Testing the Limits of the Metaphor:
Fordist and Post-Fordist
Life Cycles
in Australia and New Zealand

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TABLE OF CONTENTS

Introduction: Why the Antipodes?

The inclusion within this volume of a separate chapter on the Antipodean nations, Australia and New Zealand, may seem, at first sight, rather anomalous. Other chapters deal with areas clearly important because of their putative exemplar role in the economic transformation of recent decades (ie. Japan and Southeast Asia), their substantial population, their cultural or socio-historical distinctiveness (ie. Latin America and Eastern Europe), or their role as acknowledged models of welfare state provision (ie. Scandinavia and, in particular, Sweden). Arguably, the Antipodean nations qualify on none of these grounds. Their economies have always been peripheral: first, as primary producers supplying the British market and now, in the most optimistic formulation of domestic economic policy-makers, as service providers to the Asia-Pacific. At the beginning of the 1990s, the combined population of both countries was only just over 20 millions; approximately 17 millions in Australia and somewhat over 3 millions in New Zealand. The countries are, of course, culturally akin in being English-speaking ex-colonial off-shoots of Europe, but, then, so too are the USA and Canada, and it is difficult to see why in population or cultural terms the smaller nations of the Southern Hemisphere should not be treated merely as bit players in a chapter on the English-speaking nations overseas.

The argument for so doing might be readily reinforced by locating these nations against benchmarks supplied by the Scandinavian model. In recent decades, in terms of levels of total expenditures and revenues of government and social security transfer spending, Australia has fallen at the bottom and New Zealand well below the middle of OECD distributions on which Denmark, Norway and, in particular, Sweden have been well above the average (see OECD, 1992, Tables 6.3, 6.5 and 6.6 and Rudd, 1992). In terms of a recently developed and much discussed measure of the quality and arrangement of social rights (ie. Esping-Andersen's 'decommodification' index), Australia and New Zealand, together with all the other Anglo-American nations (including the UK and Ireland), have been characterised as possessing only weakly developed social rights of citizenship. In this, they contrast dramatically with Scandinavia, which, it has been suggested, manifests so extensive a development of social citizenship as to constitute "a distinct socialist approach" to modifying market outcomes (Esping-Andersen, 1990, 47). According to such benchmarks, designed to capture what are seen, archetypically, as the defining characteristics of modern social policy, Australia and New Zealand are literally the antipode of the Scandinavian model.

But - and this is one of the central themes of this chapter - the fact that Australia and New Zealand are atypical in the way they deliver social policy outcomes does not mean that they are necessarily weakly developed welfare states. On the contrary, for much of this century, these countries have had strong claims to be welfare states, but welfare states built on institutional foundations in many ways quite different from those of Western Europe and Scandinavia. They have been, moreover, welfare states which matured rather earlier than was the case in Europe. It is the different form taken by the welfare state in the Antipodes that justifies our attention here; a form which, as we shall see subsequently, rested far less than was the case in Europe on the use of public expenditure and the apparatus of the tax state as the primary means of income redistribution. Clearly, the identification of diverse institutional strategies designed to achieve rather similar goals of social amelioration raises issues of intrinsic interest for comparative research. Such issues are, moreover, of practical policy relevance in so far as they permit speculation as to whether certain kinds of welfare state strategies have been more successful than others as means of coping with the tasks of social protection in advanced capitalist societies, both in the early post-war heyday of the welfare state and now in an era where, seemingly, all welfare strategies have become more vulnerable.

Further, given that the nature of the changes taking place in the economy and the occupational structures of modern societies and their linkages with the welfare state system have been the subject of intense theoretical speculation, the very fact of being able to explore the facets of a rather different welfare state model that emerged under rather different circumstances enhances our capacity to deploy comparative analysis as a means

of theory testing. Nor is the unusual character of the Antipodean welfare state in its heyday the only matter of theoretical relevance. Starting from a distinctive common point of origin, the policy responses of these nations to the economic crises of recent decades have been substantially different. This, as we shall argue - and the other major theme of this chapter - has important implications for how we should understand the forces impacting on welfare state development and for the interpretative validity of standard accounts of that developmental process, including the currently fashionable post-modern metaphor of a transition from fordism to post-fordism.

Finally, the fact that Antipodean nations offer us an instance of 'social protection by other means' (Castles, 1989) may serve as an antidote to a certain Eurocentrism or Swedocentrism in the recent comparative literature on the welfare state. In the first half of the century, the pioneering role of the Antipodean welfare states was widely recognised both at home and in Europe and America, with a host of books and articles describing what Albert Métin, a French visitor to both colonies circa 1900, called 'le socialisme sans doctrines' (Métin, 1977). Asquith, the English Liberal leader, spoke of New Zealand in this period as "a laboratory in which political and social experiments are every day made for the information and instruction of the older countries of the world" (Sinclair, 1980, 187), while local politicians saw the reforms they had enacted as a kind of "state socialism" which had brought about "a progressive policy of justice for all classes" (Lusk, 1913, 287). In 1913, an American scholar felt it appropriate to point to "the ideals which have animated the Australian people and the Australian lawmakers in placing on the statute book the body of social legislation which has drawn the eyes of all the World to Australia, and which marks the most notable experiment yet made in social democracy" (Hammond, 1913, 285). As late as 1949, speaking of the New Zealand system of social security, the ILO would note that "the (Social Security) Act of 1938 creating that system, has, more than any other law, determined the practical meaning of social security, and so has deeply influenced the course of legislation in other countries" (ILO, 1949, iii). More recently, in a world where the benchmarks for efforts to effect greater social amelioration have derived almost entirely from the European experience, that pioneering role and its character have been largely forgotten. Arguably, in a context where the focus is worldwide, and in an era when the state expenditure strategies that define the European approach to social amelioration are under concerted attack, the Antipodean experience may have a new relevance.

Fordist Life Cycles in a Wage Earners' Welfare State

During the third of a century or so following World War II, the Antipodean nations were amongst those for which a very strong case can be mounted that the exigencies threatening disruption to the 'working class life course' (Myles, 1992, 274) had been largely tamed. In 1950, Australia's and New Zealand's GDP per capita levels were respectively fifth and sixth highest in the world (Summers & Heston, 1991) and in both countries there was an extensive and state regulated system of minimum wages leading to greater wage compression than in most other comparable nations (Lydall, 1968, 153; Easton, 1983). Nor were the resulting generally high levels of wages undercut by the revenue demands of a large tax state. In the 1960s aggregate taxation was very low in Australia and relatively so in New Zealand, with a very strong preference for progressive income taxes on those above average incomes rather than for consumption taxes or social security contributions impacting on poorer families.

Most important of all, in both countries, a combination of Keynesian demand management and measures protective of local industries had led to extremely low levels of unemployment. In New Zealand, as Ian Shirley notes, "on March 1956 only 5 unemployment benefits were being paid, and thus there was some substance to the claims of politicians that they knew the unemployed by name" (Shirley, 1990). According to the economists, Australia "enjoyed brimful employment" in the 1950s (Karmel & Brunt, 1962) and an increase to over 2 per cent in 1961 very nearly toppled the long-running Liberal government and forced it into instant reflationary measures. Australia maintained full employment until the mid-1970s and New Zealand until the

early 1980s. Given these conditions, plus the strong ties of family dependency implicit in high fertility rates, low divorce rates (UN, 1970) and rates of female labour market participation well below OECD norms until the late 1960s (OECD, 1992, Table 2.8), it is arguable that wage earners and those dependent on them experienced a relatively high level of social protection throughout this period.

