

**A Farewell to
Australia's Welfare State***

by

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Biographical Note

Francis G. Castles has just taken up the post of Professor of Social and Public Policy at the University of Edinburgh, having spent the past fifteen years as Professor of Political Science and Public Policy at the Australian National University. He is an authority on comparative public policy and is author and editor of three books and numerous articles on the origins and development of Australian social policy.

Abstract.

For much of the post-war period, the Australian welfare state has been misunderstood by overseas social policy commentators. The lack of generosity of welfare payments has been substantially compensated for by a system of wages regulation which has prevented waged poverty and delivered a reduced dispersion of incomes. The strong emphasis on means-testing of benefits has not had the stigmatising effects of benefit selectivity elsewhere, since Australian means tests are designed to exclude the well-off rather than focus benefits exclusively on the very poor and because Australian means-testing has been non-discretionary in character. The paper notes that policy changes in the 1980s and 1990s, and, most particularly, under the present Liberal Coalition government, have undermined these distinctive aspects of welfare Australian-style and argues that it is no longer possible to defend the Australian welfare state from its critics.

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* (1), I had shown that the massive extension of state programmes of social welfare was an achievement of almost five decades of Social Democratic dominance in countries like Sweden, Norway and Denmark. Coming to Australia, with almost the lowest spending on welfare of any nation in the OECD, and with a history in which the Australian Labor Party (generally known as the ALP or Labor) was only exceptionally 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 ALP rule.

This was at the beginning of the Hawke/Keating era and, while there was no real hegemony, the ALP did, at least, have five successive election victories and Australia experienced a duration 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 (2), the Hawke/Keating period did see the reintroduction of a universal health care system (Medicare), a real effort to cope with problems of child poverty, the introduction of a mandated second-tier system of superannuation and a serious attempt to subsidize the costs of child-care for working mothers. Indeed, the figures tell us that, during the period 1983 to 1996, the years of Labor rule, Australia was one of the leading OECD countries in terms of social expenditure growth. Total social spending went up by more than four

percentage points of GDP 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 perspective on the Australian welfare state underwent a sea-change. Over the past fifteen or so years, I have argued in books and numerous academic articles that overseas criticism of Australian social policy was substantially misplaced (3, 4, 5, 6, 7). Clearly, what Labor was doing contributed to my change in views. Until the 1974 Whitlam Labor government introduced its Medibank system, Australia was one of the very few advanced countries of the Western world without a national health service. Moreover, when the Liberals destroyed Medibank after the fall of the Whitlam government, Australia became the first and only country in the Western world to dismantle this most popular bedrock of the social service state. The re-establishment of a national health service in 1984 was, therefore, a prerequisite for a positive re-evaluation of Australia's welfare state.

But what Labor was doing was only part of the story. My changed reading of the nature of Australian welfare state and its outcomes in terms of goals such as the achievement of social and economic equality was also a function of the realisation that, on at least two major counts, criticism of Australian social policy development based on European analogies was misplaced. My argument was that Australia had created a welfare state 'by other means'(7) than those utilised in Europe, and that it

was far from obvious that Australian welfare outcomes were inferior to those in most other advanced nations.

Now, as the Howard Liberal/National government comes to the end of its second term in office, and as I leave Australia to return to the United Kingdom, I am, once more, forced to re-examine my conclusions on the nature of the Australia's welfare state. Although the government strongly denies it, the recent introduction of extensive tax subsidies to private health insurance, once again, calls into question Australia's commitment to a viable, national system of public health provision. No less fundamentally, the industrial relations reforms of the 1990s and the adoption of the kind of welfare reforms visualised in a recent government-sponsored report on welfare reform (The McClure Report) will complete the process of tearing down the edifice of Australia's distinctive model of social provision. An increasingly residual health system will then be conjoined with a system of mean, discretionary and moralistically charged social insurance 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 twentieth 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” (8, p.3). 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 (9). Because of arbitration, waged poverty far rarer in Australia than in other comparable nations (10) 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 (11, 12). 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’ (3), a term which, for better or worse, has become part of the standard vocabulary of Australian social policy research (13).

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 centralized system of labour regulation reduces labour market flexibility: In the eyes of the Right, the flexibility to respond to the changing realities of a globalized economy by paying workers strictly according to their contribution to total productivity and, 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.

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 (14). 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 (15). At the same time as deregulation has been proceeding, wage dispersion has been increasing (16). 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 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 its Dickensian worst in Victorian England, but also in many other countries of Western Europe, although never in Australia, the Poor Laws locked away the unfortunate in 'Work Houses', where they undertook menial tasks for the pittance handed out 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 the 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 oneself 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 focussed 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 no Board of Guardians or anything analogous. There was no issue of whether one was 'deserving' or otherwise. To prove one's eligibility one had to demonstrate one fell in a particular category - was 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 (17, p. 160-62). 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 formula, with additional supplements for a spouse and other dependants.

Nor were these features of provision for the vast majority of ordinary Australians and an absence of discretion 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, allowed individuals to have other income up to a limit and

quite substantial holdings of property. As Kewley (18, p. 49-50), points out in discussing this Act, and in contrasting it with more or less contemporaneous reforms in Denmark and New Zealand: 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 focussed exclusively on the poor and at the administrative discretion of the state, then Australia’s system was not mean-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 and that the chairperson of the government's welfare reform advisory body, Patrick McClure is head of one of these charities, since the government is well on the way to restoring the conditionality of payment which makes welfare a charity rather than a right.

The unemployed have always been the welfare beneficiaries most vulnerable to public opinion. With the decline of the organized 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, applying to the older unemployed, some categories of the disabled and single parents whose children are no longer dependent on full-time care. 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 extending the scope of 'mutual obligation' is that it is a mechanism which will assist beneficiaries back into the workplace and minimise the risk of permanent social exclusion (19). The main agency of that assistance appears to be an emphasis on continuous counselling (neatly rhetorically bundled as 'individualised service delivery') 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 to reintroduce a massive infusion of administrative discretion by the backdoor. 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 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 (burospeak 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 almost exactly a 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 - and judging by the pronouncements of the Opposition, Labor as well as Liberal - have abandoned both key components of welfare Australian-style. Moreover, Labor in its bid to do nothing which would endanger its electoral prospects amongst middle-class swing voters has also conceded tax subsidies for private health insurance. Given that welfare 'by other means' led to a social policy system, whose programmatic development was far weaker than that in other comparable nations - with the late emergence and continued vulnerability of the health system possibly the most flagrant example - there would seem no longer to be any legitimate grounds for defending the Australian welfare state from its critics. Nor, it has to be said, does there seem to be any realistic prospect that a Labor victory in the election scheduled for later in 2001 will make any serious difference to the continuing validity of such a judgement. As one who views the role of the state in extending the economic and social protection afforded to its citizens as the key to the social progress of Western society in the twentieth century, it is, perhaps, the right time to be saying farewell to Australia's welfare state.

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