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A farewell to the Australian welfare state

The McClure Report completes the process of dismantlement. Now we are in for 'a system of mean, discretionary and moralistically charged benefits', argues **Francis G. Castles**.

WHEN I FIRST took up academic residence in Australia in the early 1980s, I was a fully paid-up adherent of welfare Scandinavian-style. In a book called *The Social Democratic Image of Society* (1978), I had shown that the massive extension of state programs of social welfare was an achievement of almost five decades of Social Democratic dominance in countries like Sweden, Norway and Denmark.

Coming to Australia, which had almost the lowest spending on welfare of any nation in the OECD, and a history in which Labor was only occasionally in control of the national government, I drew what seemed to me the obvious conclusion: that the emergence of a proper welfare state in Australia required a long period of hegemonic Labor rule.

This was at the beginning of the Hawke/Keating era and, while we may not have got hegemony, we did, at least, get five successive election victories and a period of Labor rule unequalled in the English-speaking world except for New Zealand's First Labour Government from 1935 to 1949.

While Australian Labor in the 1980s and 1990s was not in the same welfare pioneering league as the First Labour Government, the Hawke/Keating period

did see the reintroduction of a universal healthcare system, a serious attempt to cope with problems of child poverty and the introduction of a mandated second-tier system of superannuation. Indeed, the figures tell us that, in the years 1983–96, Australia was among the leading OECD countries in respect of the extension of the welfare state, with an increase of well over four percentage points of GDP going to social expenditure programs compared to an OECD average of around 2.5 percentage points (calculation from OECD social expenditure database, with 1996 figures kindly supplied by the OECD Secretariat).

During the years of the Hawke/Keating government, my view of the Australian welfare state underwent a sea change. Indeed, over the past 15 or so years, I have frequently argued that overseas criticism of Australian social policy was substantially misplaced. This change of perspective was not so much a function of the growth of welfare spending in Australia under Labor as of a realisation that, on at least two major counts, criticism of Australian welfare development based on European analogies was misplaced. My argument was that Australia had created a welfare state 'by other means' than those utilised in

Europe, and that it was far from obvious that Australian welfare outcomes were inferior to those in most European countries.

Now, as the Howard Liberal/National government comes to the end of its second term in office, and as I prepare to return to the United Kingdom I am, sadly, once again, forced to re-evaluate my conclusions. It seems to me that, together with the industrial relations reforms of the 1990s, the adoption of the kind of welfare reforms visualised in the McClure Report will complete the process of tearing down the edifice of Australia's distinctive welfare state. What will remain will be a system of mean, discretionary and moralistically charged benefits, wholly inappropriate to an advanced, democratic nation.

The first reason that past criticism of the Australian welfare state was misplaced was that it failed to recognise a key aspect of Australia's institutional development in the 20th century. The Fathers of Federation included in the Constitution the power to establish a system of compulsory conciliation and arbitration of industrial disputes. In the words of the first Chief Justice of the Court of Arbitration, Mr H.B. Higgins, this created 'a new province for law and

order', where courts decided, on social justice criteria, the wages appropriate for 'the average employee regarded as a human being living in a civilized community'.

Arbitration delivered welfare 'by other means' because, in principle, and later in fact, it meant that those who were waged were able to maintain a decent life for themselves and their dependants without further intervention by the state. Because of arbitration, Australia's wage dispersion was, right through until the 1980s, more equal than in most other countries. Because of arbitration, waged poverty was far rarer in Australia than in other comparable nations and, because of arbitration, Australian workers enjoyed a variety of benefits from their employers, such as sickness leave, which in other countries are counted as part of the welfare state. Because the distinctive focus of social amelioration Australian-style was via regulation of the wage relationship, I called the Australian system a 'wage-earner's welfare state', a term which, for better or worse, has become part of the standard vocabulary of Australian social policy research.