On the surface, at least, it would not appear that the same could be said of those outside the labour force and dependent on social security. In Australia, all social security benefits other than child allowances were incomes tested and, in New Zealand, the only exceptions to incomes testing were, again, child allowances plus a universal superannuation benefit payable at age 65. In both countries, all benefits were flat-rate and all were financed directly from the General Exchequer. After 1960, Australia and New Zealand were the only OECD countries without any form of contributory social insurance, a striking fact which does much to explain the lack of pressure for greater universalism - contributions not only fund benefits, they also create social rights! Replacement rates in Australia varied from genuine subsistence level (unemployment and sickness benefits) to no more than the basis for a frugal existence (the age pension) (see Henderson et al, 1970). In New Zealand, overall expenditure levels were very high at the beginning of the period (ILO, 1972), allowing very generous provision in certain areas. However, over a long period of right-wing political dominance, benefit levels were eaten away by inflation, so that a country which had some claim to be the most extensive welfare state in the world at the turn of the mid-century was rapidly outstripped thereafter (Davidson, 1989, 239). In 1972, Labour governments were elected in both countries with a mandate to increase welfare spending, but that followed a decade in which the Antipodean nations had been the only ones in the OECD experiencing a decline in income maintenance expenditure as a percentage of GDP (OECD, 1976). It is these features which have made contemporary European observers and domestic critics alike point to the weaknesses of the Antipodean welfare states. Nonetheless, for the period discussed here, the evidence does not suggest that inadequacies in the benefit systems translated into working class life courses that were more subject to fluctuation than in other advanced nations.

The most obvious reason why this should have been so was, of course, the fact that unemployment was minuscule and almost entirely frictional. Ungenerous unemployment benefits which spell social desolation under circumstances of mass long-term unemployment may scarcely matter when there is 'brimful employment'. But there were other factors intrinsic to the design of Antipodean social policy which also served as important offsets to the supposed weaknesses of the welfare state system. Incomes tests on unemployment, sickness and invalidity benefits are of rather less practical significance than is sometimes supposed (cf. Esping-Andersen, 1990, 78), given that the conditions which define entitlement automatically prevent disqualification on income grounds. Over time, moreover, there was a gradual shift in emphasis, with means tests designed less to target the very poor and more to exclude the middle class. Universal superannuation in New Zealand and progressive age pension incomes test liberalisation in Australia made for an increasingly residual definition of the excluded rather than the included group, with the prevailing notion being one of a welfare state in retirement for 'the battlers' (the preferred Australian term) or 'the ordinary bloke' (a New Zealand formulation). Finally, although strangely unnoticed in the European literature, it should be noted that flat-rate benefits are singularly more favourable to maintaining working class life cycles than to maintaining middle class ones. All other things being equal, the means tested, flat rate, welfare state is far more redistributive than the universal, income related one (see Åberg, 1989).

As important as these intrinsic factors, were institutional arrangements, rarely considered aspects of the welfare state as such, which mitigated the impact of low and/or declining transfers in these countries. It is to these distinctive institutional features of the Antipodean welfare states that we must turn in order to explain why sickness and, in particular, old-age were not, for the great majority, significant threats to income maintenance across the life cycle. Although spending on social insurance

sickness benefits in this period was extremely low by OECD standards (Varley, 1986) and remains so (Kangas, 1991), the reason was that the same system of wage regulation which enjoined minimum wage levels also guaranteed workers stipulated numbers of sickness leave days paid for by the employer at full wage rates. In Australia, for most categories of workers, this obligation dated back to the interwar period, and argues for a major re-evaluation of both the apparent lack of generosity and laggardness of the welfare state in respect of sickness provision (Castles, 1992).

Looked at from a comparative perspective, two factors mitigated the impact of old-age on poverty in the Antipodes. The first arose from a demography shaped by these countries' efforts at nation-building through mass migration, leading to a far more youthful age profile than in most parts of Europe. The second - which served to offset the low replacement rate of pensions - was a highly institutionalised and culturally ingrained system of private home ownership, with figures for owner-occupation being around 70 per cent in both countries during much of the post-war era (on New Zealand, see Thorns, 1984; on Australia, see Kemeny, 1980). Owner-occupation at this level implied ownership levels free of mortgage obligations for a still greater percentage of older households; if data for later decades is relevant, around 85-90 per cent - on New Zealand, see Thorns, 1993, 98; on Australia, see Gruen & Grattan, 1993, 184). One recent New Zealand estimate suggests that "for a married couple living in a debt-free home with no income other than the state pension, (freehold ownership) represents an addition of 20-30 percent to their net cash income" (St John, 1993, 124). To the extent that these magnitudes apply to the past, it may well be that, compared, with European nations, with typically far lower levels of private home ownership, the lower and/or declining replacement rates of Australian and New Zealand old-age provision during this period may have had few implications in terms of a higher level of aged poverty.

In this summary account of the basic parameters of working class life cycles in Australia and New Zealand in the immediate post-war decades, there is no implication intended that Antipodean workers were better off than those in many European nations at the time. Rather, the object has been simply to point out that differences between the Antipodean and European welfare states are not sufficient evidence of the superiority of the Scandinavian and Western European models. That is the more so, since, during this period, the Scandinavian welfare states were themselves only just beginning to introduce an earnings-related tier of benefits on top of their prior flat-rate universalism with the aim of substituting income maintenance for poverty relief as the main goal of the welfare system, and the Western European social insurance systems had by no means adequately come to grips with the problem of those whose intermittent employment record gave almost no right of benefit. Indeed, as the 1970s began, few Western nations, irrespective of type of system, had unalloyed reasons for self-congratulation on the effectiveness of their welfare states. From Scandinavia to the Antipodes, there was a 'rediscovery of poverty' and a realisation that there were serious gaps in the social security safety-net.

The shape and location of such gaps clearly depended on the institutional design of particular types of welfare state system. The author of Australia's major poverty study of the period, Ronald Henderson argued that the crucial difference between Australia and most other OECD countries lay in the lower percentage of the poor to be found in the workforce. In the OECD overall, half the poor were working, a figure which contrasted with around a quarter in Australia, and suggested that "the high level and comprehensive coverage of minimum wage legislation in Australia...meant that Australia had a much smaller group of 'working poor'" (Henderson, 1978, 169). Given that, in New Zealand, the prevailing architecture of the welfare state was also based on "enforcing minimum wage regulations and subsidising those outside the wage system with selective benefits" (Davidson, 1989, 250), it seems reasonable to suppose that the New Zealand system was similarly biased.

The use of wage regulation as the primary instrument of social protection and the distinctive pattern of social policy outcomes resulting from it has been the basis for labelling the Antipodean nations as 'wage earners' welfare states' (Castles, 1985, 102-109), a description and, in many cases, a designation which has achieved some currency in

both countries (on Australia, see, eg., Brown, 1989, 51 and Bryson, 1992, 89-99; on New Zealand, see the analysis of Davidson, 1990 and the comments of Walsh, 1993, 190 and Rudd, 1993, 240). The working class life cycle produced by the wage earners' welfare state in this period is clearly distinguishable from those emanating from other welfare state types; most notably in its unusually equalising thrust within both the working population (reduced wage dispersion) and the group dependent on benefits (flat-rate provision) combined with a somewhat greater discrepancy between the two life cycle stages as a result of the system's lesser generosity to all beneficiaries other than those on below average wages.

Nevertheless, if the fordist metaphor is seen as applicable to the consolidating welfare states of Western Europe in the period preceding the rise of unemployment in the late 1970s, it is difficult to think of good reasons for denying an equal applicability to the wage earners' welfare states of the Antipodes. Indeed, in a strange sense, the association between the fundamentals of a fordist mode of regulation of the workplace and the mode of mass consumption that is hypothesised to arise from it actually appears rather closer in the latter, since the leverage of the state is applied not by fiscal means, but by direct regulation of the wage generation process that arises from production. But that suggests some very real paradoxes. Wage regulation in Australia and New Zealand, and the welfare state system built on that edifice, date not from a period conterminous with fordist mass production, but predate that process by several decades. Moreover, if the logic of the political economy of mass production drives the imperative to fashion the prerequisites of an even-tenored, working class, life cycle, why does such an imperative become apparent so early in countries whose wealth derived almost wholly from commercial agriculture and whose manufacturing has only rarely and recently transcended the small-scale? Some exploration of the developmental process by which the wage earners' welfare state emerged in these nations helps us both to understand these paradoxes and provides us with a perspective necessary to comprehend changes in the political economy of the welfare state from the 1980s onwards.

