

# **Welfare “Reform” in Australia, 1975 to 2004: from entitlement to obligation**

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## **ABSTRACT**

Since the mid 1970s, under conditions of vast economic changes associated with the globalisation of production and financial markets, governments internationally have attacked the core elements of the welfare state: full employment, progressive taxation, income support, education, health, and housing. This paper examines retrenchment of income support, a central element of the Australia welfare state. Dominating more than 25 years of sustained attempts to cut expenditure on income support and welfare rights, is the inexorable drive to reintegrate all working age recipients into the labour force to compete for increasingly precarious employment by “renegotiating” the social contract between the government and individuals that constituted a central component of the welfare state.

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## **Introduction**

The international financial architecture established by the Bretton Woods agreement began to unravel when the gold backing was removed from the dollar and major world currencies were floated in the early 1970s. The post-war boom, founded on the assimilation of Fordist production methods throughout the developed world, collapsed, generating a profitability crisis, which, combined with the first oil shock resulted in a global recession in 1974-75. These events proved a major turning point in the development of the welfare state as the adoption of neo-liberal policies signalled the beginning of a concerted assault on the living standards of working people, beginning with the Thatcher government in the United Kingdom and the Reagan government in the United States.

In Australia successive governments have abandoned the commitment to full employment while implementing policies designed to curtail government expenditure on income support and services, reduce real wages, and eliminate employment conditions built up over several decades. Two major themes pervade the welfare reform debate in Australia. First, increased targeting has been justified by the “crisis of the welfare state”, which concentrates on affordability in a climate of substantially changed economic conditions accompanied by demographic changes related to family formation and population ageing. Secondly, despite evidence that persistent unemployment is a problem of demand deficiency (see Mitchell and Muysken, 2002), bipartisan support of a supply side perspective, attributing unemployment to the characteristics of the unemployed, means that policy initiatives have emphasised the need for “activation” policies. The “passive” to “active” income support transformation begun under the Hawke Labor government accelerated under both the Keating and Howard governments.

The paper begins by outlining the historical role of income support in Australia and the growth in recipients since 1975. The remainder of the paper analyses policy initiatives of successive governments in relation to Newstart Allowance (NSA), Disability Support Pension

(DSP), and Parenting Payment single (PPs), which, in line with international developments, have increasingly focussed on “activation” strategies.<sup>1</sup> Concluding remarks follow.

### **Income support in the Australian welfare state**

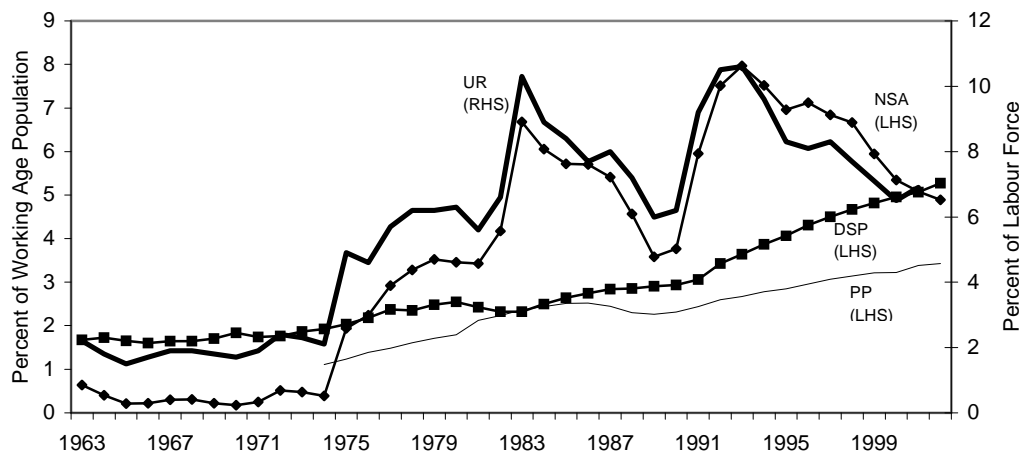
The welfare state represented a definitive break with previous welfare provision, consisting of a synthesis of Keynesian economics and Beveridge’s social policy with benefits provided as a right of citizenship (Cass and Freeland, 1994; Clarke *et al.*, 1987; Jamrozik, 2001; Mishra, 1984; Marshall, 1973). The state accepted responsibility for welfare through the pursuit of full employment policies; redistribution, broadly conceptualised to include progressive taxation, transfer payments and labour market regulation; and services such as health, education and housing. National welfare states varied considerably according to historical origins, economic, social and political conditions. In Australia income support for the aged and disabled were provided in the first decade after Federation but it was not until the 1940s that unemployment and sickness benefits, widow’s pensions, and child endowment were introduced.

