replacement rates without any waiting time. As a scheme for protecting those with more serious illness (i.e. extending beyond one or two weeks), it has most of the deficiencies pointed to by its critics, although it must be noted that the incidence of such sickness is far less.

It should be noted, moreover, that, in one important sense, award provision departs from an implicit condition of social rights of citizenship in that provision differs from industry to industry and, hence, from person to person. On the other hand, the rights conferred are genuine in the sense of being backed by the legal power of the state through the apparatus of the arbitration system. It is not an infrequent argument of those comparing social policy systems that private

provision should be excluded from the account because it does not offer a binding guarantee in the same way as a public scheme. Such a caveat does not apply in the Australian case.

Once employer-paid sickness leave is included in the comparison, it is no longer obvious that the degree of social protection afforded by the Australian welfare state is markedly inferior to that of other advanced nations. Expenditure is as high or higher than the OECD average and the number of leave days is also at or near the average. Clearly there are important differences, most particularly that relating to the quite different rights of the short-term and the longer-term sick. Some of these differences dissolve when employer-paid and insurance provision are viewed in conjunction. For instance, the seven day waiting period for insurance benefits can no longer be viewed as such a clear abrogation of the right to social protection when it is realised that the guiding assumption is that virtually all employees have a right to a week's employer-paid sick leave. The main disadvantages for the longer-term sick are the low replacement rate for benefits and the means-testing of benefits, both general features of all Australian welfare benefits (Castles, 1987a).

Of these, it is usually assumed in the comparative literature that means-testing is the most serious, excluding from benefit substantial numbers of potential claimants. In fact, apart from aged pensions, this is not the case. In Australia, income and assets limits are set very high and on that ground exclude only a small minority with income and wealth far above the average. The only systematic exception - and research on the seriousness of its impact has yet to be undertaken - relates to the fact that means-testing is based on the assumption of a

family income, so that, in two-income families, the sickness of even a very low-paid earner provides no entitlement to sickness benefit so long as the other earner continues to earn at a level above the means-test limit. Unquestionably, the most serious problem for the longer-term sick in Australia is the replacement level of benefits for single income families. Here the criticisms of the comparative literature are wholly appropriate.

All that is distinctive in the Australian system of sickness provision comes from the fact that it shares all the main features delineated by the wage-earner's welfare state concept. Benefits are provided as part of the wages system and variation in provision occurs because wage awards, although guaranteed by the binding force of the state, are negotiated on a decentralised industry or craft basis. No stronger testament to the character of the Australian system exists than the possibility under many awards of accumulating sickness days and taking them at the termination of service. Where that occurs, Australia, strangely, becomes the country of de-commodification *par excellence*. What started out as a right for workers to absent themselves from the market on tightly stipulated grounds becomes simply a right for workers to absent themselves *qua* status as wage-earner.

The rights of wage-earners *vis-à-vis* non-wage-earners remains the fundamental divide of the Australian welfare state. It explains the distinction between the social rights of the short and the longer-term sick. Low replacement rates and means-testing are implicitly justified because they are accorded to individuals who no longer contribute to the labour market. The Australian social policy system is residual in character, not in the sense that term is generally social policy

literature, but rather because its original rationale - and in many cases, its continuing practice - is only to provide a safety-net for those falling outside the ambit of the wage-earner's welfare state. How well such a system of social policy, devised to meet the needs of workers at the beginning of the century, fits the conditions of late twentieth century capitalism should be a matter of considerable debate.

Such a debate requires a perspective on Australia's social policy stance considerably more sophisticated than that which usually features in the comparative public policy literature, the plea being not, for less comparison, but for comparison which takes into account the diversity of mechanisms and strategies employed in different countries to achieve similar social policy objectives. It is as misleading when Australia is characterised merely in terms of its low welfare expenditures and lack of social rights as when Australian employers criticise Australia for its high rate of absenteeism funded by employer-paid sick leave, with these latter 'social critics' conveniently neglecting to mention that in many European countries absenteeism funded from sickness insurance is as high or higher than it is in Australia.