The Origins and Logic of the Wage Earners' Welfare State

A possible key to comprehending both the timing and character of major welfare state initiatives in the smaller nations of advanced capitalism is to see them as historic compromises effected in the wake of major economic crises threatening the security of both labour and capital. It is from such a perspective that Katzenstein analyses the emergence of democratic corporatism in the smaller states of Western Europe in the post-war era, with the threat to security being an amalgam of the experiences of the Great Depression and wartime disruption and devastation (Katzenstein, 1985). Whilst the literature on social democratic class compromise tends to emphasise circumstances giving rise to perceptions of mutual gain (see Przeworski, 1985), this analysis suggests that the primary motivation is to be found in the perception of mutual threat and downside risk. This latter is likely tō maximised in the aftermath of major economic disruptions and to be most clearly defined in smaller nations where awareness of external vulnerability to the international economy is most pronounced (see Castles, 1988, 61-78).

In these terms, the starting point for understanding the difference between the Antipodean and European models of social protection is the fact that the impetus to reform in the former lay in economic downturns which preceded the Great Depression of the 1930s by between four and five decades. In New Zealand, the so-called 'Long Depression' of the 1880s and, in Australia, 'the Depression of the 1890s' constituted major setbacks to patterns of economic development which had given the young colonies serious claims to be the richest nations in the world in the period following 1860 (for Australia, see Maddison, 1991; for New Zealand, see Hawke, 1985, 76). In both colonies, the ultimate source of depressed conditions was the decline in export prices for primary products shipped to the British market, with serious repercussions for employment in nations where hitherto tight labour market conditions had made for strong union organisation and pioneering working class advances, such as the eight-hour day and anti-sweating legislation.

In what were now much weaker labour markets, the employers counter-attacked militant unionism, and, in nations where male suffrage and responsible government had been granted in the decades after 1860, the working class turned to democratic political action to effect the first steps in their 'quest for security' (Sutch, 1966). In New Zealand, working class support was channelled through Labour clubs to the Liberal Party which obtained office in 1890 and ruled until 1911. In Australia, Labor was a separate party, which had a major influence in a number of State legislatures throughout the 1890s (the world's first Labour government was a minority government in the State of Queensland in 1899), and, in a Commonwealth parliament divided three ways through the first decade of this century, had a decisive voice in virtually all the reform legislation of the period. Paradoxically, if we accept Baldwin's (1990) analysis of the middle class impetus to Scandinavian universalism, the real contrast between the Scandinavian and Antipodean models may be that, in the former, working class political action shaped the later maturation of the welfare state, whereas, in the latter, the working class were present and assisted in the birth.

At the heart of reformist activity in the Antipodes, and the source of much of the overseas admiration for the state or 'colonial' socialism of these countries, was the notion of compulsory conciliation and arbitration of industrial disputes. Each country set up an arbitration court - in New Zealand, in 1894; in Australia, in 1904 - which sought to resolve industrial disputation by bringing the parties before it and making compulsory awards as to wages and working conditions. Something of the 'labourist' (Macintyre, 1985) flavour for these initiatives may be judged from the fact that the architect of the New Zealand legislation was a Fabian socialist and that the Act was sub-titled as being one designed "to encourage the formation of industrial unions" (Sinclair, 1980, 184), whilst, in Australia, the first President of the Court of Conciliation and Arbitration was a former Attorney-General in a Labor government.

Arguably, the impetus to these novel institutional developments had as much to do with regulating industrial conflict by transferring the battle of labour and capital into the courts as with specific intentions concerning the outcomes of the wage determination process. Arguably, too, it was, in part, a statist response to wage adjustment problems in nations with inherently fluctuating export prices. Certainly, governments in both colonies had considerable reason to seek to minimise both industrial conflict and wage fluctuations in pursuit of their national development role of attracting "resources of capital and labour into the economy from outside" (Butlin et al, 1982, 13). Such a national development role came quite naturally to governments in countries where the state superstructure had to fashion an institutional basis for a civil society to be created from the top down and which had already made for state public intervention on a scale much greater than normal in nineteenth or early twentieth century Europe (see Reeves, 1902).

Irrespective of the impetus to set up systems of wage regulation, the outcome was to make wage awards subject to forces other than those of the market, and, in particular, to allow some room for wage-fixing on the basis of social policy criteria. By the first decade of this century, New Zealander commentators were talking of a "theory of fair wages... sufficient to give the worker a decent living according to the colonial standard" (Le Rossignol & Stewart, 1910, 239) and the Australian Court was assessing a "fair and reasonable wage" as one meeting "the normal needs of the average employee regarded as a human being living in a civilized community" (Higgins, 1922). Since the 'average employee' of the time was a male, and since his 'normal needs' included his domestic responsibilities, the 'fair wage' was very rapidly defined as being a 'family' wage sufficient to support a wife and two or three children.

The 'fair' wage rapidly became a working class catch-cry and a norm to which most parties in the labour market gave lip service, although, at various times, employers more or less strenuously counterposed the criterion of 'ability to pay', and stronger unions, particularly in New Zealand, sometimes regarded arbitration as a 'leg-iron' shackling their ability to extract more favourable conditions by their own efforts. By itself, however, the institution of compulsory arbitration could not be regarded as a sufficient basis for resolving the issue of social protection in a capitalist economy. Getting an

adequate wage was one part of the problem; the other, as amply demonstrated by recent economic conditions, was getting a job. What made compulsory arbitration the basis for a distinctive strategy of social amelioration was that it was fashioned into a more or less explicit political 'deal', which has been dignified by some authors as an 'historic compromise' parallelling those of Scandinavia in the 1930s (on Australia, see Castles, 1988, 110-32; on New Zealand, see Davidson, 1989, 177-87). The substance of this 'deal' was that fair wages were to be complemented by policy measures, in principle, regarded as ensuring the capacity of employers to provide sufficient high-wage jobs. Those policy measures involved high levels of tariff protection to restrict foreign competition and to foster the basis of a domestic manufacturing industry, and controls on migration designed simultaneously to exclude low-wage (coloured) labour and to allow population growth within parameters set by the need to maintain a reasonably tight labour market. Countries which had just experienced depressions which were attributed quite reasonably to world market conditions sought to build policy edifices capable of preventing any recurrence of such disruption.

Within the confines of a single chapter, it is impossible to trace the historical detail of how this strategy of 'domestic defence' (Castles, 1988) developed in following decades and the precise steps by which it led to the elaboration of the wage earners' welfare state as described in the previous section. Over something like three quarters of a century, there emerged a complex system of awards stipulating both general wage increases and conditions and minimum rates for particular trades, with a host of rules governing hours worked, breaks from work and penalty rates for overtime, weekend and late working. Protective measures for domestic industry also proliferated. In Australia, tariffs were demanded and conferred on an ever greater range of industries and a Tariff Board emerged, initially as a sort of institutionalised counterpart to the arbitration system. In New Zealand, a vastly complex system of import licensing to protect manufacturing and of guaranteed prices for pastoral produce led to an economy, perhaps, more tightly regulated than any other in the Western world.

Even without the historical detail, the logic by which a strategy of domestic defence was transformed into the wage earners' welfare state is transparent enough. To the degree that wage regulation delivered all male employees an adequate family wage, and in so far as the assumption was that all women and children were dependent on male wage earners, it followed that only when men were unemployed or had been insufficiently provident to provide for their old-age could there be a need for additional intervention by the state. But with wages as the frontline weapon against poverty and, supposedly, sufficient high-wage jobs generated by the protection of tariff walls and controls on migration, social policy could be doubly residual: to be given only to the poor and only where it was apparent that the wages mechanism was inadequate.

These considerations explain why schemes of social expenditure in these countries have tended to be selective and laggard and why the tax state has been both small and redistributive in emphasis. Targeting benefits only to those in need followed from seeing them as a secondary safety-net only for those who somehow fell through the mesh of the primary wage control mechanism. With the exception of the (also means tested) age pension, introduced in New Zealand in 1898, in the major Australian States at the turn of the century and in the Commonwealth of Australia in 1908, other benefits tended to be introduced rather later than in many European countries, because the initial assumption was that private savings would be sufficient to meet short-term emergencies such as frictional unemployment or to insure privately for foreseeable medical costs. Only when these assumptions proved inaccurate were new benefits introduced and, even then, the initial tendency was to seek for remedies through the wage awards system, as was the case in respect of sickness leave. The logic by which an emphasis on fair wages led to means testing and the small tax state was replicated on the revenue side. An aversion to heavy tax burdens on average working families, and, hence, a strong preference for reliance on progressive income taxes, followed naturally from the conception that wages from employment were the legally established minimum required for a civilised existence. Overall, the closely intertwined set of preferences for redistributive instruments on both the expenditure and the revenue sides of the tax-transfer system

gave the wage earners' welfare state in its heyday a distinctively egalitarian or 'radical' cast (see Castles & Mitchell, 1993).