Integral to the Australian welfare state, often referred to as the “wage earner’s welfare state”, was primary reliance on the employment relationship rather than formal welfare state benefits that were more dominant in Europe. The formation of this model can be traced back to the “Australian settlement” in the first decade of the twentieth century, emanating from the famous Harvester wage case, which established that wages should be sufficient to support a family, combined with a long history of centralised wage determination. Entitlements attached to employment ensured the vast majority of working age people had little contact with the social security system.

Throughout the post-war period unemployment averaged less than two per cent and the proportion of the population reliant on social security benefits was low. This situation changed abruptly when the boom dissipated in the early 1970s. Against the background of an under-performing labour market that has consistently failed to produce sufficient employment opportunities whilst undergoing structural change in response to intensified international competition produced by globalisation of production and financial markets, reliance on income support increased from less than 5 per cent of the working age population in 1970 (Department of Family and Community Services, 2003) to over 20 per cent (Vanstone and Abbott, 2001). Of these, more than 60 per cent receive non-activity tested payments (Department of Family and Community Services, 2003: 14).

Figure 1 depicts the growth of NSA, DSP and PPs. NSA recipients increased markedly from a weekly average of 34,148 in 1974 to 621,519 in 2001. Similarly, DSP recipients increased from 168,784 or 2.03 per cent of the working age population in 1975, to 658,915 or 5.27 percent in 2002, deviating from trend during periods of policy intervention specifically designed to restrict access to DSP by the Fraser (1979-1982) and Hawke (1987-1990) governments. PPs recipients increased from 90,370 in 1974 to 391,393 in 2000; from 1.1 per cent to 3.2 per cent of the working age population and 49 per cent to 71 per cent of total sole parents (ABS Cat. No. (6224.0)).<sup>2</sup> The remainder of this paper examines income support policy initiatives from the perspective of the impact on recipients.

**Figure 1 Income Support Recipients and Unemployment Rate 1962/63-2001/02**



Note: UR-unemployment rate; NSA- unemployment benefit recipients; PP – Parenting Payment single; DSP- disability support pensioners

Source: DSS and FaCS Income Support and Expenditure (various years) and ABS, Population by Age and Sex, Australian States and Territories, Catalogue No. 3201.0.

### **The initial assault on welfare rights: the Fraser Government**

Coming to power in the midst of the stagflation crisis in 1975 the Fraser Government adopted a “fight inflation first” strategy attempting to restrict money supply, reduce the budget deficit by slashing government expenditure, and forestall wage increases to restore profitability. On the industrial relations front, with the assistance of high unemployment, the government sought, and achieved, partial indexation at national wage cases and amended the Trade Practices Act to prohibiting secondary boycotts (Section 45D and 45E) to encourage employers to “take on” the unions (Gruen and Grattan, 1993: 122).

