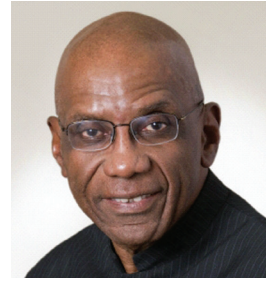


Even in Rich Countries, People Who Can Afford, Pay Towards Health and Education



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During the lunch break at the recent Financial Stability Board Meeting in Chengdu, China, I fell into conversation with an Australian Government official about their social services, of which they are justly proud. Their educational and health services are highly regarded, and the state provides income supplements for pensioners, students and other vulnerable people. Remarkably, they are able to do this with a VAT that is no more than 10 percent, and they achieve an overall fiscal deficit as low as 2 percent, and a comfortably modest debt to GDP ratio.

The Australians do not compromise the quality of their public services in order to save money, I was told. The graduates of their universities and colleges hold their own wherever in the world they choose. A good education is available to all, and Australia's educational indices put them in the highest development ranking. Australia also ranks very highly in terms of life expectancy and other health indicators. Good health services are also widely available.

Achieving a wide dispersal of health, educational and other social services in a country as vast and sparsely populated as Australia is especially expensive. Supplies have to be transported over long distances, aircraft are much more extensively used than in other countries, maintenance and support services are more costly, and incentives and extra support must be offered for providers of health, educational and other social services in remote locations.

I asked about the care of the elderly, and the welfare of those senior citizens who had no pension. I was told that the Australian Government provides a pension to such persons that is set at a level which affords them an acceptable degree of comfort. Because health services are of good quality and widely available, senior citizens do not have a fear of inadequate care.

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Those who can afford to pay towards the provision of services are required to do so, in order that those who cannot afford to pay anything are assured of good service free of cost.

Primary and secondary education is compulsory and free of cost, but tertiary education is not. There is a Government subsidy which ensures reduced fees for Australians (others must pay the full fee) and a student loan facility which students can access to cover tertiary educational costs. In addition, there is a facility which provides a monthly income to students, sufficient to cover university fees and living expenses, for any tertiary student whose family income is so low that further education would not otherwise be possible. Means testing ensures that everyone desirous of a tertiary education has access, irrespective of the individual's or their family's status.

Pensions for the elderly are also means tested. A full state pension, to which the individual or his or her employers would have contributed nothing, is provided only to those who have no other retirement income. In all cases where the individual's retirement income is less, the state provides a supplement to bring total income to the minimum state-provided threshold.

We did not go into details, but fees are also charged in the health system, and a means test applied to determine who is eligible to receive services free of cost.

Australia is a far wealthier country than Barbados, even though it has to be said that our lifestyles are not noticeably different, but they have found it necessary to ask those who can afford it to contribute to the cost of education, health and basic social services, in order to guarantee good quality services to everyone. What is more, the Australian Government is able to maintain a low fiscal deficit, an enviable government debt level, and an overall tax system that takes 26 cents out of every dollar, compared to 20 cents from every dollar for Barbados.