Judicially determined wage levels set on the basis of social policy considerations also account for other important features of the Antipodean wage earners' welfare state. The extremely low levels of female (particularly married) labour force participation in both countries were a direct consequence of the family wage concept, which led the arbitration courts to set female base wage rates at around half those of men on the ground that women generally were not responsible for the support of dependents (on Australia, see Bryson, 1992, 167-70; on New Zealand, Brosnan & Wilson, 1989, 21-34). Given this legally institutionalised construction of female dependency, feminist commentators have properly seen the Antipodean model of the early post-war decades as a 'male wage earners' welfare state' (Bryson, 1992; Du Plessis, 1993). Finally, the high wage rates stemming from the relative affluence of these nations, together with the relatively low dispersion of wages produced by the arbitration system, created circumstances highly propitious to high levels of private home ownership, with mortgage repayments serving, in effect, as a functional alternative to European earnings-related welfare as a means of horizontal life cycle income distribution. Certainly, by the 1950s and 1960s, governments in Australia and New Zealand were treating home ownership as a welfare good to be provided for all classes of the population through subsidised or interest-regulated loans, with the most dramatic instance of the equation between ownership and welfare being the New Zealand Labour initiative in 1958 of permitting the 'anticipation' of some part of future child benefits as a lump sum payment towards private house purchase (Thomson, 1991, 39-40).

The story told here of an evolving economic policy strategy of domestic defence contributing to the maturation of a wage earners' welfare state is, of course, an ideal typical representation of developments occurring over many decades and with many important differences in the two Antipodean nations. Given this volume's focus on the diversity of welfare state models in different areas of the world, and its concern to identify the parameters for subsequent challenges to established welfare state models, the difference that most demands attention is that which led to New Zealand developing a system of social security in the 1940s and 1950s which, in all respects bar its selectivity, was as extensive as any in the world.

A convincing case can again be made that the explanation for this difference lies in the timing and sequence of interactions between the international economy and domestic political events. In Australia, Labor was unfortunate enough to win power in 1929 at the onset of the Great Depression only to be ousted in 1931 because the policies it pursued were perceived as ineffective in coming to grips with the economic downturn. In New Zealand, Labour came to office in 1935, and, as in Scandinavia, reaped the benefit of already improving economic conditions. However, that would have hardly been sufficient to propel what New Zealanders call the 'First Labour Government', which remained in office for the next 14 years, to pursue so massive a social expenditure project if the party had been completely wedded to the principles of the wage earners' welfare state.

In fact, it was not, and for reasons which hark back to the shaping moments of the domestic defence strategy. In New Zealand, this strategy can be argued to have been a statist initiative brought about by a radical Liberal government with some working class support, but without the specific imprimatur of a Labour Party, which only came into existence in 1916, five years after the long Liberal reign was over. In Australia, domestic defence was no less statist, but it was simultaneously an outcome of explicit Labor parliamentary support and, in respect of many aspects of policy, specific Labor initiatives during the first decade of the century. In Australia, to use modern bureaucratic parlance, Labor 'owned' the strategy of domestic defence and the resultant welfare state model; in New Zealand, Labour did not. Instead, it had a history of divided feelings over arbitration (see Holt, 1986) and some ideological preference for universalist welfare measures dating back to leftist opposition to the selectivism of the original 1898 pensions legislation (Sutch, 1966, 92).

The consequence was a highly ambiguous development of welfare state policy. Virtually Labour's first act in 1936 was to legislate for the 'family wage' and the return of an arbitration system junked by the conservative Reform Party in 1932 as part of its response to the Great Depression. Rather than being merely an operating rule of the Court, it was now the law of the land that "the base rate wages for adult male workers..."be sufficient to enable a man in receipt thereof to maintain a wife and three children in a fair and reasonable standard of comfort" (Woods, 1963, 138). But on top of this affirmation of the by now traditional, Antipodean way of doing things came the enactment of what was the most comprehensive and generous social security system the world had yet seen, which, although primarily relying on flat-rate, selective, benefits, did contain some universalist elements, including universal, flat-rate, superannuation and free hospital treatment and pharmaceutical benefits. From 1949 to 1972, Labour ruled for only three years, and successive National Party governments allowed the gradual erosion of benefits and overall social expenditure.

In New Zealand, the first half of the post-war period was one in which the wage-earners' welfare state re-emerged by stealth. Nevertheless, the first Labour Government left an important legacy of legitimation for a welfare state along European lines, which resurfaced with legislation by the Third Labour Government, 1972-75, to introduce a funded, earnings-related, superannuation scheme. But the ambiguities built into New Zealand's welfare state were to continue. In what has been described as 'the biggest electoral bribe in New Zealand history', the National Party returned to office with a National Superannuation' scheme which was reasonably generous in replacement rate terms, but extraordinarily so in reducing the age of entitlement to 60 and by offering the benefit as a universal demogrant. The ambiguities - and obvious future fiscal difficulties - lay in tying the old to the new by making the demogrant flat-rate and funding it from the exchequer on exactly the same basis as the other benefits of the wage earners' welfare state.

By contrast, whilst never as generous, the Australian development was far more consistent. Although the Australian Labor government of the 1940s had brought into existence the standard range of social security schemes - child, unemployment, sickness and widows' benefits - all, bar the child benefit, were in the traditional selective, ungenerous and flat-rate mould of the 1908 pension and represented an extension of the residual safety-net of the wage earners' welfare state, not its supersession. The wartime Labor government had unsuccessfully attempted to create a national health system along New Zealand lines, but otherwise believed that the crucial tasks of post-war economic reconstruction were full employment and economic growth, which would make welfare "palliatives... less and less necessary" (Chifley, 1944, 1). Its long-term Liberal successor never challenged the existing social policy model and believed that it had proved successful in wiping out absolute poverty in Australia (Wentworth, 1969, 3). When Labor next came to office in 1972-75, it finally succeeded in introducing a national health system, increased the generosity of benefits and even took a cautious step towards universalism in respect of pensions for those over 70. However, although as in New Zealand, ideas of earnings-related compensation were in the air, they were ultimately rejected because of "the clash of principle between this earnings-related scheme and the traditional Australian practice of flat-rate benefits according to need" (Henderson, 1978, 175). Finally, the Fraser Liberal government which took office in 1975 saw monetarism as the correct response to the developing economic crisis and had absolutely no intention of moving beyond the traditional confines of Australia's low taxation welfare state. In the late 1970s, as both Antipodean nations geared up to cope with the third major external economic disruption in the course of a century, it was with still more or less common welfare institutions shaped by the first such disruption, but with diverse trajectories of social policy development dating back to the second.

The account given here of the origins and logic of the wage earners' welfare state provides an explanation of the timing, character and diversity of Antipodean welfare state development in terms of the interaction of major disturbances in the international economy and the political development of the labour movement under circumstances

conditioned by the challenge of nation-building in peripheral economies made rich, but dependent, by trade with the Mother Country. Such an account does not, however, really lessen the difficulty of applying the fordist metaphor to the Antipodean welfare experience. On the contrary, the anomalies proliferate. One problem arises, if like O'Brien and Wilkes (1993), we see the New Zealand Social Security Act of 1938, with its moves towards universalism and greater generosity, as the dividing line between what they describe as "Pre-Fordism" and "Dependent-Agricultural Fordism". Leaving aside the seeming oxymoron of describing a capitalist form based on mass industrial production as 'dependent-agricultural', this leaves us with the further paradox - seeing things from a comparative perspective - of an Australian welfare system which, since it has never essentially departed from selectivity, presumably remains "PreFordist" to this day.