The Fraser government advocated the ideal of self-reliance, a euphemism for withdrawing support, and a recurring theme in the welfare debate. Further laying the basis for attacks on the right to welfare in the face of record post-war unemployment the government promoted animosity toward the unemployed, implying they were defrauding the system by remaining voluntarily unemployed (Mendes, 2003: 24; Quirk, 2004), thereby justifying new work test requirements and introducing conditionality criteria. The exclusion of most unemployment beneficiaries from indexation resulted in significant reductions in real payment rates. Conditions imposed on the receipt of unemployment benefit receipt began with personal lodgement of fortnightly income statements with the CES, the requirement to accept any full-time employment, later extended to include casual, part-time or temporary work. The waiting period was extended to six weeks, first for those deemed “voluntarily unemployed”, then for school leavers. Further restrictions in October 1979 excluded those unemployed as a consequence of involvement in industrial action, or action by members of the same union, and a postponement or cancellation period of 6 to 12 weeks for “voluntary” unemployment or refusal of an offer of employment.

In stark contrast to government attacks on the unemployed the Myers report on Unemployment Policy and Administration conducted in 1977 recommended “that urgent efforts be made to create job opportunities” in conjunction with expanded training programs (Myers, 1978: 4), declaring, “it is a responsibility of society to provide avenues of rewarding employment” (Myers, 1978: 4-7). Significantly, the inquiry rejected calls for the introduction

of community work in return for receipt of unemployment benefit (work for the dole) on the grounds that it would increase stigma, be counter-productive for job search, and contravene ILO conventions regarding forced labour.

Jordan (1984: 129) points to a break with historical practice of including “educational, psychological, social and environmental factors” when labour market conditions were excluded from the determination of eligibility for the invalid pension in 1977 in order to reduce access.

Other major policy developments in the area of payments to families occurred under Fraser. Supporting Parent’s Benefit replaced Supporting Mother’s Benefit in November 1977, extending eligibility to sole fathers. The Family Income Supplement (FIS) was introduced in May 1983 to provide additional payments for children in low income working families, recognising the decline of the “wage-earners’ welfare state”.

### **The Hawke Government’s Social Security Review**

In March 1983 the Hawke government assumed office pledging to tackling unemployment as the “most important single goal of our fiscal policy”, and the delivery of sustainable economic recovery, “fairly shared by the whole community” (Hawke, 1983). Central to the Hawke government program was the Prices and Incomes Accord agreement with the Australian Council of Trade Unions (ACTU) to provide a “social wage” in return for wage restraint.<sup>3</sup> Early measures included job creation through the Community Employment Program (CEP), the introduction of Medicare in 1984, full wage indexation and income support improvements such as the restoration of indexation of payments rates and the introduction of rent assistance for unemployment and sickness beneficiaries.

However commitment to the social wage was short-lived as the government embraced neo-liberal policies. Hawke’s “trilogy” commitment on fiscal policy during the 1984 election campaign committed the government to reduce the budget deficit and not increase outlays or revenue as a proportion of GDP. The government responded to currency and balance of payments crises in the mid 1980s with fiscal restraint and strategies to enhance international competitiveness. Renegotiated Accord agreements acceded to employer demands for reduced production costs by cutting real wages, conditions, and jobs through the imposition of partial indexation, followed by a two-tier system dependent upon structural efficiency and award restructuring requirements, then ultimately, enterprise bargaining. Moreover wage-tax trade-offs undermined welfare state funding (Stilwell, 1993).

Real wage cuts achieved through the Accord were complemented by an aggressive anti-union campaign launched by right-wing think tanks such as the H R Nicholls Society and a minority of employers. Employer victories in disputes between 1985 and 1987 including Dollar Sweets, Mudginberri, Robe River, and the South East Queensland Electricity Board (SEQEB), were heralded as evidence of the adequacy of existing legal arrangements including common law, and the Trade Practices Act, to defeat industrial action (H R Nicholls Society, 1986). The Hawke government and the ACTU assisted employers defeat the 1989 pilot’s strike for a 30 per cent pay rise because it constituted “a serious threat to the efficacy of the wages system” (Smith, 1990: 122). Significantly, the Labor government encouraged the recruitment of overseas pilots, provided military aircraft to break the strike, supported employer action to have the pilot’s awards cancelled, and legal action to sue the Federation and individual pilots for \$10 million in damages (Smith, 1990; Davis, 1990), and even offered

financial support to the employers (Norris, 1990). Deregistration of the BLF and privatisation of government enterprises, including the Williamstown Naval Dockyard and the Maribyrnong Ordinance factory, further weakened the position of workers.