### **A Note on the Radical Welfare State**

The concept of the Radical welfare state as advanced by Mitchell and myself (1992) is not so much a modification of the wage-earners' welfare state as an attempt to focus on the redistributive implications of the Australian social policy system and to better make the latter concept, developed in an exclusively Australasian context, 'travel' (see Sartori, 1970) in a broader comparative context. In other words, our



objectives were to to locate the extent to which the Australian social policy system serves to ameliorate poverty and inequality and to establish to what extent, if any, other nations' social policy arrangements resemble those of Australia.

The analysis offered here of sickness leave provision speaks only peripherally to the first objective. The means-tested, flat-rate social insurance benefits funded from general revenue and, in particular, from progressive income taxation suggest, if our analysis is correct, a marked egalitarian bias. Arguably though, the fact that the brunt of socially protective expenditure in the sickness area is accounted for by what amounts to an earnings-related, full replacement of income scheme considerably modifies that bias. In comparative terms, however, the overall bias of the Australian system is difficult to establish, given that most European insurance schemes presently have replacement rates at or quite near full earnings.

What is more interesting is the question of whether the grouping of Radical nations Mitchell and I identify in terms of a focus on egalitarian social policy instruments corresponds to a distinctive grouping in respect of sickness leave provision. In fact, Kangas (1991, 95), employing cluster analysis to group nations in terms of sickness rights in social insurance, identifies a grouping virtually identical to our group of Radical or quasi-Radical nations - Australia, Canada, Finland, Ireland, New Zealand and the United Kingdom. Most notably, Australian, Canadian, Finnish and New Zealand insurance schemes are set apart from those of all other advanced nations by their late-comer status in respect of statutory sickness insurance and in having a waiting days provision of a week or more. This latter is, in turn, a consequence of

the fact that each of these countries strongly relies on private provision to meet short-term sickness need. In New Zealand, the reason lies in a similar development to Australia, premised on an arbitration system with a social policy logic analogous to that of Australia's 'living wage'. In Finland, employers are compelled by legislation to pay full wages for the first seven days of sickness absence and, in Canada, virtually all employees are protected by short-term disability schemes without waiting days.

Kangas speculates that sickness arrangements of the kind commonly characterising these nations probably arose because, in nations where sickness insurance came late, private arrangements to cover income loss had a longer period in which to develop and, in an institutional division of labour between public and private plans, "the previous 'private' institutions often took responsibility for compensation during the waiting period which was part of 'public' insurance" (Kangas, 1991, 83). Judged by the Antipodean experience, the implied causal logic here is mistaken, with the probable sequence being that public insurance was delayed precisely because private, but, certainly in the Australian and New Zealand experience, state-guaranteed schemes, already offered substantial social protection and that public insurance, once instituted, provided a waiting period corresponding to the existing degree of protection on a private basis. In further support of this view, one may cite Kangas' own analysis of sickness leave development in his native Finland, where an initially inoperative labour market agreement of 1922, compelling employers "to provide sick-pay for a period equal to the advance notice of termination specified in collective labour contracts" (Kangas, 1991, 141), was progressively activated in the

immediate post-World War II period to afford collectively-bargained sickness protection to 65 per cent of the labour force.

On this account, there are extraordinarily strong similarities between social policy development in sickness provision in Australia, Finland and New Zealand and some lesser ones in Canada. Incidentally, these similarities, in increasing the number of compensated leave days and expenditure well above the figures shown in Table 1, would markedly decrease the variance of the advanced nations in this area of social policy. Whether we describe these similarities in terms of the wage-earner's welfare state or the Radical welfare state concept, the truth is that the distinctiveness sometimes claimed for the Australian social policy system must be nuanced, as is always the case in any balanced comparative analysis, by pointing to both the similarities and differences between nations.

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