A further problem arises from the fact that, in the domestic defence strategy, the conceptual linkage between tariff protection and wage regulation as twin guarantors of wage stabilisation and full employment is actually closer than the link between Keynesian macroeconomic management and enhanced social security provision in the post-war strategies of most European nations. In the latter, economic and social policy were often seen as complementary, but, nevertheless, remained clearly separable goals of policy. A simple way around this might be to argue that the pre-war Antipodean experience was pre-fordist precisely because of the failure of the domestic defence strategy to deliver on full employment, and that what made the post-war era fordist was the adoption, in the Antipodes as well as in Europe, of Keynesian demand management. The difficulty with that story, which is, of course, in broad terms, compatible with a periodisation that locates the starting point of the postfordist, post-industrial, era somewhere around the mid to late 1970s, is that it defines fordism as conterminous with a particular economic policy instrument rather than with particular social policy outcomes. In an important way, such a conceptualisation denies the whole rationale of this volume. To compare welfare states is to locate the nature of their variety, while the fordist metaphor and its post-fordist nemes is appear to deny the possibility of such variety from the moment, now seemingly realised, that all, hitherto existing welfare states are beset by mass unemployment.

Post-Fordist Life Cycles and the Transformation of the Welfare State

If it is appropriate to regard the Antipodes at the turn of the last century as a social laboratory in which state experiments were carried out for the greater edification of other nations, the same may be no less true of the last two decades of this century. In the 1980s, Australia and New Zealand were amongst a group of largely Anglo-American nations which did more than simply seek incremental and piecemeal ways of coping with the economic and social policy consequences of major new disruptions in their external economic environment (Castles, 1993, 3-34). Instead, departing from a premise that the end result of many decades of state intervention had left a substantial legacy of economic inefficiency, these countries committed themselves to making a substantial overhaul of their entire panoply of economic and social policy institutions and, in particular, sought to reshape institutions in such a way that they would become more responsive to market disciplines. This more comprehensive policy response to the economic disruptions of the 1970s is generally seen as emanating from the ideas of the 'New Right', although in Australia, and perhaps a significant indicator of differences in that nation's approach, a rather less overtly political label of 'economic rationalism' (see Pusey, 1991 and King and Lloyd, 1993) has found some favour, at least in regard to the home-grown product.

Nor can it be said that the policy response of the Antipodean nations was merely a minor echo of the New Right mainstream of Thatcherism in the United Kingdom and Reaganomics in the United States. What makes the dramatic economic and social reforms of the past decade in Australia and New Zealand so fascinating is that they were initiated by governments traditionally associated with the interventionist state and with measures of social protection. In Australia, the architect of reform was a Labor government that was first elected in 1983, and which has subsequently proceeded to win the next four elections. In New Zealand, economic reform directions were established by the fourth Labour Government which ruled from 1984 to 1990, and were markedly

accelerated, particularly in the labour market and social policy areas, by its National Party successor.

The kinds of economic policy and welfare outcomes associated with the New Right triumphant - a greater emphasis on price stability than unemployment, labour market deregulation, reduced taxation, cuts in public expenditure and stringent targeting of benefits, and greater inequality in the distribution of income - are, of course, simultaneously the outcomes associated with a post-industrial and post-fordist future. In a sense, then, it would appear that the Antipodean nations over the course of the past decade provide a perfect laboratory for testing the limits of the fordist metaphor. Two countries on the periphery of the world economic system embarked on extensive policy reforms explicitly designed to make their economies respond more efficiently to market signals under the auspices of governments without any previous predilection for pro-market interventions or for rightist outcomes. Had the experience of the two countries been a common move towards uniformly post-fordist outcomes, it might have been argued that this was proof sufficient that, even in countries with a tradition of social protection and under governments supposedly committed to protective goals, the very fact of seeking to conform to the demands of international competitiveness was an inevitable recipe for the destruction of the welfare state.

In fact, as this section seeks to demonstrate, whilst welfare state outcomes in Australia and New Zealand manifested certain common trends over the period, they were, in substantial ways, very different. A vital component of that difference was the fact that, despite quite similar economic objectives, the governments in the two countries sought to achieve their ends by quite distinctive policy means. At a minimum, this would seem to indicate that there is not merely one, but a variety of post-fordist futures. Perhaps, more fundamentally, the tenor of the account offered here, as of the previous section, which high-lighted the part played by the labour movement in formulating decisive responses to major experiences of economic disruption, suggests a role for political agency rather greater than would seem readily compatible with the fordist metaphor of welfare state development.

The areas in which common trends have been most apparent are those in which economic factors - domestic and international - have impacted most directly on the life cycle prospects of workers and potential workers, ie. the areas in which economic forces have been least mediated by policy, either because policy has been ineffective or because policy-makers have consciously retreated from former interventionist strategies. From the mid-1970s onwards, the economic and labour market outcomes, which through the 1950s and 1960s had been the main testimony to the success of the wage earners' welfare state in delivering a decent and even-tenored standard of life, had begun to deteriorate or to be transformed. Relative GDP per capita levels in both countries remained in the top half of the OECD distribution until the mid-1970s, but declined appreciably thereafter as a consequence of slow productivity growth and a serious downturn in the terms of trade. In 1985, Australia had a GDP per capita level 98 per cent of the OECD average and New Zealand 90 per cent; in 1992, the Australian figure was 91 per cent and the New Zealand level was 76 per cent (Easton, 1993, 11). By the latter date, New Zealand's GDP per capita exceeded only those of Ireland, Greece, Portugal, Spain and Turkey amongst the OECD nations (OECD, 1994).

The decline in the Antipodean nations' relative economic standing was, of course, one of the most significant factors promoting a sense of the need for policy change that might lead to enhanced international competitiveness. In particular, it promoted moves to financial deregulation and the phasing out of the barriers of external protection which had been such a central component of the traditional 'domestic defence' strategy. Deregulation across all spheres of policy was a particularly compelling platform for policy reform in nations which had historically seen economic regulation as the sovereign remedy for all problems, and, most particularly, for problems seen as emanating from the international economy. Hardly surprisingly, this new deregulatory ethos, signalised by the defeat of conservative governments which had confronted the economic crisis of the

late 1970s by a further battening down of the regulatory hatches, made for substantial pressures on the no less traditional wage earners' welfare state strategy of wage compression in a full employment economy.

Research suggests that, as late as the mid-1980s, the dispersion of male earnings in Australia was still relatively low compared with a range of other OECD nations, being roughly comparable with that of Sweden, but that it increased markedly thereafter (Bradbury, 1993). An emerging trend towards greater wage inequality in Australia over the past decade or so is compatible with evidence concerning the progressive disappearance of the middle of the income distribution as part-time employment at low wages has been substituted for full-time jobs at standard wage rates (Gregory, 1993). Similar wage distribution trends were also clearly apparent in New Zealand during the period of the fourth Labour Government and have continued under the National government (Brosnan & Rea, 1992). Whilst some critics have argued that these trends constitute a particular cause for condemnation of domestic economic policy in these nations, in actual fact the wage distribution tendencies described are common to many OECD countries, and criticism, if that is appropriate, should be directed more to the removal of the barriers that had hitherto insulated these countries from world market trends. However the consensus of economists in both countries, and not merely those with New Right and economic rationalist views, is that such barriers could not have lasted much longer in any case and that, whatever their past rationale, they had, by the early 1980s, become wholly counter-productive.

Transformation rather than deterioration is the appropriate description for other aspects of labour market change. As in most other Anglo-American nations and also in Scandinavia, the two decades after 1970s were a period during which labour force composition was radically altered. In particular, both countries experienced a decisive shift to service employment (1990: Australia, 69 per cent; New Zealand, 64.8 percent - see OECD, 1992), a substantial increase in female labour force participation as a percentage of the female population from 15 to 64 from a level well below the OECD average to one somewhat above it (1990: Australia, 62.3 per cent; New Zealand: 62.1 per cent - see OECD, 1992) and a major growth in part-time employment for both men and women (in Australia, part-time employment as a percentage of total employment increased from 11.9 to 24.4 between 1973 and 1992; in New Zealand, comparable figures were 11.2 and 21.6 per cent - see OECD, 1993).