### *The Social Security Review*

In the prevailing climate of economic crisis and attacks on jobs and working conditions the Minister for Social Security, Brian Howe established the Social Security Review (SSR) in 1986. Policy innovations emanating from the review, which examined coverage, adequacy, targeting, redistribution, opportunities for employment, earning and savings, and the mix of public and private support for the retired (Cass, 1986a: 9-10) dominated social security in the late 1980s and early 1990s and involved a re-negotiation of the social contract that had existed since 1945. The importance of the Social Security Review cannot be overstated.

Improvements recommended included increasing benefit payments to parity with pensions, indexation, increasing payments for children and rent assistance, but fiscal constraints “either displaced or diluted” these reforms (Cass, 1994: 16). However, the major recommendations involved “activation” policies, previously advocated by the OECD and *Australia Reconstructed* (ACTU and TDC, 1987), to encourage maximum labour market participation for the unemployed, and reintegration of other groups into the labour market. Howe (1989: 1) claimed that the previously passive system was transformed into an “active, responsive system with strong links to employment, training and labour market services”.

Despite declaring that “the key labour market problem continues to be insufficient aggregate demand for labour” (Cass, 1988: 111), the report focused almost exclusively on supply side strategies to maximise employability, recommending a restructure of income support, including renaming programs to highlight “their active purposes and objectives” (Cass, 1988: 290). The concept of reciprocal obligation for NSA decreed compliance with an activity test including enhancing participation through training and accepting part-time work. In return society was to provide an adequate level of income support and training programs. (Cass, 1986b; 1988). The necessity for change was justified as a response to the transformation of unemployment from periods of short-term frictional unemployment to protracted, and indeed, possibly indefinite periods on income support.

The Council of Social Service of New South Wales (NCOSS) endorsed this agenda as a means of counteracting “campaigns to encourage a false public perception of high levels of fraud, conducted by both the previous and the present Government” (NCOSS, 1988: 13-14). Attempts to stigmatise recipients through review and compliance activities accelerated under the Hawke government with the introduction of mobile review teams, systematic reviews of all unemployment benefit recipients, and data matching of DSS records with other government departments. Moreover, in September 1990 graduated non-payment periods were introduced for failure of the work or activity test, including a non-payment period for failure to attend interviews or respond to correspondence. Monitoring of sole parents also intensified, including personal lodgement of review forms every twelve weeks.

Implementation of “activation” commenced with the introduction of Jobsearch Allowance (JSA) in January 1988 to replace unemployment benefit for youth under 18, incorporating “strong ties between continuing income support and participation in work, training or jobsearch assistance activities” (DEET, 1987: 17), with maximum payments subject to a parental income test. The effective classification of youth as “less eligible” was reinforced by

the replacement of the work test with the activity test after six months unemployment. Campaigns to portray youth as “dole bludgers” beginning in the mid 1970s meant their entitlements could be more easily eroded since “[p]ublic opinion polls tend to show that distrust of the unemployed is focused most on the young unemployed” (Cass, 1988: 203).

This retrenchment of entitlements was justified in the first instance as providing incentives for youth to complete high school or enter higher education (Department of Social Security, 1990). Additionally, the Review cited the widespread community view that parents should support 16 and 17 year old children (Cass, 1988: 201), although the government sought to minimise backlash by exempting current recipients. According to NCOSS the policy was responsible for “greater inequality and personal hardship to both the young people concerned and their families” (NCOSS, 1988: 18), an assessment with which Cass (1994: 19) concurred.