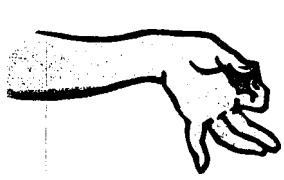
Since the early 1990s, the arbitration system has been under attack from both the Left and Right. What unites this disparate body of opinion is a view that a centralised system of labour regulation reduces labour-market flexibility: in the

The industrial reforms of the post-1996 Liberal governments have continued the process of deregulation, further restricting the powers of federal arbitration tribunals, limiting the role of trade unions as bargaining agents and further shifting the locus of bargaining to the enterprise level. In its heyday, the awards system protected around 80 per cent of Australian workers; that figure has now been reduced to around 50 per cent of the working population. At the same time as deregulation has been proceeding, wage dispersion has been increasing. The claim that Australia's welfare state 'by other means' was sufficient to protect Australia's workers from waged poverty is no longer tenable, and it seems highly probable that further industrial relations reforms promised for Howard's third term will simply make the situation worse.

A SECOND REASON that much of the criticism of the Australian welfare state was misplaced was that it seriously misconceived the nature of Australia's need-based welfare provision. More than any other country in the Western world, Australia's social security system is based on tests of the incomes and assets of recipients. Indeed, during the course of the Hawke years, the one major exception, the child benefit, became means-tested on much the same basis as other

the unfortunate in 'Work Houses', where they undertook menial tasks for the pittance handed out by the Poor Law authorities. The whole idea was to make sure that being on welfare would make people 'less eligible', thus ensuring that no-one would choose to be on welfare rather than work. Even when Work Houses had disappeared, receipt of benefit was often at the discretion of local Boards of Guardians, who interrogated applicants in a most degrading manner. To prove you were eligible for benefit, you had to demonstrate that you and your children were without adequate means and that you were unable to support yourself despite your best efforts. Frequently, too, you had to prove that you were 'deserving', having not brought yourself into a state of poverty through moral infraction. Having done that, you were dependent on the discretion and charity of those who heard your case.

My argument was that the Australian system of means-tested benefits was nothing like this. This was for two reasons. First, Australian means-tested benefits were not focused on the very poor, but were designed to exclude only the well-off middle classes and the prosperous. Around 70 per cent get the age pension and few people see it as degrading to be a welfare beneficiary. The same principle applied to Labor's new child benefit, where the income test only kicked in at a combined family income around twice the average weekly wage. Second, the Australian system of benefits was designed to be as non-discretionary as was humanly possible. There was nothing analogous to a Board of Guardians. There was no issue of whether one was 'deserving' or otherwise. To prove one's eligibility one had to demonstrate that one fell into a particular category—old, unemployed, disabled, a single mother and so on—and provide evidence that one's income and/or assets fell below certain stipulated levels. Having done that, there was no major element of administrative discretion, seen by European social commentators as the key weakness of selective social policy systems in social justice terms. In Australia, no-one asked for a demonstration of need beyond the mere fact of a lack of income (except in the case of emergency payments) and the amount received was a simple function of a legally established



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eyes of the Right, the flexibility to respond to the changing realities of a globalised economy by paying workers strictly according to their contribution to total productivity; in the eyes of the trade unions, the flexibility to permit enterprises to pay wages in excess of award determinations. It was, in fact, Labor under Keating that started the ball rolling, transforming the awards system, first and foremost, into a safety-net device for the lower paid and providing far greater leeway for stronger unions to negotiate productivity increases at the enterprise level.

benefits. To many overseas commentators and to some domestic ones, this suggested that the Australian welfare state had not shrugged off the legacy of the European Poor Laws of the 19th century. These laws made sure that benefits were exclusively directed to those in extreme need and attached conditions to the receipt of welfare which made beneficiaries into second- or third-class citizens.

At their Dickensian worst in Victorian England, but also in many other countries of Western Europe, although never in Australia, the Poor Laws locked away

formula, with additional supplements for a spouse and other dependants.