These changes in workforce composition, which are clearly compatible with the notion of a post-industrial transformation, are not inherently inimical to the security of working class life cycles. Indeed, it is almost certainly only the fact that, in both countries, it is now the norm for most families during early and later stages of the life cycle to have more than one member in some form of paid employment that has made for the continued viability of the wage earners' welfare state goal of home ownership (Castles, 1994). On the other hand, part-time working for men and employment for married women have made the wage earners' welfare state notions of the 'family wage' and female dependence increasingly antediluvian. One of the few unequivocal signs of a genuine transformation in the basic premises of the welfare state has been the development of a strong women's policy machinery within the bureaucracy and a series of policy changes under the two Labour governments (but not National) which have created greater gender equality within the welfare system (on Australia, see Sawer, 1990 and Shaver, 1993; on New Zealand, see Curtin, 1992) and have modified and extended (ie. by childcare subsidies) the welfare state to facilitate still greater female labour force participation.

Interestingly, however, the origins of this shift to gender equality are by no means exclusively a matter of post-industrial changes in workforce composition and female educational opportunity, but owe not a little to the traditional mechanisms of the wage earners' welfare state. The arbitration system, which had once stood as institutional guarantor of the family wage, became in the late 1960s and early 1970s a mechanism actively promoting equal pay for women through award decisions. As a consequence, in recent decades, Australia and New Zealand have maintained relatively low gender wage

inequalities by international standards, only now under threat as a result of the recent decentralisation, and, in New Zealand, destruction of traditional wage-fixing institutions (on New Zealand, see Hammond & Harbridge, 1993). Moreover, the use of the state as a 'user-friendly' mechanism to achieve feminist goals is one which has strong resonances with the regulatory and interventionist modes of Antipodean government that gave birth to the wage earners' model.

Obviously, the tendency of recent decades which has been most destructive of all to the even-tenored fordist life cycle has been the growth of unemployment. As of 1993, the jobless figure was at around 11 per cent in both countries (all unemployment figures in this paragraph from OECD, 1993). In Australia, Labor in 1983 inherited around 10 per cent unemployment from its monetarist predecessor and since the early 1990s has again experienced levels of this magnitude, not least as a consequence of a high real interest rate policy at the end of the 1980s. In the interim, however, there was a substantial decline in unemployment to a low of around six per cent in 1989. In New Zealand, unemployment was to some extent contained by Keynesian and state-led investment policies until the mid-1980s, standing at less than six per cent in 1983 and under four per cent in 1986. Thereafter, unemployment in New Zealand was to increase annually to 1993, not so much in tune with cyclical trends in the world economy, but rather as a consequence of the policy initiatives of the Fourth Labour Government and its successor, and, in particular, its successive use of monetarist and real interest rate remedies against inflation from the mid-1980s onwards.

To say the very least, the broadly common outcomes of economic policy development in these countries over the past decade mean that there are major areas in which the wage earners' welfare state either no longer delivers or in which it delivers outcomes markedly less favourable than was previously the case. The Antipodean economies and labour markets no longer guarantee living standards comparable to the best in the world, no longer guarantee full employment and no longer guarantee a high level of wage equality. They do still appear to provide an extraordinarily high level and, indeed, standard of home ownership, but, to the extent that they do, it is a testament to the increase in women's employment, not to the adequacy of the family wage. Moreover, the guarantees that are no longer there were precisely those on which rested the claim for the efficacy of the Antipodean welfare strategy vis-a-vis European welfare state models. Nevertheless, from the mid-1980s onwards, there also were major differences in labour market policies and labour market outcomes between the two countries, and differences also in the tax policies which transformed the economic rewards of labour market participation into family incomes. These differences very clearly demonstrate the greater commitment of the Australian Labor government than its New Zealand Labour and National counterparts to insulating working class life cycles from the adverse consequences of economic policy reform (cf Gerritsen 1986: 48-49).

One very important area of difference has been in employment policy. In New Zealand, thorough-going economic restructuring initiatives were taken to remove external barriers to trade, to corporatise state enterprises as a precursor to privatising them, to reduce assistance to industry and agriculture, to remove price controls and, above all, to reduce inflation. However, there were no serious efforts to address the likely employment effects of these policies, and, indeed, they took place at the same time as the active labour market schemes already in existence were being phased out (Shirley et al, 1990, 84-86). On the contrary, what Roger Douglas, the Labour Finance Minister, and Treasury, seen by many commentators (see Jesson, 1989; Easton, 1994) as the intellectual power-house of the monetarist and Hayekian doctrines shaping policy from 1984 onwards, wanted was for their measures to bite with immediate effect so as to realise structural adjustment gains as rapidly as possible. The result was to decimate employment in whole areas of the economy and regions of the country.

In Australia, by contrast, a deregulatory thrust which was of major dimensions by OECD standards, but, nevertheless, far less gung-ho than in New Zealand, was managed by tri-partite industry plans and negotiated micro-economic reform in the context of government and trade union negotiated policy-settings encouraging stable business

expectations and high levels of investment (Chapman, Dowrick & Junankar, 1991). Labor's primary policy instrument in this was a consciously established set of corporatist or quasi-corporatist arrangements and understandings known the Accord, which, for more than a decade, have made the government and trade unions partners in the process of economic transformation (see Gerritsen, 1986, Matthews, 1991, 191-218; Gruen & Grattan, 1993, 111-34). A telling contrast, pertinent to both the style and content of labour market policy on both sides of the Tasman in the latter half of the 1980s, was that, whereas, in New Zealand, policy was driven by a Chicago School-educated Treasury, in Australia, policy was presided over by a Prime Minister (Bob Hawke) who had been President of the Australian Council of Trade Unions (ACTU) for many years. In employment terms, at least, the difference made by this contrast of policy approaches was extremely dramatic. Between 1982-90, Australia recorded employment growth of 2.6 per cent per annum, much the best performance in the OECD, whilst New Zealand, with an average of nought per cent per annum, was the second worst performer after Ireland (OECD, 1993, 5).

The other crucial area of difference related to issues concerning wages, conditions of employment, and taxation of income from employment. In Australia, the Accord mechanism was initially used, in conjunction with the traditional arbitration machinery, to manage the decline in real wages adjudged necessary to enhance competitiveness, whilst simultaneously providing continuing minimum wage guarantees for workers in low-wage industries. Whilst wage inequality has clearly increased in Australia, there has been, at least, some attempt to preserve wage fairness. Changes on the industrial relations front have also seen a progressive shift towards more decentralised, enterprise-based, wage-setting (Plowman, 1990, 155-56), but the Accord mechanism has prevented any serious undermining of those features of the centralised industrial relations system protecting minimum wage levels and working conditions and preventing wage break-outs. The demands of competitiveness also impinged in the area of taxation, where economic rationalist reformers argued that progressivity reduced the incentives stemming from what they saw as necessary wage inequalities. However, again as a consequence of the Accord relationship between Labor and the trade unions, the government backed away from plans to impose a general consumption tax in return for a reduction in marginal rates of taxation. Although reducing the top marginal rate from 60 to 49 per cent, the traditional wage earners' welfare state aversion to consumption taxes triumphed. Instead, Labor instituted both a capital gains tax and a progressive fringe-benefits tax on business expenses, measures very much against the regressive trend of 1980s OECD tax reform (cf. Heidenheimer, et al, 1990, 209-14).

The crucial difference between the two countries in respect of managed wage restraint was the absence in New Zealand of a working relationship between unions and the Labour government in any way comparable to the Australian Accord (Sandlant, 1989). The absence of such a relationship also showed up clearly in the tax arena, with a complete lack of popular, much less trade union consultation, prior to the imposition of a general consumption tax and a far less progressive income tax regime than any contemplated in Australia, with a top marginal rate of 33 per cent (Heidenheimer et al, 1990, 211). On the other hand, and with the exception of radical reforms in respect of state sector employment, industrial relations was an area in which the Fourth Labour Government, perhaps, for once mindful of traditional allegiances, manifested rather less deregulatory zeal than was its wont (Walsh, 1991). However, the National government after 1990 was far less circumspect, seeing labour market deregulation as the major missing building-brick in the edifice of economic restructuring. The Employment Contracts Act, passed in 1991, did away with almost 100 years of labour market protection, abolishing the last remnants of the arbitration system and severely curtailing the right to strike, as well as removing much of the basis of trade union freedom to organise. According to one commentator, the consequences are already apparent in "a substantial, perhaps, irreversible fall in trade union membership and collective bargaining coverage, the continued erosion of employment conditions and employment security, a growing sense of employer strength and (in some quarters) militancy" (Walsh, 1993, 74).