The Newstart program introduced in February 1989 represented a supply side strategy to overcome long-term unemployment, which had grown from 28 to 37 per cent between 1983 and 1989 despite the creation of 1.5 million jobs (Dawkins and Duncan, 1989: 36). The Newstart strategy envisaged 40,000 joint CES/DSS interviews annually for long-term unemployed jobseekers to identify employment barriers, training needs, develop jobseeking strategies, and review benefit entitlement. An integral component of Newstart was the doubling of Labour Market Program training places and boosting incentives to return to work, through employment entry payments (EEP) and waiving the waiting period for re-grant of benefit.

These arrangements were extended when contractual agreements commenced in 1991. Unemployment benefit was replaced by job search allowance (JSA) for those unemployed less than one year (and all under 18), and Newstart allowance (NSA) for the long-term unemployed, and emphasised activation by re-branding the unemployed as “jobseekers”. Newstart mandated that long-term unemployed jobseekers enter a formal activity agreement with the CES, specifying jobsearch and training activities. Failure to comply with any aspect of the agreement constituted a breach of the activity test and could result in withdrawal of payments.

In preparation, Commonwealth Employment Service (CES) offices were separated into service units, with the Special Service Centres assuming responsibility for Newstart and Labour Market Programs. Integral to the physical reorganisation of CES offices were new regulations designed to engineer a change in culture by stipulating detailed procedures, including breaching procedures, thereby diminishing discretionary decision-making by CES staff.

Labour market deterioration ensured that in the first year of operation, far from reducing the ranks of the long-term unemployed, the number of NSA recipients soared from 164,300 to 322,300 (Department of Social Security, 1992). More importantly, as Mendes (2003: 104) explains, these programs undermined the concept of entitlement and concentrated on the inadequacies of the unemployed while involving no government commitment to job creation.

The second major thrust of the Social Security Review was the re-integration of working age people into the labour force, an objective pursued more aggressively by the Keating and Howard governments. While the initial Newstart strategy (in 1989) encouraged spouses of beneficiaries to enter the labour market the first major assault on the right of families to

determine labour market participation occurred in September 1990 when spouses under the age of 21 were required to qualify for benefit in their own right.

Restrictions to the sole parent pension in 1987 effectively closed access to non-work tested benefits for many women with little or no recent work experience “increasing recorded unemployment without necessarily improving the job chances of this group” (Cass, 1988: 145). The voluntary Jobs Education and Training (JET) program commenced in 1989 to assist sole parents address barriers to workforce participation by providing specialised education, training, employment, and childcare assistance. JET was expected to “reduce outlays on sole parent pension by increasing the participation of sole parent pensioners in the paid labour force” (DSS *et al.*, 1992: 67).

The Disability Reform Package in 1991 heralded changes to both the income support structure and labour market assistance for people with disabilities designed to encourage labour market participation. Again activation was the target as stated by DSS:

The DRP signals a clear shift towards active measures designed to assist persons with disabilities into employment rather than the current situation of persons with disabilities moving on to long-term dependency on income support. (Department of Social Security, 1991: 92)

The Disability Support Pension (DSP) subsumed the invalid pension and sheltered employment allowance, restricted eligibility to those unable to work for 30 hours per week for at least two years, with a minimum impairment of twenty per cent, and stipulated a reduced range of non-medical factors that could be considered. Disability Panels were established to develop individualised return to work plans and facilitate access to rehabilitation, education and training. Additional LMP and rehabilitation places, EEPs, and guaranteed regrant of DSP if return to work failed within two years were provided.

### **The Keating Government and Working Nation**

The incoming Keating Government completed the transformation of the Accord into a vehicle for enterprise bargaining; pursued privatisation, including the Commonwealth Bank and QANTAS; and continued the social policy objectives of shifting responsibility from the state to individuals and accelerating measures to reintegrate working age individuals into the workforce. However an unemployment rate unprecedented in the post-war period prompted some temporary concessions such as reduced reporting requirements for older workers, the introduction of Mature Age Allowance (MAA) paid at pension rates for long-term unemployed men over 60, and widow allowance for women widowed, divorced or separated after the age of 50 if they were considered disadvantaged in the labour market.