This provision for the vast majority of ordinary Australians, and this absence of discretion, were not aspects of the Australian welfare system which had only come into existence in recent times. They were, in fact, an explicit expression of Australia's rejection of the Poor Law tradition and of the idea that welfare was a citizen right rather than an act of charity. Australia's first welfare state legislation, the New South Wales Old-Age Pensions Act of 1900, did not require the exhaustion of previous savings. It allowed individuals to have other income up to a limit and quite substantial holdings of property. As T. H. Kewley pointed out in discussing this Act in 1965: there was 'no scope for the exercise of discretion (or of arbitrary action) on the part of an official in adjusting the rate of pension to individual circumstances. Given that he was eligible in other respects, it would have been within the competence of the applicant, knowing his means, to calculate the rate of pension to which he was entitled'. For the next eight decades, the same principles governed all aspects of Australia's cash benefits system. If means-testing means benefits focused exclusively on the poor and at the administrative discretion of the state, then Australia's system was not means-tested in the same opprobrious sense that term is commonly used in European social policy discourse.

From the time of the Hawke Labor government onwards, the situation of welfare beneficiaries has been changing and changing for the worse. There has been increasingly more policing of benefit eligibility, with the strongest element of forced compliance an unemployment work test which has become increasingly onerous to fulfil. Under the Howard government, the conditions of this test have become extremely strict, with an increasingly explicit moral justification that recipients must return something to society in return for their benefit. This idea is now dignified as a philosophy of 'mutual obligation'. It is not a new philosophy, but an old one. To receive benefit, individuals must be able to prove that they are 'deserving' of society's help. With each new requirement for interview and for demonstrated job applications, the potential for discretion by the officers

of the newly privatised Howard employment services increases. Huge numbers of claimants are now fined for infringements of the rules and the efficiency of these services is partly judged by its success in withholding benefits on these grounds. It is highly appropriate that the Howard government has tendered these services out to religious charities, since the government is well on the way to restoring the conditionality of payment which makes welfare a charity rather than a right.

to reintroduce a massive infusion of administrative discretion by the back door. Every interview and every counselling session is a hurdle, where the single mother needs to demonstrate incapacity of some kind or find herself forced the next step back into the bottom end of the labour market. In a sanitised form, the stigma of the old Poor Law is introduced by the back door. One thing that the new prophets of 'mutual obligation' always seem to forget is that the vast majority

The new prophets of 'mutual obligation' always seem to forget that the vast majority of the clients of the welfare state already have a monstrously unpleasant time.



The unemployed have always been the welfare beneficiaries most vulnerable to public opinion. With the decline of the organised labour movement, there are no longer strong voices objecting to policing of the unemployed, although perceptions could very well change if and when unemployment is, once again, on the rise. This has made it quite natural for the Howard government to try out its 'mutual obligation' ideas in the area of youth unemployment. 'Work for the Dole' was a test run of an idea, which the McClure Report now promises to make the key principle of a new social contract. But what much of public opinion may concede in the area of unemployment, where ordinary workers may feel they have legitimate concerns that others will take advantage of the welfare state to be idle, may be far more objectionable in other areas of social policy.

The McClure Report's argument for 'mutual obligation' for single mothers and, perhaps, the disabled is that it is a mechanism which will assist beneficiaries back into the workplace. The main agency of that assistance appears to be an emphasis on continuous counselling to inform beneficiaries of work and training opportunities and to find other strategies to get them work-ready. That possibly sounds beneficent. Clearly, the increased resources the Review promises for such purposes are intended to sound that way. The trouble is that it also sounds very much as if we are about

of the clients of the welfare state already have a monstrously unpleasant time. They are by definition without adequate income or assets to live a decent life without assistance from the state. Policing their compliance (bureaucratic for what is going on here and in so many areas of the interaction of state and citizen) across a wide range of welfare benefits simply makes them 'less eligible' in a new, but no less morally offensive, way.

So exactly 100 years after the New South Wales Old-Age Pensions Act rejected notions of discretion in welfare provision, and after eight or more decades in which the arbitration system struggled to deliver 'fair wages', we now appear to be living in an era in which Australian governments—judging by the pronouncements of both Labor and Liberal—have abandoned both key components of welfare Australian-style. Given that welfare 'by other means' led to a social policy system whose programmatic development was far weaker than that in other comparable nations, it would seem that there is no longer any legitimate way to defend the Australian welfare state from its critics. □

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