If the keystone of the institutional arch of the wage earners' welfare state used to be the institutions of wage control which regulated and pacified the conflict of labour and capital, then the Employment Contracts Act marks the end of the wage earners' welfare state in New Zealand. The contrast here with Australia is not just one of outcomes, but of the integrity of institutions and of their potential for social protection. As we have already noted, the Australian labour market has offered a markedly lower degree of protection over the past decade, but it does still contain institutions designed to resolve the conflicts of labour and capital by adjudicating the outcomes of the wage bargaining process; it does maintain important protections against the exploitation of weaker groups of workers in the labour market; and there are still tax mechanisms which seek to moderate the growing inequality of wages. Moreover, in the adverse external circumstances of the past decade, and with the general realisation that it is impossible any longer to pursue the traditional strategy of domestic defence, the established wage-fixing apparatus has been made more flexible without undermining its inherited legitimacy and has been simultaneously augmented by the development of quasi-corporatist links between Labor and the trade unions. In Australia, arguably, the verdict on what has happened in the labour market in the Labor decade is that, whilst the traditional institutional props of wage earners' welfare state have ceased to operate as effectively as in the past, there has been a genuine attempt to refurbish their role as, at least, a secondary line of defence of working class life cycles.

In the traditional wage earners' model, wage control was the primary instrument of welfare and social security was residual. Now, the roles have been reversed, partly as a consequence of the failure of the traditional labour market strategy, but also because, as in many other countries, changes in mores, family structures and patterns of female labour force participation have transformed traditional ties of family dependence. Under these circumstances, it might have been reasonable to assume that New Zealand, with a stronger policy tradition of universalism and expenditure generosity, would have responded more positively than Australia. In fact, the reverse has been the case and, as of the mid-1990s, it seems clear that social protection through social security is far better entrenched in Australia than in New Zealand or, indeed, arguably, any other English-speaking nation.

This has not happened as a consequence of any sudden shift towards universalism or massive growth of generosity on Australia's part. On the contrary, in respect of social security income maintenance expenditure, the Labor decade has been one in which selectivism has been intensified, with assets tests imposed on age pensions, and the one non-income tested benefit, the child allowance, becoming tested against both income and assets. There have been a whole host of more minor adjustments designed to target need more precisely and to encourage the transition from benefits to labour market participation, the latter emphasis being the theme of Labor's major Social Security Review of the latter part of the 1980s. Crucially, however, the budgetary impetus for such change has come not so much from a wish to cut back public expenditure as to control its growth. In consequence, means tests have not been drawn at the line separating the poor from the rest, but rather at the line which obviates 'middle class welfare'. In the new stringently targeted Australian world of means tests, the one-child family earning less than $60,000 (approximately US$42,000) still receives child benefit, and 72 per cent of the aged qualify for the age pension (Gruen & Grattan, 1993, 192).

Moreover, real benefits, whilst they have not increased substantially, did move up gradually over the course of the 1980s (Saunders, 1991, 302) and, taking account of both social wage and indirect tax changes, the living standards of the bottom three income deciles improved by five per cent or more over the period from 1984 to 1988/89 (Saunders, 1994, 183). There is also some evidence that this trend of the high employment growth years has been maintained in respect of unemployment and family benefits throughout the recessionary period of the early 1990s (Harding, 1994, 16). Indeed, family poverty, and particularly that of one-parent families, has been a specific target of Labor policy, with the introduction of an additional child payment for low income families and the very substantial enhancement of the rent allowance as a means of targeting family poverty arising from the lack of private home ownership. If recent

simulation estimates are to be believed, these measures appear to have been rather successful, leading to a marked decline in both poverty rates and poverty gaps for families with children between 1989/90 and early 1994 (Ibid, 15-17).

In New Zealand, initial social policy measures by the Fourth Labour Government had some similarities to the tighter targeting measures in Australia, with a whole series of cost containing modifications of the existing system. Given the flagrant generosity of certain aspects of National Superannuation - its status as a flat-rate demogrant from age sixty - it became the obvious first victim of the new government's zeal for budget stringency. The imposition of a surcharge on the benefit amounted to an extended means test taper only phasing out at high levels of income, but effectively reducing benefit levels across the range of middle incomes. As a further means of containing superannuation costs, the government further announced the gradual phased out eligibility of the 60-65 age group. In the area of family support, the real value of universal child benefits was allowed to decline, despite evidence of increasing family poverty, but, as in Australia, a new targeted benefit was introduced for families with low incomes. By 1987, major divisions emerged within Labour, with those who had earlier spear-headed economic reform arguing for a major rationalisation and cut-back of social expenditure. Although this view was contested, not least by a major Royal Commission report on the social security system, which reaffirmed a commitment to a New Zealand society in which there is "a sense of community responsibility and collective values that provide an environment of security" (Royal Commission, 1988, 11), Labour, nevertheless, went into the 1990 election with proposals for a single base-rate for all benefits other than superannuation that would have meant substantial reductions for many classes of beneficiaries (O'Brien & Wilkes, 1993, 79).

These proposals lapsed when the Nationals won in 1990, but, as in labour market arena, the new National government took up the running where Labour left off. The National government's new policy program, *Welfare that Works,* included a scheme for a global system of abatement of all forms of social assistance, including health and hospital care. So far, this has proved too complex to implement, and the piecemeal introduction of parts of the package has compounded existing poverty traps resulting from means testing. In its initial form, the program also included a proposal to make superannuation a directly, means tested, benefit targeted exclusively to the poor; but this generated enormous opposition and the Nationals had to be satisfied with an increase in the surcharge, a three year freeze on benefit levels and an acceleration of the timetable for making benefits payable from age 65. Despite these reverses, moves towards "an ever more tightly targeted welfare state" continued apace (St John & Heynes, 1993, 3), with the total abolition of the universal child benefit and a means tested regime of health care that, in effect, abrogated the principle of a universal, national health system (Kelsey, 1993, 85-88), being only amongst the more conspicuous examples. Moreover, in its early months in office, the National goverment reduced real benefit levels for virtually all classes of beneficiaries, leading to an estimated increase in poverty of no less than 40 per cent over the two year period 1989/90 to 1991/92 (Easton, 1993, 1-23).

There is, in fact, a point for point reversal in the welfare policy transformation that has taken place in New Zealand and Australia since the advent of Labour government in both countries in the first half of the 1980s. In respect of income maintenance expenditure, New Zealand started out both less selective and more generous, particularly in respect of age superannuation. However by the mid-1990s, the changes we have described had led to a situation in which most benefit levels, other than age pensions, were higher in Australia and, generally, Australian incomes tests, again with the exception of age pensions, cut in at rather higher levels than in New Zealand. In the early 1980s, New Zealand also possessed a national health system which, dating back to the late 1930s, had some claim to be the oldest in the world, whilst the Australian Liberals had just abolished Labor's Medibank scheme introduced for the first time in 1974. But in 1984, Australia's new Labor government restored the universal, national health scheme under the name of Medicare and less than a decade later New Zealand abandoned its universal health care system. Finally, even New Zealand's long-standing record as the more generous provider of age pensions is likely to disappear over the course of coming

decades. Initially introduced in the traditional wage earners' welfare state context of a general wage award, the Australian arbitration system delivered an earnings-related, employer-funded, scheme in 1986. This has now been codified in legislation and expanded, so that all Australian wage-earners will eventually benefit from a scheme which, by early next century, will be funded by nine per cent employer and three per cent employee contributions. Although contributions are compulsory, they go into privately administered funds and are not generally counted as part of public expenditure. According to official estimates, a retiree on average wages in the year 2031 might expect superannuation benefits amounting to 60 per cent of pre-retirement income (Clare & Tulpulé, 1994).