Implementation of *Working Nation* recommendations in 1994 continued the agenda of the SSR and significantly changed income support arrangements and employment assistance in Australia. Billed as an affirmation of the principle that “every Australian has a right to a job” (Keating, 1994: 30) and recognition that “[u]nemployment, particularly long-term, is inherently unfair” (Keating, 1994: 2), *Working Nation* promised economic recovery through policies to foster industry and regional development, microeconomic reform, and education and training opportunities designed to significantly enhance the skill level of the workforce.

While the White Paper emphasised that economic growth was a precondition for employment growth, it also argued that growth alone could not guarantee employment for the long-term unemployed. The principle of “reciprocal obligation” was enshrined in the 1995 Job Compact guarantee of a minimum six months employment for those unemployed more than eighteen months, formalising the obligations of the government and the unemployed (Keating, 1994: 9). The Working Nation initiatives were underpinned by a massive funding injection for training. The primary focus was employment in the private sector facilitated by subsidies under Jobstart (Daniels *et al.*, 1994), supplemented by government provided positions under Labour Market Programs such as Jobskills and New Work Opportunities. However private sector placements fell short of expectations. The long-term unemployed were referred to case management, choosing between the CES, private and community providers, to enter a Case Management Activity Agreement detailing jobsearch activities, and measures to improve job prospects.

*Working Nation* fundamentally changed the position of women in the Social Security system, retreating from the traditional dependency assumption of the male breadwinner model, to actively co-opting women into activation policies. Income support was paid directly to spouses of beneficiaries when Partner Allowance (PA) was introduced in 1994 and subsequently restricted to those without dependent children born before 1 July 1955, while those with children were eligible for Parenting Payment (partnered) until the youngest child turned 16. Thus, individual freedom was further curtailed as labour force participation was mandated for spouses under 40 without caring responsibilities.

Compliance and fraud prevention measures, integral to DSS activities since the mid 1980s, intensified. The DSS/CES joint interview program continued for people who had been on benefit for two years. In addition, compliance oversight for NSA recipients, previously a CES responsibility, became the joint responsibility of DSS and the CES. An Employer Contact Unit (ECU) was progressively implemented on a national basis for employers to report jobseekers suspected of fraudulently claiming income support or not genuinely seeking employment.

The beneficial impact of the introduction of new allowances and relaxed eligibility criteria, mentioned previously, was counterbalanced by other initiatives. In 1993 eligibility for Sickness Allowance was restricted. Moreover, the long-term objective of reducing payments for unemployed youth to the Austudy level was realised in 1995 when youth training allowance (YTA) replaced JSA for those under 18. Application of the restrictive Austudy parental income and assets test reduced government expenditure and successfully transferred a considerable degree of financial responsibility to parents.

### **Mutual Obligation and Welfare Reform under the Howard Government**

Since winning the 1996 election the Howard Coalition government has continued and deepened the neo-liberal agenda of the Hawke-Keating Labor governments. The commitment to budget surpluses has been evident since the first budget which contained massive across the board reductions in public expenditure and the government has subsequently implemented policies privileging the role of the market in the delivery of services such as education, health and employment assistance, while accelerating privatisation of government enterprises. In addition the government has sought to further strengthen the power of employers by restricting union rights, beginning with the introduction of Australian Workplace Agreements in the Industrial Relations Act 1996, followed by sustained attempts to exempt small business

from unfair dismissal provisions, as well as supporting employer assaults on workers, exemplified by, but not restricted to, the 1998 waterfront dispute.