The enormous difference between the termination points of these processes of welfare state transformation is poignantly underlined by a juxtaposition of the titles of recent books published in the two countries. In 1992, a group of well-known New Zealand social scientists contributed to an edited volume called <u>The Decent Society?</u> (Boston and Dalziel, 1992), the question-mark prefiguring a critical onslaught on the entire policy record of the National Party government which had used 'the decent society' as its 1990 election slogan. In complete contrast, an Australian book, co-authored by a social policy specialist and an economist, and based on extensive survey research using analytical techniques similar to those of the Scandinavian level-of-living studies of the 1970s, could use the title, <u>Living Decently</u>, (Travers & Richardson, 1993) to epitomise its conclusions as to the character of the life courses of average Australians in the late 1980s.

Moreover, this history of a decade of welfare reversal in the Antipodes is of more than parochial interest. The willingness and capacity of the Australian Labor government to introduce reforms to the system of social amelioration as significant as universal health care and earnings-related superannuation offer an extraordinary contrast to the "There Is No Alternative" brand of public expenditure cut-backs in New Zealand and the United Kingdom in the same period. Interestingly, too, the superannuation reform was initiated as an adjunct to the wages system and may, properly, be considered an extension of the wage earners' welfare state. Indeed, the usual Eurocentric or Swedocentric myopia of domestic and foreign commentators concerning features of the Antipodean welfare model applies to this scheme, which, presumably, because it counts as neither public expenditure nor taxation, is frequently unmentioned in debate on social security development in the Labor decade; an omission roughly equivalent, in real terms, to describing the Swedish system of social protection without mentioning the ATP system of age superannuation. The contrast between the social policy initiatives of the Australian and New Zealand governments in these years is a still more clear-cut instance of the difference in policy stances already noted in the area of labour market reform. What both differences demonstrate is that there are, in fact, alternatives: that policy may be harnessed to refurbishing the welfare state, as in Australia (see Castles, 1994), or to destroying any kind of welfare state, as in New Zealand. In this account, policy clearly matters.

Policy Variants of the Post-Fordist Future

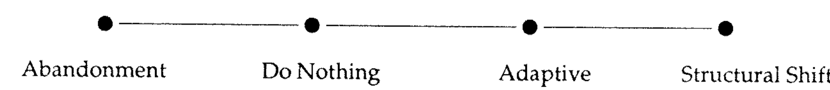
The contrasting ways in which Australia and New Zealand have transformed their systems of social protection over the past decade or so represent two possible alternative kinds of response to the challenge of changed and deteriorating economic conditions. The dilemma for all welfare states in the era following the economic crises of the 1970s was how to maintain levels of social protection in a period when cyclical fluctuations of demand in the world economy seriously threatened employment levels and when the general tenor of proposals for enhanced national competitiveness to cope with that problem invariably seemed to be destructive of existing guarantees of working class living standards, whether provided by social expenditure or by labour market protections. Arguably, the dilemma - rather than the responses to it - may appropriately be labelled as 'post-fordist' in so far as that designation points to a general process of transformation affecting productive relations in a group of Western nations which had formerly experienced a combination of economic prosperity and tight labour markets

that had made possible a wider dispersion of social protection than at any time in human history.

However, a post-fordist dilemma and even a post-fordist future is not the same thing as a post-fordist welfare state. Singularity can apply to broadly defined commonalities of social development, but not to the historical concreteness of types of welfare states or the varieties of working class experience that emerge from them. Throughout this treatment, we have spoken of fordist and post-fordist life cycles in the plural, trying to capture simultaneously the truth that new economic circumstances are everywhere impinging on the role of the state, without thereby implying that this means that there will be any less variety in the future of the welfare state than in its past or present.

Four possible alternative policy responses to economic and social change may be seen as positions on a spectrum depicted in Figure 1. The polar positions range from effective abandonment of the social protection project to a concerted effort to make a structural shift from one model of social protection to another. In between, come a do nothing position and a moderate adaptive position.

Figure 1: Ideal Type Responses to Economic Change



These positions are clearly ideal typical in character and real cases of change only approximate to nodal points on the spectrum, not least because policy change in some areas is more rapid than in others and may even move in quite different directions. The welfare state project has not actually been terminated in New Zealand: rather a welfare state, already highly ambiguous as between wage earners' and social expenditure models, has abandoned all pretence of labour market protections, and has made a shift to an extreme selectivism, which may be described as adaptive or as involving a structural shift according to one's view of whether the essence of the existing benefits system was universalistic or otherwise. This writer sees Australia's overall story of the past decade as being about refurbishing the wage earners' welfare state (Castles, 1994), which corresponds to the adaptive position, but, in detail, some parts of the story correspond to one position and others to another. Superannuation was initiated in adaptive mode as an aspect of the wage award system, but, possibly, may herald the first step towards an earnings-related model. The quasi-corporatism of the Accord, similarly, may be seen as an adaptive extension of proto-corporatist features of the existing wage-setting mechanism or as a move into territory on the brink of being deserted by the Scandinavian model. More closely targeted, but more generous, family benefits may be seen as an adaptive change, whilst some aspects of the shift to enterprise bargaining and lessened tax progressivity may be argued to constitute a partial abandonment of the traditional system.

In addition, all designations of positions on the spectrum are clearly contestable. The New Zealand Treasury presumably applauds much of the change accomplished in the past decade and may see it contributing to more effective individual choice within the welfare state - a structural shift to a new kind of welfare state rather than an abandonment of social protection. Left social democratic critics in Australia are rather less convinced of the notion of an adaptive refurbishment of the wage earners' welfare state and are more inclined to the view that Labor has abandoned its reforming mission and "no longer has any purpose beyond holding the fort" (Beilharz, 1994); that the government's sole aim is to do nothing that would prevent it winning the next election.

Finally, whilst all trajectories of welfare policy change over the past two decades, however ideologically construed, can be located on this spectrum of ideal types, that clearly does not exhaust the variety and diversity of welfare state experience. These types offer us a language for describing the dynamics of change over the period, but not the comparative statics, the models of the welfare state from which the trajectories of change proceed. This chapter has been concerned with the alternative trajectories - and, hence, futures - of the wage earners' welfare state, but the logic of the argument offered

here suggests very strongly that for every model of the welfare state - for Liberal, Conservative and Social Democratic worlds of welfare alike - a no lesser range of diversity is likely to emerge. In each case what will shape that diversity is a complex amalgam of factors, including most prominently the specific political economy of a particular nation, the logic of institutional design of the welfare model to which it adheres, and the policy choices made by political actors. Such policy choices are, of course, in part, a function of these other more determinate factors, but not entirely. The logic of the comparison offered here between two nations with a more or less common historical trajectory of development in relation to the world economy and a common evolution of a distinct model of the welfare state is that any remaining diversity in policy outcomes must be a function of policy choice.

The demonstration that policy matters is of very considerable significance. On the one hand, it points to what we might expect on *a priori* grounds - but what is often effectively denied by general theories of social development - that periods of crisis may well be those in which diversity of social forms is at its greatest. Rather than there being one ineluctable trajectory from a circumscribed past to a circumscribed future for the welfare state, there are many trajectories and many speeds of progress from an existing variety of worlds of welfare to a set of worlds as yet unknowable, except in so far as they are likely to be different from those of the past. On the other hand, it affirms what it is important to affirm: that the shape of welfare states to come is not preordained, but, as in the past, develops out of choice and struggle. Even now, the future of the welfare state in New Zealand is not settled. After almost a decade in which the New Zealand Treasury's views have been pushed through Parliament by majority governments with both Labour and National partisan labels, in 1993 the electorate used the referendum mechanism to ditch the first-past-the-post electoral system blamed for producing majority governments unresponsive to popular opinion (Mulgan, 1994). In other words, what we have tried to suggest is that the future of the welfare state should not be conceived of as the final act of a sociological tragedy, but as the on-going scenes of an unfolding political drama.

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