Building on Labor foundations, the Howard government attempted to relegate income support to a safety net, replacing the traditional welfare state commitment to community responsibility with the virtues of individual responsibility and self-reliance. The social infrastructure associated with the unemployed was restructured by: devolving service delivery from DSS to a separate agency, Centrelink; replacing the CES with the Job Network; and abolishing most labour market programs. Surveillance intensified, with more onerous job search requirements coupled with rigorous compliance and review processes. The Job Diary introduced in 1996 forced jobseekers to document job applications setting the tenor for interaction with the department. From September 1997 Work for the Dole (WFD) required 18-24 year olds, unemployed for six months or longer to “work” on community projects. This punitive program was designed to further stigmatise unemployed youth, designating them as requiring remedial action to “maintain work ethic and work habits and improve their contact with the local community” (Department of Social Security, 1997: 112). Moreover, WFD provided work experience devoid of training, or consideration of local labour market characteristics, making it difficult to reconcile with the stated justification for the abolition previous labour market programs “to focus labour market assistance on the achievement of real job outcomes for individual jobseekers” (Department of Social Security, 1997: 110).

When the Mutual Obligation Initiative (hereafter MO) commenced in 1998 Newstart and Youth Allowance (YA) recipients aged 18 to 24 were required to combine job search with another activity after six months, including part-time or voluntary work, education or training, or literacy and numeracy training, WFD, Job Search Training and intensive job search, Intensive Assistance, Green Corps, or relocation and intensive job search. MO was subsequently mandated for those aged 18-19 and Year 12 school leavers after three months, 25-34 year olds after twelve months on benefit, and finally 18 to 39 year olds after six months.

#### *The McClure Report: extending mutual obligation*

The welfare reform enquiry chaired by Patrick McClure has dominated the policy debate since October 1999. The committee endorsed the Government’s “principle” of “expecting people on income support to help themselves and contribute to society through increased social and economic participation in a framework of Mutual Obligation”, proposing that MO compulsion be extended from the unemployed to include jobless income recipients of workforce age (Reference Group on Welfare Reform, 2000: 33, 62).

Despite stating that mutual obligation responsibilities extend beyond government and income support recipients to include individuals, businesses and communities, the report concentrates on the obligations of those receiving income support, including the endorsement of the use of coercion, brushing aside concerns about the ability of disadvantaged groups to fulfil mutual obligation commitments and the imposition of financial sanctions, declaring: “some form of financial sanction must be available as a last resort [although]....Sanctions will rarely need to be used” (Reference Group on Welfare Reform, 2000: 40). In light of the publicity generated by the ACOSS (2000) report into breaching and figures published by FaCS establishing that over 300,000 people were breached in the year preceding the release of the report, it must be observed that this statement is not supported by the evidence. In the first four years of the

Howard government the number of breach penalties imposed in Australia increased by a factor of 5.6 as unemployment fell by almost 175,000 people.

Employer “obligations” remain vague despite suggestions during community consultations that business play a bigger role in welfare reform (Reference Group on Welfare Reform, 2000; Department of Family and Community Services, 2002). Indeed the McClure Report designates even the minimalist goal of “[b]roadening opportunities for ongoing dialogue with business regarding their role in the Participation Support System” as a medium to long term objective (Reference Group on Welfare Reform, 2000). No sanctions are proposed for business.

The Government accepted the key recommendations of the McClure Report including the phased introduction of a “simpler income support structure” comprising a common base rate of payment with additions for specific needs and a participation supplement but cautioned that “changing such a complex system is not simple and will take time” (Howard and Newman, 2000: 6). Implementation began with the 2001 budget announcement of the *Australians Working Together* (AWT) package, billed as “a vital first step in building a better social safety net” (Vanstone and Abbott, 2001: 12). However introduction of some aspects of the AWT reforms was postponed due to opposition in the senate, which delayed passage of the legislation until March 2003.

From September 2003 access to non-activity tested Mature Age Allowance and Partner Allowance ceased. Job Search Training became compulsory after three months on benefits, and MO after six months. Interestingly working credits, similar to the scheme abolished by the Howard government in March 1997 because “[m]any customers found the scheme complicated and hard to follow” (Department of Social Security, 1997: 113), were reintroduced.

Activity requirements for Parenting Payment recipients introduced with AWT in September 2003 marked a discontinuity from previous policy, with parents of children over 6 required to attend an annual planning interview, while participation in part-time employment, education or training for six hours per week is mandated for those whose youngest child has turned thirteen. Despite the rhetoric of providing more choice, in practice welfare reform has delivered more compulsion.

Public opinion has firmly rejected forcing people with disabilities to satisfy the types of requirements imposed on the unemployed, posing a significant obstacle for politicians seeking to include them in MO. The 2002-03 budget strategy of reclassifying people from DSP to Newstart, so that they disappear into the ranks of the unemployed and become subject to MO and breaching are temporarily stalled in the Senate. Implementation of the McClure Report continues.

## **Conclusion**

The trajectory of income support in Australia since 1975 represents an almost seamless process of retrenchment, an integral component of neo-liberal policies pursued by both Labor and Coalition governments. The overarching feature of more than 25 years of sustained attempts to cut expenditure and welfare rights is the relentless drive to reintegrate all working age recipients into the labour force, if not the workforce, by “renegotiating” the social contract between the government and individuals. The supply side strategy epitomised by the

mantra of activation policies and “mutual obligation” enforce a regime of jobsearch and enhancing employability in a period where the ability to rely on labour market participation for subsistence has become increasingly fragile due to persistently high unemployment, increasing part-time and casual employment, and industry restructuring resulting in a large reduction in low skill jobs.

The initial assault launched by the Fraser Coalition government failed to live up to expectations. Fundamental changes however were delivered by the Hawke and Keating governments: the introduction of formal contractual arrangements with jobseekers around “reciprocal obligation”, setting up the compliance and review systems in DSS, and forcing spouses of the unemployed to enter the labour market. The Howard Government has accelerated the program of its predecessors.

Looking back to the early response to mass unemployment, exemplified by the Myers report in 1978, which recognised mass unemployment as a demand side problem, acknowledged the obligation of society to the unemployed, and refused to countenance work for the dole, prompts the question: how was the right to welfare transformed into a payment in exchange for acceptance of an obligation to repay “society” by enhancing employability through jobsearch, training, and even submitting to forced labour?

Governments employed a range of strategies to secure these changes. First they abandoned the commitment to full employment and adopted neo-liberal policies, arguing fiscal necessity in the face of changed global economic and labour market conditions. Secondly they campaigned to undermine public support for welfare by vilifying the unemployed as “dole bludgers”, beginning with Clyde Cameron, Minister for Labour in the Whitlam Labor Government. The third strategy has consisted of divide and rule, followed by incremental implementation. Often youth have been targeted in the first instance and then policies expanded to incorporate other income support recipients. Similarly voluntary programs have become mandatory. Finally, obfuscation disguises attacks on rights, for example characterising the coercion of MO as “improved employment and other services to help parents, mature aged people and people with a disability get into work” (Vanstone and Abbott, 2002: 1).

What of the future? FaCS research suggests welfare reform driven by the “simpler system” proposals will impact significantly on three disadvantaged groups: the very long-term unemployed, jobless families and mature age Australians (Carlile *et al.*, 2002). Implementation of the central recommendation of the McClure Report, the expansion of mutual obligation to all working age income recipients to create a pool of cheap labour, remains an unfinished but continuing project with bipartisan support.

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<sup>1</sup> Newstart Allowance in this paper refers to Unemployment Benefit, Newstart Allowance, Job Search Allowance and Mature Age Allowance. Disability Support Pension began in 1991 subsuming the Invalid Pension and Sheltered Employment Allowance. In 1998 Parenting Payment (single) became the latest incarnation of the sole parent pension.

<sup>2</sup> The population figures for sole parents include all those with dependent children under 25 to reflect the eligible population when Supporting Parent's Benefit was introduced.

<sup>3</sup> The social wage includes government outlays for social security and welfare, health, education, housing and community amenities (ACTU and TDC, 1987).